

20 Years of Collective Progress

Financial Statements 2024

Financial Statements

Financial Statements	1-62
Independent auditors' report	2
Group consolidated statement of financial position	7
Group consolidated statement of income	8
Group consolidated statement of comprehensive income	9
Group consolidated statement of cash flows	10
Group consolidated statement of changes in equity	11
Corporate information	12
Basis of accounting	12
Functional and presentation currency	12
Basis of measurement	12
Use of judgements and estimates	13
Material accounting policies	15
Standards issued but not yet adopted	28
Cash and deposits with the central bank of the UAE	28
Due from banks	28
Investment securities	29
Financing receivables	30
Other assets	30
Due to banks	30
Customer deposits	31
Sukuk payable and other medium term financing	31
Other liabilities	32
Issued capital and share premium reserve	33
Reserves	33
Income from financing and investment products	33
Distribution on deposits and profit paid to sukuk holders	33
Fee and commission income	34
Other operating income	34
General and administrative expenses	34
Net impairment loss / (reversal) on financial assets	34
Taxation	34
Directors' fees	35
Earnings per share	35
Islamic derivatives financial instruments	35
Operating segments	37
Commitments and contingencies	38
Related party transactions	39
Geographical distribution of assets and liabilities	40
Financial assets and liabilities	41
Notes to the group consolidated statement of cash flow	44
Capital management and allocation	44
Risk management	46
Legal proceedings	62
Social contributions	62
Comparative amounts	62

Independent Auditors' Report

The Shareholders
Emirates Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Emirates Islamic Bank P.J.S.C.** (the "Bank") **and its subsidiaries** (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the other ethical requirements that are relevant to our audit of the consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers	
The assessment of the Group's determination of impairment allowances for financing receivables to customers requires management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the quantitative significance of the financing receivables to customers (representing 63% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 6 to the consolidated financial statements for the accounting policy and note 36 for the credit risk disclosure.	<p>We performed the following audit procedures on the computation and reasonableness / appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024:</p> <p>We gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes.</p>

Independent Auditors' Report To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Group's policies and the requirements of IFRSs.	<p>On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Group's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as credit risk mitigation through estimated future discounted cash flows including collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances.</p> <p>We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting.</p> <p>On a sample basis, we assessed the group application of the staging criteria, including the basis for movement between stages.</p> <p>For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, reviewed the calculation methodology and traced a sample back to source data.</p> <p>We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances.</p> <p>We evaluated post-model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses.</p> <p>We considered the process of the independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate.</p>
The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer. The Group performed an independent validation / monitoring of the PD and LGD models including macro-economic model during the reporting period, as well as an external validation for some of the newly implemented models.	



Independent Auditors' Report To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	<p>We updated our assessment of the methodology and framework designed and implemented by the Group as to whether the impairment models' outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Group to determine future economic conditions at the reporting date.</p> <p>We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.</p>
IT systems and controls over financial reporting	<p>We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.</p> <p>We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity ("IPEs") covering access security, program changes, data center and network operations.</p> <p>We examined certain IPEs used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance.</p> <p>We performed testing on the key automated controls on significant IT systems relevant to business processes.</p> <p>We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.</p>

Other Information

The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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



Independent Auditors' Report To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2024:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- Note 10 to the consolidated financial statements discloses the Bank's purchases or investments in shares during the year ended 31 December 2024;
- Note 31 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2024 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
- Note 38 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2024.

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

Deloitte & Touche (M.E.)




Musa Ramahi
Registration No. 872
28 January 2025
Dubai

Group Consolidated Statement of Financial Position As at 31 December 2024

	Notes	2024 AED 000	2023 AED 000
Assets			
Cash and deposits with the Central Bank of the UAE	8	14,674,527	14,981,141
Due from banks	9	10,028,460	6,131,154
Investment securities	10	13,463,573	10,429,662
Financing receivables	11	70,479,855	53,747,737
Positive fair value of Islamic derivatives	28	156,947	184,173
Customer acceptances	30	747,795	1,036,534
Investment properties		170,795	184,806
Property and equipment		320,207	270,848
Other assets	12	1,086,514	845,676
Total assets		111,128,673	87,811,731
Liabilities			
Due to banks	13	5,883,525	5,792,375
Customer deposits	14	76,784,930	61,314,915
Sukuk payable and other medium term financing	15	9,263,125	4,672,500
Negative fair value of Islamic derivatives	28	150,020	178,396
Customer acceptances	30	747,795	1,036,534
Other liabilities	16	3,998,967	3,373,303
Total liabilities		96,828,362	76,368,023
Equity			
Issued capital	17	5,430,422	5,430,422
Legal and statutory reserve	18	1,308,187	1,027,161
Other reserves	18	543,043	543,043
Fair value reserve	18	(186,918)	(269,979)
Retained earnings		7,205,577	4,713,061
Total equity		14,300,311	11,443,708
Total liabilities and equity		111,128,673	87,811,731

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.



Mr. Hesham Abdulla Al Qassim
Chairman



Mr. Shayne Nelson
Director



Mr. Farid AlMulla
Chief Executive Officer

Group Consolidated Statement of Income For the year ended 31 December 2024

	Notes	2024 AED 000	2023 AED 000
Income from financing receivables and investment products	19	5,779,226	4,664,893
Distribution on deposits and profit paid to Sukuk holders	20	(1,549,453)	(950,916)
Net income from financing receivables and investment products		4,229,773	3,713,977
Fee and commission income	21	1,126,948	937,078
Fee and commission expense		(605,924)	(454,937)
Net fee and commission income		521,024	482,141
Other operating income	22	613,263	569,453
Total operating income		5,364,060	4,765,571
General and administrative expenses	23	(1,644,684)	(1,771,366)
Operating profit before impairment		3,719,376	2,994,205
Net impairment loss on financial assets	24	(671,828)	(994,638)
Net impairment reversal on non-financial assets		40,362	121,648
Net impairment loss		(631,466)	(872,990)
Profit for the year before taxation		3,087,910	2,121,215
Taxation charge	25	(277,650)	–
Profit for the year		2,810,260	2,121,215
Earnings per share (AED)	27	0.518	0.391

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Comprehensive Income For the year ended 31 December 2024

	2024 AED 000	2023 AED 000
Profit for the year	2,810,260	2,121,215
Other comprehensive income		
Items that will not be reclassified subsequently to the income statement:		
Actuarial gains / (losses) on retirement benefit obligations	(14,424)	(15,714)
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
– Effective portion of changes in fair value	9,491	4,986
Fair value reserve (Sukuk instruments):		
– Net change in fair value	81,883	100,548
– Net amount transferred to income statement	(98)	(37)
Related deferred tax	(8,215)	–
Other comprehensive income / (loss) for the year	68,637	89,783
Total comprehensive income for the year	2,878,897	2,210,998

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Cash Flows For the year ended 31 December 2024

	2024 AED 000	2023 AED 000
Operating Activities		
Profit for the year before taxation	3,087,910	2,121,215
Adjustment for non cash items and other items (refer Note 34)	1,041,122	1,233,827
Operating profit before changes in operating assets and liabilities	4,129,032	3,355,042
(Increase) / decrease in balances with the Central Bank maturing after three months	81,799	(7,439,773)
(Increase) / decrease in amounts due from banks maturing after three months	(3,440,345)	(3,045,773)
Increase / (decrease) in amounts due to banks maturing after three months	877,537	(146,455)
(Increase) / decrease in positive fair value of Islamic derivatives	36,717	4,931
Increase / (decrease) in negative fair value of Islamic derivatives	(28,376)	(13,104)
(Increase) / decrease in other assets	(244,866)	(88,074)
Increase / (decrease) in other liabilities	158,265	698,126
Increase / (decrease) in customer deposits	15,470,015	4,971,260
(Increase) / decrease in financing receivables	(17,551,391)	(6,451,460)
Net cash flows generated from / (used in) operating activities	(511,613)	(8,155,280)
Investing activities		
(Increase) / decrease in investment securities	(2,959,594)	(3,018,038)
(Increase) / decrease in investment properties	45,253	215,665
Dividend income received	3,168	29
(Increase) / decrease in property and equipment	(141,108)	(110,215)
Net cash flows generated from / (used in) investing activities	(3,052,281)	(2,912,559)
Financing activities		
Issuance of sukuk and other medium term financing	4,590,625	1,000,000
Net cash flows generated from / (used in) financing activities	4,590,625	1,000,000
Increase / (decrease) in cash and cash equivalents (refer Note 34)	1,026,731	(10,067,839)

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Changes in Equity For the year ended 31 December 2024

	Issued capital AED 000	Legal and statutory reserve AED 000	Other reserves AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance as at 1 January 2024	5,430,422	1,027,161	543,043	(269,979)	4,713,061	11,443,708
Profit for the year	-	-	-	-	2,810,260	2,810,260
Other comprehensive income/(loss) for the year	-	-	-	83,061	(14,424)	68,637
Transfer to reserves	-	281,026	-	-	(281,026)	-
Directors' fees (refer note 26)	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(15,294)	(15,294)
Balance as at 31 December 2024	5,430,422	1,308,187	543,043	(186,918)	7,205,577	14,300,311
Balance as at 1 January 2023	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342
Profit for the year	-	-	-	-	2,121,215	2,121,215
Other comprehensive income/(loss) for the year	-	-	-	105,497	(15,714)	89,783
Transfer to reserves	-	212,122	-	-	(212,122)	-
Directors' fees (refer note 26)	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(20,632)	(20,632)
Balance as at 31 December 2023	5,430,422	1,027,161	543,043	(269,979)	4,713,061	11,443,708

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report on the Group consolidated financial statements is set out on pages 2-6.

Notes to the Group Consolidated Financial Statements For the year ended 31 December 2024

1 Corporate Information

Emirates Islamic Bank P.J.S.C (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Shariah rules and principles. The entire process was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD Bank P.J.S.C, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), which is wholly owned by the Government of Dubai.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is <http://www.emiratesislamic.ae>. In addition to its head office in Dubai, the Bank operates through 40 branches in the UAE. The group consolidated financial statements comprise financial statements of the Bank and its following subsidiaries and other entities controlled by the Bank (together referred to as "the Group").

Subsidiaries	Date of incorporation & country	Principal activity	Ownership %	
			31 December 2024	31 December 2023
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%
Other entities consolidated by the Group on the bases of control assessment:				
EIB Sukuk Company Limited	16 April 2007, Cayman Islands	Special Purpose Entity		

The Bank provides banking services and offers a variety of products through financing and investing instruments in accordance with Shariah rules and principles.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

*This subsidiary is in the process of being dissolved.

2 Basis of accounting

Statement of compliance:

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

Federal Law No. 32 of 2021 on Commercial Companies has come into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015.

The principal accounting policies adopted in the preparation of the Group consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3 Functional and presentation currency

The Group consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

4 Basis of measurement

The Group consolidated financial statements have been prepared under the historical cost basis except for the following:

- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in Note 5.

5 Use of judgements and estimates

The preparation of the Group consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant items where the use of estimates and judgments are required are outlined below:

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2024 pertain to:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding
- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2024. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

Assessment of Significant Increase in Credit Risk ("SICR")

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using early warning and other indicators that are used in the Group's existing risk management processes.

The Group's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2 including but not limited to:

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its financing receivables portfolio to assess unlikelihood to pay and impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financing receivable or homogenous group of financing receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The estimation and application of forward-looking information requires significant judgment based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio and represent the underlying causal effects of changes in these economic conditions. Each macroeconomic scenario used in the Group's ECL calculation will have projected forecasts of the relevant macroeconomic variables.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

5 Use of judgements and estimates (continued)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation (continued)

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios (continued)

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. These scenarios are based on macroeconomic forecasts published by the external experts. If conditions warrant, additional downside scenarios may also be considered.

Probability weights attached to these scenarios are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's governance process for oversight.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group.

The table below summarises key macroeconomic indicators included in the economic scenarios during Q4 2024 and for the years ending 2025 to 2028.

	Base Scenario					Upside Scenario					Downside Scenario				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
UAE															
Oil Price – USD	81	78	76	75	75	81	84	80	76	76	81	60	60	71	73
GDP – Change %	3.7	4.0	3.6	3.8	3.9	3.7	5.8	5.1	3.8	3.9	3.7	0.2	-0.9	4.8	5.6
Imports – AED in Bn	1,919	2,039	2,160	2,268	2,379	1,919	2,058	2,216	2,362	2,500	1,919	1,865	1,882	1,995	2,098

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Group must consider the maximum contractual period over which it is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management, Internal audit and Business teams and are responsible for reviewing and approving key inputs and assumptions used in the Group ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated Shariah compliant derivatives.

Fair values are subject to a control framework designed to ensure that they are either determined or validated, by a function independent of the risk taker.

(iii) Contingent liability arising from litigations

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

6 Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these Group consolidated financial statements.

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the Group consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value of assets transferred by group, liability incurred, and equity interest issued by the group in exchange for control of the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred, and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interest in the acquiree are restated to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(ii) Special Purpose Entities

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitisation of particular assets, or the execution of a specific funding transaction. An SPE is consolidated if the Group is exposed to variable returns from its involvement in the SPE and has the ability to affect those returns through its power over the SPE based on an evaluation of the substance of its relationship with the Group.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(a) Principles of consolidation (continued)

(ii) Special Purpose Entities (continued)

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- the Group has power over the SPE;
- the Group has exposure to, or rights, to variable returns from its involvement with the SPE; and
- the Group has the ability to use its power over the SPE to affect the amount of the Group's returns.

The assessment of whether the Group has control over an SPE is carried out at inception and reassessed at each period end date or if there are changes in the structure / terms of additional transactions between the group and the SPE.

Information about the Group's securitisation activities is included in Note 15.

(b) Foreign Currencies

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. The resulting gain / loss on monetary items is taken to the 'Other operating income' in the consolidated statement of income. 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.

(c) Financing Profit

Effective profit rate

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

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

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

Amortised cost

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

Gross carrying amount

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

Presentation

Finance profit and expense presented in the consolidated statement of income include:

- Profit on financial assets and financial liabilities measured at amortised cost calculated on an effective profit basis.
- Profit on Sukuk measured at FVOCI calculated on an effective profit basis.

(d) Income from financing receivables

Revenue is recognised on the respective Islamic products as follows:

Murabaha

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the balance outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price to the customer and the bank's total Istisna'a cost) are accounted using effective profit method.

Ijara

Income from Ijara is recognised on an accrual basis over the period of the contract using effective profit method.

Mudaraba

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala

Estimated income from Wakala is recognised on an accrual basis over the period using effective profit method, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

(e) Fees and commission

Fee income, which is not an integral part of the effective profit rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio and other management advisory and service fees); and
- Other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate and recorded in income from financing and investing products.

(f) Earnings prohibited by Shariah

Earnings prohibited by the Shariah are a result of errors in execution of transactions as determined by the Internal Shariah Supervision Committee (ISSC), or obligated amount to Charity (late payment donation amounts) from customers who delayed the payment of their dues, according to the resolution of the ISSC of the Group, these funds are used specifically for Charity purposes and social contributions according to internal policies of the Group and ISSC guidance.

(g) Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

(h) Property related income

Property related income includes rental income, which is recognised on a straight-line basis over the term of the lease.

(i) Leases

Under IFRS 16, the Group recognises a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits.

The Group has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

Where the Group leases out its investment property, the Group has classified these as operating leases.

(j) Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

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

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

All other financial assets are classified as measured at FVTPL.

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

(ii) Recognition and initial measurement

The Group initially recognises financing receivables, deposits, sukuks payable and other medium term financing on the date on which they are originated or acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and profit:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

See note on investment securities, financing receivables and cash and cash equivalents for further details.

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortised cost or FVTPL.

Reclassifications:

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

(iii) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are financing instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

Purchased or originated credit impaired assets (POCI)

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted EIR. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the credit risk.

Revolving facilities

The Group's product offering includes a variety of corporate and retail facilities and credit cards, in which the Group has the right to cancel and/or reduce the facilities at a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(iii) Impairment (continued)

Revolving facilities (continued)

Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Write-off

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

(iv) Financial guarantees and financing commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified obligor fails to make payment when due, in accordance with the terms of a financing instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Financing commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(v) Financing receivables

Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:

- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

Murabaha

An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Istisna'a

An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Ijara

An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent instalments. Ijara could end by transferring the ownership of asset to the lessee through a separate agreement or in accordance with sale undertaking provisions.

Musharaka

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

Mudaraba

An agreement between two parties; wherein one of them provides the funds and is called Rab-ul-Mal and the other provides efforts and expertise and is called the Mudarib and is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In case of normal loss; the Rab-ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses.

The Group may act as Mudarib when accepting funds from depositors and as Rab-ul-Mal when investing such funds on a Mudaraba basis.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

These products are carried at amortised cost less impairment.

(vii) Investment securities

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

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

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

- Profit income using the effective profit method
- ECL charges and reversals, and
- Foreign exchange gains and losses.

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

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

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

(viii) Derecognition

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

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

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

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities financing and sale-and-repurchase transactions.

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

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

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(ix) Modification of financial assets and financial liabilities

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the obligor, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(x) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Group consolidated statement of financial position when, and only when, the Group currently has legally enforceable rights to set off amounts and it intends either to settle them on a net basis or through realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

(xi) Fair value Measurement

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

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

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

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

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

(xii) Designated at FVTPL

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- (a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

A description of the basis of each designation is set out in relevant notes for the asset or liability class.

(xiii) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are disclosed in the notes to the Group consolidated financial statements when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included as a separate deposit. Securities purchased under agreements to resell ('reverse repos') are recorded as financing receivables to either banks or customers, as appropriate. The difference between sale and repurchase price is treated as profit and accrued over the life of the agreements using the effective profit method.

(k) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

(l) Islamic derivatives held for risk management purposes and hedge accounting

The Group follows a hedge accounting model that aligns hedge accounting more closely with risk management. The model measures hedge effectiveness through an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

The Group also performs rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of Islamic derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in 'income from trading activities' except for gains and losses on those Islamic derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in 'other operating income'.

The Group utilises Shariah compliant hedging instruments to satisfy the requirements of its customers, for proprietary trading purposes and to hedge its own exposure to profit rates and currency risk.

Where there is a hedging relationship between an Islamic derivative instrument and a related item being hedged, the hedging instrument is measured at fair value, with any resultant gains and losses being accounted as set out below.

The fair value of Islamic derivative hedging instruments is calculated in the same way as the fair value of financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the Islamic derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain Islamic derivatives as either:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- Hedge of net investment in a foreign operation.

Hedge accounting is used for Islamic derivatives designated in this way provided certain criteria are met.

(i) Fair value hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging Islamic derivative expires or is terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

(ii) Cash flow hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of Islamic derivative is recognised in other comprehensive income within 'Cash flow hedges – fair value gains / (losses)'. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Group consolidated statement of income.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the Group consolidated statement of income in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(i) Islamic derivatives held for risk management purposes and hedge accounting (continued)

(ii) Cash flow hedge (continued)

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the Group consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the Group consolidated statement of income.

(iii) Net investment hedges

When an Islamic derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve. Any ineffective portion of the changes in the fair value of the Islamic derivative is recognised immediately in Group consolidated statement of income. The amount recognised in other comprehensive income is reclassified to the Group consolidated statement of income as an adjustment on disposal of the foreign operation.

(iv) Islamic derivatives that do not qualify for hedge accounting

Certain Islamic derivative financial instruments do not qualify for hedge accounting. Such Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and Shariah compliant foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positives and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using recognized pricing or valuation models as appropriate.

(v) Embedded Islamic derivatives

Islamic derivatives embedded in financial assets, liabilities and non-financial host contracts, are treated as separate Islamic derivatives and recorded at fair value if they meet the definition of an Islamic derivative, their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVTPL. The embedded Islamic derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Group consolidated statement of income.

(m) Property, equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Freehold premises	25 – 60 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture, fixtures and office equipment	5 years
Computer hardware and software	4 – 5 years
Core banking software	5 – 7 years
Motor vehicles	3 – 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Group consolidated statement of income.

(n) Investment properties

The Group holds certain properties as investments to earn rental income, for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and accumulated impairment (if any).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in 'other operating income' in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use based on the business model.

(o) Intangible assets

(i) Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation is recognised in the Group consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

(ii) Other intangible assets

Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the Group consolidated income statement in the expense category consistent with the function of the intangibles.

(p) Impairment of non financial assets

The carrying amounts of the Group's non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

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

(q) Deposits, financing receivables and sukuks issued

Deposits, financing receivables and sukuks issued are the main sources of funding for the Group.

Deposits, financing receivables and sukuks issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

6 Material accounting policies (continued)

(s) Employee benefits

(i) Pension obligations

The Group operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security. Arrangements for benefits for overseas employees is made in accordance with local regulations and customs. Full provision is made for all accrued benefits.

The Group also pays contributions to trustee administered funds on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

(ii) Termination gratuity benefit scheme

In compliance with UAE labour law, the Group has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Group for more than one year. The provision for gratuity is recorded through the consolidated statement of income.

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuities include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The value of the gratuity obligations is based on the report submitted by an independent actuarial firm.

(t) Dividend on shares

Dividends on shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in the Annual General Meeting.

(u) Share capital and reserves

Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(v) Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potential ordinary shares, if any.

(w) Operating segments

For management purposes, the Group is organised into operating segments based on their products, services and certain subsidiaries which are independently managed by the respective segment managers responsible for the performance of the segments under their charge.

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28.

(x) Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries,
 - (i) controls, is controlled by, or is under common control with, the Group;
 - (ii) has any interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(y) Profit distribution

Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the Shareholders, is according to the instructions of the Bank's Internal Shariah Supervision Committee.

Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution. Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib share as per the agreed and declared percentage.

Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers' accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

(z) Zakat

The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Internal Shariah Supervision Committee as follows:

- Zakat is calculated as per the Net Investment Asset method.
- Zakat is disbursed to Shariah channels through a committee formed by the management in line with ISSC guidance.

(aa) Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the common mudaraba pool's income, before allocating the mudarib share, in order to maintain a certain level of return on investments for all the investment account holders and other investors in the common mudaraba pool.

(ab) Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Shariah Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance. The purpose of the investment risk reserve is to allocate a specified percentage of the total depositors' profit on a periodic basis, with the aim of using these funds to compensate any future losses.

(ac) Revenue recognition

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group also operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

(ad) Income taxes and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the Group consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are reviewed periodically to reduce the carrying amount by the extent to which it is no longer probable that sufficient taxable profits will be available to utilise the differences.

Deferred tax assets and liabilities are off set when there is a legally enforceable right to set off current tax asset against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

7 Standards issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2024, with the Group not opting for early adoption.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
Amendments to IFRS 9 and IFRS 7	
The amendments address matters identified during the post implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability	
IFRS 19 specifies the permitted disclosure requirements for an eligible subsidiary to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027

The Group anticipates that these new standards, interpretations, and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

8 Cash and deposits with the central bank of the UAE

	2024 AED 000	2023 AED 000
Cash	1,170,581	902,981
Statutory and other deposits with the Central Bank of the UAE	8,257,405	6,542,899
Murabaha with the Central Bank of the UAE	5,246,541	7,535,261
	14,674,527	14,981,141

The reserve requirements which are kept with the Central Bank of the UAE are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directives of the Central Bank of the UAE.

9 Due from banks

	Local (UAE) AED 000	Foreign AED 000	Total AED 000
31 December 2024			
Time	3,564,496	6,072,741	9,637,237
Overnight, call and short notice	223,217	190,227	413,444
Gross due from banks	3,787,713	6,262,968	10,050,681
Less: Expected credit losses			(22,221)
			10,028,460
	Local (UAE) AED 000	Foreign AED 000	Total AED 000
31 December 2023			
Time	1,651,631	4,102,790	5,754,421
Overnight, call and short notice	6,090	384,666	390,756
Gross due from banks	1,657,721	4,487,456	6,145,177
Less: Expected credit losses			(14,023)
			6,131,154

10 Investment securities

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2024				
Designated as at FVTPL				
Equity	–	62,775	–	62,775
	–	62,775	–	62,775
Measured at amortised cost				
Government Sukuk	2,274,651	1,548,421	537,959	4,361,031
Corporate Sukuk	1,217,488	2,079,503	396,600	3,693,591
	3,492,139	3,627,924	934,559	8,054,622
Less: Expected credit losses				(5,214)
				8,049,408
Measured at FVOCI				
Government Sukuk	–	–	455,522	455,522
Corporate Sukuk	2,292,780	1,071,707	1,539,922	4,904,409
	2,292,780	1,071,707	1,995,444	5,359,931
Less: Expected credit losses				(8,541)
				5,351,390
Gross investment securities	5,784,919	4,762,406	2,930,003	13,477,328
Net investment securities				13,463,573

As at 31 December 2024, the fair value of investment securities measured at amortized cost amounted to AED 7,976 million (31 December 2023: AED 4,526 million).

Investment securities with the carrying amount of AED 447 million (31 December 2023: AED 345 million) and fair value of AED 447 million (31 December 2023: AED 335 million) were collateralised for obligations under due to banks (refer note 13).

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2023				
Designated as at FVTPL				
Equity	–	64,172	–	64,172
	–	64,172	–	64,172
Measured at amortised cost				
Government Sukuk	1,145,290	1,242,179	262,834	2,650,303
Corporate Sukuk	794,031	404,133	669,308	1,867,472
	1,939,321	1,646,312	932,142	4,517,775
Less: Expected credit losses				(4,715)
				4,513,060
Measured at FVOCI				
Government Sukuk	–	80,579	460,316	540,895
Corporate Sukuk	2,563,407	1,050,027	1,716,716	5,330,150
	2,563,407	1,130,606	2,177,032	5,871,045
Less: Expected credit losses				(18,615)
				5,852,430
Gross investment securities	4,502,728	2,841,090	3,109,174	10,452,992
Net investment securities				10,429,662

*Domestic: These are securities issued within the UAE.

**Regional: These are securities issued within the Middle East.

***International: These are securities issued outside the Middle East.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

11 Financing receivables

	2024 AED 000	2023 AED 000
At Amortised Cost		
Murabaha	51,169,818	37,048,788
Credit cards receivable	3,683,292	2,876,335
Wakala murabaha	1,381,161	359,983
Istisna'a	1,750,710	1,689,745
Ijara	20,214,989	18,270,242
Others	189,716	14,548
	78,389,686	60,259,641
Less: Deferred income	(3,213,965)	(1,660,758)
Gross financing receivables	75,175,721	58,598,883
Less: Expected credit losses	(4,695,866)	(4,851,146)
Net financing receivables	70,479,855	53,747,737
Total of impaired gross financing receivables	3,300,175	3,682,118
	2024 AED 000	2023 AED 000
By Business Units		
Retail banking	30,724,542	22,265,033
Corporate banking	44,451,179	36,333,850
	75,175,721	58,598,883

Ijara assets amounting to AED 5.2 billion (2023: AED 2.9 billion) were securitised for the purpose of issuance of Sukuk liability (refer note 15).

Allowances of impairment on financing receivables have been disclosed in further detail in note 36 I.

12 Other assets

	2024 AED 000	2023 AED 000
Profit receivable	196,329	145,725
Prepayments and other advances	228,453	166,050
Deferred sales commission	30,318	23,269
Goods available-for-sale	44,550	41,574
Others	586,864	469,058
	1,086,514	845,676

13 Due to banks

	2024 AED 000	2023 AED 000
Demand and call deposits	438,667	543,161
Repurchase agreements with banks	434,713	327,121
Time and other deposits	5,010,145	4,922,093
	5,883,525	5,792,375

The profit paid on the above averaged 3.87% p.a. (2023: 3.89% p.a).

14 Customer deposits

	2024 AED 000	2023 AED 000
By Type		
Demand, call and short notice	34,403,679	29,495,837
Wakala investments	21,624,651	13,330,344
Time deposits	1,433,985	1,514,051
Savings	18,715,571	16,557,979
Others*	607,044	416,704
	76,784,930	61,314,915

*Including Depositors' investment risk reserve amounting to AED 23.5 million (2023: AED 13.6 million).

Movement in depositors' investment risk reserve is as follows.

	2024 AED 000	2023 AED 000
Balance as at 1 January	13,603	2,724
Profit earned on reserve balance	-	-
Transfer	10,516	11,239
Zakat	(623)	(360)
Balance as at 31 December	23,496	13,603

By Business Units

	2024 AED 000	2023 AED 000
Corporate banking	19,122,106	11,444,545
Retail banking	57,662,824	49,870,370
	76,784,930	61,314,915

The profit rates paid on the above deposits averaged 1.52% p.a. (2023: 1.26% p.a.).

15 Sukuk payable and other medium term financing

	31 December 2024 AED 000	31 December 2023 AED 000
Sukuk payable (note 15.1)	7,426,875	4,672,500
Other medium term financing *	1,836,250	-
	9,263,125	4,672,500
	2024 AED 000	2023 AED 000
Balance as at 1 January	4,672,500	3,672,500
Issuances	4,590,625	1,000,000
Balance as at 31 December	9,263,125	4,672,500

* During the year, the Group arranged funding of USD 500 million under a Shariah compliant financing arrangement maturing in March 2027.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

15 Sukuk payable and other medium term financing (continued)

As at 31 December 2024, the outstanding Sukuk payable and other medium term financing totalling AED 9,263 million (31 December 2023: AED 4,673 million) is falling due as below:

	2024 AED 000	2023 AED 000
2025	1,836,250	1,836,250
2026	2,836,250	2,836,250
2027	1,836,250	–
2029	2,754,375	–
	9,263,125	4,672,500

15.1) During 2024, the Group issued Sukuk amounting to AED 2.8 billion to raise USD denominated senior unsecured sustainability medium term finance via a Shariah compliant sukuk financing arrangement.

During 2023, the Group issued Sukuk amounting to AED 1 billion to raise AED denominated medium term finance via a Shariah compliant sukuk financing arrangement.

In years 2020 and 2021, Group had issued AED 3.7 billion to raise USD denominated medium term finance via a Shariah compliant sukuk financing arrangement.

Following are the details of all the sukuk financing arrangement in issue.

Issue Date	Amount	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	USD 500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	USD 500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026
February 2023	AED 1,000,000,000	Nasdaq	5.05	Semi annual	February 2026
May 2024	USD 750,000,000	Irish Stock Exchange & Nasdaq	5.431	Semi annual	May 2029

The Bank transferred certain identified Ijara assets totalling to AED 5.2 billion (the “co-owned assets”) to its subsidiary, EIB Sukuk company limited – (the “Issuer”), a special purpose vehicle formed for the issuance of these sukuk. The Bank has further entered a Murabaha agreement with EIB Sukuk Company Limited for an amount of AED 2.5 billion. This medium term financing is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group. Accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the Sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the Sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Group has undertaken to repurchase the assets at the exercise price.

16 Other liabilities

	2024 AED 000	2023 AED 000
Profit payable to depositors	481,117	301,577
Staff related liabilities	232,428	194,036
Managers' cheques	449,678	612,105
Trade and other payables	533,068	342,530
Zakat payable	15,917	20,992
Provision for taxation	277,650	–
Deferred tax liabilities	8,215	–
Others	2,000,894	1,902,063
	3,998,967	3,373,303

17 Issued capital and share premium reserve

	2024 AED 000	2023 AED 000
Authorized Share Capital		
10,000,000,000 (2023: 10,000,000,000) ordinary shares of AED 1 each (2023: AED 1 each)	10,000,000	10,000,000
Issued and fully paid up capital		
5,430,421,875 (2023: 5,430,421,875) ordinary shares of AED 1 each (2023: AED 1 each)	5,430,422	5,430,422

18 Reserves

Legal and statutory reserve

In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable legal and statutory reserve until such time as this reserve equals 50% of the Bank's issued capital.

Other reserve

10% of the profit is also transferable to a non-distributable regular reserve until such time as this reserve equals 10% of the Bank's issued capital. Since the regular reserve is equal to 10% of the Bank's issued capital, profit was not appropriated to the regular reserve during the year.

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2024	1,027,161	543,043	1,570,204
Transfer from retained earnings*	281,026	–	281,026
At 31 December 2024	1,308,187	543,043	1,851,230

*Prior year comparatives are shown in the consolidated statement of changes in equity.

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets and the net effective portion of changes in fair value of cash flow hedges.

19 Income from financing and investment products

	2024 AED 000	2023 AED 000
Financing receivables		
– Murabaha	3,135,332	2,502,059
– Ijara	1,189,322	1,121,916
– Istisna'a	102,312	85,117
Investment securities measured at FVOCI	198,095	213,015
Investment securities measured at amortised cost	302,648	120,338
Others	851,517	622,448
	5,779,226	4,664,893

20 Distribution on deposits and profit paid to sukuk holders

	2024 AED 000	2023 AED 000
Distribution to depositors	1,078,458	751,404
Profit paid on account of sukuk and other medium term financing	298,319	118,899
Profit paid on due to banks	105,981	73,229
Others	66,695	7,384
	1,549,453	950,916

Distribution on deposits represents the share of income between depositors and equity holders. The allocation and distribution to depositors is approved by the Internal Shariah Supervision Committee.

During the years 2024 and 2023, the Bank, in its capacity as Mudarib, has not relinquished any part of its profit share to the benefit of account holders.

Profit paid to sukuk holders represents the distribution of returns received in respect of assets transferred to the EIB Sukuk Company Limited which was specifically formed for this transaction.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

21 Fee and commission income

	2024 AED 000	2023 AED 000
Commission income	79,034	82,041
Fee income	1,047,914	855,037
	1,126,948	937,078

22 Other operating income

	2024 AED 000	2023 AED 000
Dividend income on equity investments designated at FVTPL	3,168	29
Gain from sale of investment securities measured at FVOCI	98	37
Gain / (loss) from investment securities designated at FVTPL	(1,397)	27,774
Rental income (net of depreciation)	9,151	4,920
Gain / (loss) on sale of investment properties	(1,077)	9,921
Foreign exchange and Islamic derivative income / (loss)*	585,915	499,720
Other income (net)	17,405	27,052
	613,263	569,453

*Foreign exchange income comprises translation gain and gain on dealings with customers.

23 General and administrative expenses

	2024 AED 000	2023 AED 000
Staff cost	758,873	676,420
Occupancy cost	29,296	30,390
Equipment and supplies	27,456	27,993
Recharges from group companies	560,029	437,826
Communication cost	39,862	49,161
Marketing related expenses	25,317	23,884
Depreciation	91,749	88,573
Others	112,102	437,119
	1,644,684	1,771,366

24 Net impairment loss / (reversal) on financial assets

The charge to the income statement for the net impairment loss / (reversal) on financial assets is made up as follows:

	2024 AED 000	2023 AED 000
Net impairment of due from banks	8,198	4,923
Net impairment of investment securities	(9,576)	(6,548)
Net impairment of financing receivables (refer note 36 I)	921,323	1,072,701
Net impairment of unfunded exposures	50,981	140,034
Bad financing written off / (recovery) - net	(299,098)	(216,472)
	671,828	994,638

25 Taxation

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

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

The taxable income of the entities that are in scope for UAE CT purposes is subject to 9% CT rate. The Group is part of a group that is in scope of Pillar Two (i.e. exceeding the revenue threshold of EUR 750 million and operating in multiple jurisdictions). The Group Holding Company is in process of assessing its potential exposure to Pillar Two income taxes.

The Group's UAE operations will be subject to Pillar Two effective 1 January 2025. The effective tax rate is expected to be 15% on profits earned in the UAE (9% in 2024).

The amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing Pillar Two. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The tax charge for year ended 31 December 2024 is AED 278 million, representing Group effective tax rate of 8.99%.

A. Reconciliation of effective tax rate

	2024 AED 000
Profit before tax	3,087,910
Domestic tax (9%)	277,912
Tax effect of:	
Income not taxable	(373)
Non-deductible expenses	147
Others	(36)
	277,650

26 Directors' fees

This comprises of fees payable to the directors of the Group of AED 7 million (2023: AED 7 million).

27 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, if any.

	2024	2023
Net profit for the year (AED '000)	2,810,260	2,121,215
Weighted average number of ordinary shares in issue ('000)	5,430,422	5,430,422
Earnings per share* (AED)	0.518	0.391

*The diluted and basic EPS were the same at the year end.

28 Islamic derivatives financial instruments

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2024	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	1,511	(1,162)	3,808,261	1,718,071	1,790,235	-	-	299,955
Foreign exchange options	2,591	(2,665)	217,538	85,870	97,320	34,348	-	-
Profit rate swaps/caps	138,348	(146,193)	18,100,015	1,092,658	552,849	9,501,274	4,614,531	2,338,703
	142,450	(150,020)	22,125,814	2,896,599	2,440,404	9,535,622	4,614,531	2,638,658
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	14,497	-	1,525,000	-	-	1,525,000	-	-
Total	156,947	(150,020)	23,650,814	2,896,599	2,440,404	11,060,622	4,614,531	2,638,658

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

28 Islamic derivatives financial instruments (continued)

31 December 2023	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign								
exchange contracts	4,352	(374)	4,394,720	2,322,152	2,072,568	–	–	–
Foreign exchange options								
Profit rate swaps/caps	170,248	(173,311)	11,863,935	–	1,101,228	5,279,226	2,965,090	2,518,391
	179,187	(178,396)	16,912,861	2,427,944	3,491,171	5,510,265	2,965,090	2,518,391
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	4,986	–	300,000	–	–	300,000	–	–
Total	184,173	(178,396)	17,212,861	2,427,944	3,491,171	5,810,265	2,965,090	2,518,391

Islamic derivative related credit risk

Credit risk in respect of Islamic derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group and potential future fluctuations. All credit exposure is managed under approved facilities and in certain cases collateralised. The Group takes a Credit Value Adjustment (CVA) on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including Foreign Exchange and Profit Rates.

Islamic derivatives designated at FVTPL

Most of the Group's Islamic derivative activities relate to sales and position coverage. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Profit rate derivatives activities are conducted under Board approved limits.

Islamic derivatives held or issued for hedging purposes

As part of its asset and liability management, the Group uses Islamic derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

The Group designates its Islamic derivatives held or issued for hedging purposes as:

- Fair value hedges: Hedges of the fair value of recognised assets or liabilities or firm commitments;
- Cash flow hedges: Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction; and
- Net investment hedges: Hedges of net investments in foreign operations.

Further, in terms of the hedging transactions carried out by the Group, the Group documents:

- At the inception of the transaction, the relationship between hedging instruments and hedged items, the risk being hedged and the Group's risk management objective and strategy for undertaking a hedge transaction.
- The manner in which effectiveness will be measured throughout the life of the hedge relationship.

At the end of period, no derivatives are designated for hedging purposes as "Fair value hedge" or "Net investment hedge".

The Group's assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is measured by the Group on a prospective basis at inception, as well as retrospectively (where applicable) and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of Islamic derivative related credit risk on the valuation of the hedging Islamic derivative and hedged item. To mitigate this credit risk, the Group executes hedging Islamic derivatives with high quality counterparties and the majority of the Group's hedging Islamic derivatives are collateralised.

Fair value hedges:

The Group uses profit rate swaps to hedge against changes in value of investment securities due to profit rate movements. These are designated by the Group as fair value hedges and, therefore the fair value hedge accounting is applied to hedge movements in the value of fixed profit rate assets and liabilities subject to profit rate risk, as well as assets and liabilities subject to foreign exchange risk.

Subsequent to initial designation, changes in the fair value of Islamic derivatives designated as fair value hedges are accounted for in the 'other operating income', along with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges:

The Group uses profit rate swaps and forward rate agreements to hedge against the cash flow risks arising on certain floating rate customer deposits and medium-term financings. Profit rate swaps are also used to hedge against the cash flow risks arising on certain floating rate facilities and receivables. These are designated by the Group as cash flow hedges, and, as such, the Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to profit rate risk on variable rate assets and liabilities, and assets and liabilities subject to foreign exchange risk.

The effective portion of changes in the fair value of Islamic derivatives designated as cash flow hedges are recognised in the fair value reserve within equity. Any gain or loss relating to the ineffective portion is recognised immediately in the Group consolidated statement of income.

29 Operating segments

The Group's activities comprise the following main business segments:

Corporate and institutional banking

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Retail banking and wealth management

Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury

Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations, and brokerage services.

Others

Other operations of the Group include operations and support functions.

	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
31 December 2024					
Net income from financing and investment products	830,792	2,475,507	266,377	657,097	4,229,773
Net fees, commission & other income	200,085	923,316	2,208	8,678	1,134,287
Total operating income	1,030,877	3,398,823	268,585	665,775	5,364,060
General administrative and other expenses	(87,210)	(1,209,834)	(27,756)	(319,884)	(1,644,684)
Net impairment loss	(196,705)	(484,151)	9,146	40,244	(631,466)
Profit for the year before taxation	746,962	1,704,838	249,975	386,135	3,087,910
Segment Assets	39,695,947	50,832,782	20,650,021	(50,077)	111,128,673
Segment Liabilities and Equity	22,270,112	60,679,483	2,800,732	25,378,346	111,128,673

	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
31 December 2023					
Net income from financing and investment products	651,496	2,150,596	376,856	535,029	3,713,977
Net fees, commission & other income	179,691	822,304	35,780	13,819	1,051,594
Total operating income	831,187	2,972,900	412,636	548,848	4,765,571
General administrative and other expenses	(90,221)	(1,009,377)	(23,393)	(648,375)	(1,771,366)
Net impairment loss	(126,668)	(876,420)	6,282	123,816	(872,990)
Profit for the year before taxation	614,298	1,087,103	395,525	24,289	2,121,215
Segment Assets	27,305,137	41,522,562	18,966,447	17,585	87,811,731
Segment Liabilities and Equity	14,486,859	52,638,886	2,848,117	17,837,869	87,811,731

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

30 Commitments and contingencies

The Group's commitments and contingencies are as follows:

	2024 AED 000	2023 AED 000
Letters of credit	604,169	563,001
Guarantees	8,661,048	6,578,967
Liability on risk participations	30,265	10,781
Irrevocable financing commitments*	2,367,784	2,795,524
	11,663,266	9,948,273

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

The table below summarizes the stage wise balances of unfunded exposures and customer acceptances and ECL thereon:

AED 000	31 December 2024			31 December 2023		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Exposure	11,982,304	172,185	256,572	10,665,416	108,557	210,834
Expected credit losses	46,431	9,225	256,572	151,976	7,313	102,050

Unfunded exposure includes guarantees, standby letter of credits, acceptances and irrevocable financing commitments.

(a) Acceptance

Acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off balance sheet commitment for acceptances.

(b) Capital Commitments

The Group has commitments as at 31 December 2024 for branch refurbishments and automation projects of AED 3.1 million (2023: AED 11.2 million).

31 Related party transactions

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (40.92%), an entity which is wholly owned by the Government of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 17.2% and 4.8% (2023: 14.2% and 4.2%) of the total customer's deposits and financing receivables of the Group, respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the year with key management personnel and their immediate relations at the year end.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	2024 AED 000	2023 AED 000
Financing and other receivables		
To parent and related companies	676,209	429,743
To directors and related companies	9,683	4,240
To key management personnel and affiliates	3,923	3,592
	689,815	437,575
Customer deposits and other payables		
From ultimate parent company	-	9
From parent and related companies	3,790,181	4,578,147
From directors and related companies	136	99
From key management personnel and affiliates	20,404	18,983
	3,810,721	4,597,238
Investment securities and Islamic derivatives		
Investment in ultimate parent company	181,988	186,045
Positive fair value of Islamic derivative - Parent and related companies	45,190	67,476
Negative fair value of Islamic derivative - Parent and related companies	(111,929)	(116,858)
Notional amount of Islamic derivative - Parent and related companies	13,832,116	10,804,699
Group Consolidated Statement of Income		
Recharges from group companies	(560,029)	(437,826)
Income from investment in ultimate parent company	6,436	6,443
Directors sitting and other fee	3,682	3,651
Income on financing receivables		
From parent and related companies	57,370	55,114
Distribution on deposits		
To ultimate parent company	-	3,911
To parent and related companies	25,837	25,800

The total amount of compensation paid to key management personnel of the Group during the year was as follows:

	2024 AED 000	2023 AED 000
Key management compensation		
Short term employee benefits	29,275	30,754
Post employment benefits	969	1,062

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

32 Geographical distribution of assets and liabilities

The Group's financial position, before taking into account any collateral held or other credit enhancement, can be analysed by the following regions:

	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
31 December 2024				
Assets				
Cash and deposits with the Central Bank of the UAE	14,674,527	–	–	14,674,527
Due from banks	3,765,492	4,015,850	2,247,118	10,028,460
Investment securities	5,782,011	4,760,171	2,921,391	13,463,573
Financing receivables	68,927,626	537,841	1,014,388	70,479,855
Positive fair value of Islamic derivatives	156,947	–	–	156,947
Customer acceptances	747,795	–	–	747,795
Investment properties	170,795	–	–	170,795
Property and equipment	320,207	–	–	320,207
Other assets	1,086,514	–	–	1,086,514
Total assets	95,631,914	9,313,862	6,182,897	111,128,673
Liabilities				
Due to banks	4,327,953	85,695	1,469,877	5,883,525
Customer deposits	75,792,885	318,190	673,855	76,784,930
Sukuk payable	9,263,125	–	–	9,263,125
Negative fair value of Islamic derivatives	150,020	–	–	150,020
Customer acceptances	747,795	–	–	747,795
Other liabilities	3,998,967	–	–	3,998,967
Total equity	14,300,311	–	–	14,300,311
Total liabilities and equity	108,581,056	403,885	2,143,732	111,128,673
Geographical distribution of letters of credit and guarantees	8,950,211	252,799	62,207	9,265,217
31 December 2023				
Geographical distribution of assets	75,932,452	5,842,447	6,036,832	87,811,731
Geographical distribution of liabilities and equity	85,751,682	427,829	1,632,220	87,811,731
Geographical distribution of letters of credit and guarantees	6,390,411	151,449	600,108	7,141,968

33 Financial assets and liabilities

A. Classification of financial assets and financial liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their carrying values.

	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
31 December 2024					
Financial assets					
Cash and deposits with the Central Bank of the UAE	–	–	14,674,527	–	14,674,527
Due from banks	–	–	10,028,460	–	10,028,460
Investment securities	62,775	5,351,390	8,049,408	–	13,463,573
Financing receivables	–	–	70,479,855	–	70,479,855
Positive fair value of Islamic derivatives	142,450	–	–	14,497	156,947
Others	–	–	1,530,988	–	1,530,988
	205,225	5,351,390	104,763,238	14,497	110,334,350
Financial liabilities					
Due to banks	–	–	5,883,525	–	5,883,525
Customer deposits	–	–	76,784,930	–	76,784,930
Sukuk payable and other medium term financing	–	–	9,263,125	–	9,263,125
Negative fair value of Islamic derivatives	150,020	–	–	–	150,020
Others	–	–	4,746,762	–	4,746,762
	150,020	–	96,678,342	–	96,828,362

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
31 December 2024					
Financial assets					
Cash and deposits with the Central Bank of the UAE	–	–	14,981,141	–	14,981,141
Due from banks	–	–	6,131,154	–	6,131,154
Investment securities	64,172	5,852,430	4,513,060	–	10,429,662
Financing receivables	–	–	53,747,737	–	53,747,737
Positive fair value of Islamic derivatives	179,187	–	–	4,986	184,173
Others	–	–	1,651,317	–	1,651,317
	243,359	5,852,430	81,024,409	4,986	87,125,184
Financial liabilities					
Due to banks	–	–	5,792,375	–	5,792,375
Customer deposits	–	–	61,314,915	–	61,314,915
Sukuk payable and other medium term financing	–	–	4,672,500	–	4,672,500
Negative fair value of Islamic derivatives	178,396	–	–	–	178,396
Others	–	–	4,409,837	–	4,409,837
	178,396	–	76,189,627	–	76,368,023

* The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

33 Financial assets and liabilities (continued)

B. Fair value of financial instruments

The table below analyses financial instruments measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 December 2024	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government sukuk	450,645	–	–	450,645
Corporate sukuk	4,900,745	–	–	4,900,745
	5,351,390	–	–	5,351,390
Designated at FVTPL				
Equity	–	–	62,775	62,775
	–	–	62,775	62,775
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	142,450	–	142,450
Islamic derivatives held as cash flow hedge: Profit rate swaps	–	14,497	–	14,497
	–	156,947	–	156,947
Negative fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	(150,020)	–	(150,020)
Islamic derivatives held as cash flow hedge: Profit rate swaps	–	–	–	–
	–	(150,020)	–	(150,020)
	5,351,390	6,927	62,775	5,421,092

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

	Designated at FVTPL AED 000
Balance as at 1 January 2024	64,172
Total gains or losses:	
– in profit or loss	(1,397)
Transfers out of level 3	–
Settlements and other adjustments	–
Balance as at 31 December 2024	62,775

31 December 2023	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government sukuk	532,978	–	–	532,978
Corporate sukuk	5,319,452	–	–	5,319,452
	5,852,430	–	–	5,852,430
Designated at FVTPL				
Equity	–	–	64,172	64,172
	–	–	64,172	64,172
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	179,187	–	179,187
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	4,986	–	4,986
	–	184,173	–	184,173
Negative fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	(178,396)	–	(178,396)
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	(178,396)	–	(178,396)
	5,852,430	5,777	64,172	5,922,379

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

	Designated at FVTPL AED 000
Balance as at 1 January 2023	64,298
Total gains or losses:	
– in profit or loss	6,969
Transfers out of level 3	–
Settlements and other adjustments	(7,095)
Balance as at 31 December 2023	64,172

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2024 and 31 December 2023.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

34 Notes to the group consolidated statement of cash flow

	2024 AED 000	2023 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	(2,970,520)	7,097,319
Net cash inflow/(outflow)	1,026,731	(10,067,839)
Balance at end of year	(1,943,789)	(2,970,520)
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	14,674,527	14,981,141
Due from banks	10,050,681	6,145,177
Due to banks	(5,883,525)	(5,792,375)
	18,841,683	15,333,943
Less: Deposits with the Central Bank for regulatory purposes	(7,705,048)	(5,498,131)
Less: Murabaha with the Central Bank maturing after three months	(5,246,541)	(7,535,257)
Less: Amounts due from banks maturing after three months	(8,718,911)	(5,278,566)
Add: Amounts due to banks maturing after three months	885,028	7,491
	(1,943,789)	(2,970,520)
(c) Adjustment for non cash and other items		
Net impairment loss / (reversal) on due from banks	8,198	4,923
Net impairment loss / (reversal) on investment securities	(9,576)	(6,548)
Net Impairment loss on financing receivables	921,323	1,072,701
Net Impairment loss / (reversal) on unfunded exposure	50,981	140,034
Dividend income	(3,168)	(29)
Depreciation / impairment on property and equipment / investment properties	59,430	(21,430)
Unrealised (gain) / loss on investments	1,397	51,306
(Discount) / premium on investment securities	7,432	-
(Gain) / loss on sale of properties (investment properties / inventories)	1,077	(9,921)
Amortization (discount) / premium on Sukuk	4,028	2,791
	1,041,122	1,233,827

35 Capital management and allocation

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

Minimum Capital Requirements

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) – maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

Regulatory Capital

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2 (T2), depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.
- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

The capital overview as per Basel III framework is given below:

	2024 AED 000	2023 AED 000
Available capital		
Common equity tier 1 capital	14,358,016	11,726,133
Tier 1 capital	14,358,016	11,726,133
Total eligible capital	15,261,588	12,426,801
Risk-weighted assets		
Credit risk	72,285,768	56,053,403
Market risk	61,033	101,515
Operational risk	7,631,660	5,830,949
Total risk-weighted assets	79,978,461	61,985,867
Capital Ratio		
a. Total capital ratio for consolidated Group	19.08%	20.05%
b. Tier 1 ratio only for consolidated Group	17.95%	18.92%
c. CET1 ratio only for consolidated Group	17.95%	18.92%

The capital adequacy ratios as per Basel III capital regulation are given below:

	2024 AED 000	2023 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	5,430,422	5,430,422
Eligible reserves	1,664,312	1,300,225
Transitional arrangement: Partial addback of ECL impact to CET1	166,714	362,479
Retained earnings / (-) loss	7,205,577	4,713,061
CET1 capital before the regulatory adjustments and threshold deduction	14,467,025	11,806,187
Less: Regulatory deductions	(109,009)	(80,054)
Total CET1 capital after the regulatory adjustments and threshold deduction (A)	14,358,016	11,726,133
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	-	-
Other AT1 Capital (e.g. Share premium, non-controlling interest)	-	-
Total AT1 capital (B)	-	-
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	903,572	700,668
Total T2 Capital (C)	903,572	700,668
Total Regulatory Capital (A+B+C)	15,261,588	12,426,801

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management

The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking and wealth management customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country conduct legal, environmental and social risks that drive the direction of its risk management strategy, product range and risk diversification strategies.

Group Risk Management Framework (GRMF):

The GRMF enables the Group to manage group-wide risks with the objective of maximizing returns while adhering to our risk appetite.

The Group uses a three lines of defence model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defence are summarized below:

- Business units: required to ensure the effective management of risks within the scope of their direct organisational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.
- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.
- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

A. Risk governance

The Group's risk governance structure ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting the Group's risk appetite and for the establishment and oversight of the Group's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC), Board Profit Equalization Committee (BPEC) and Board Audit Committee (BAC). The management level committees also actively manage risk particularly the Group Risk Committee (GRC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Asset Liability Management Committee (ALCO).

BRC supports the Board with its risk oversight responsibilities with regards to risk governance, risk appetite and the risk management framework. The BRC approves risk policies and reviews reports and updates on risk management including risk profile, portfolio trends, stress testing, liquidity and capital adequacy and is authorised to investigate or seek any information relating to any activity within its terms of reference.

BCIC supports the Board to manage the credit and investment portfolio of the Group and is responsible for approval of credit and investment decisions above the MCC and MIC's authority, which do not meet the Board's materiality threshold. It oversees the execution of Group's credit risk management approach and reviews the credit profile of material portfolios to ensure alignment with business strategy and risk appetite.

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

MCC is management level committee with delegated authority carry out credit facilities decisions including but not limited to approval and renewal of credit facilities, review and monitoring of portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades and waiver.

The role of the MIC is to support the Board in the management of the Investment Portfolios of the Group to ensure they conform to the strategic vision of the same and support the Board in monitoring and reporting the performance of these portfolios.

The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and profit rate risk. The committee also approves the contingency funding plan as well as the funds transfer pricing among other things.

The GRC is a senior management committee responsible for the management of all risks throughout the Group other than those delegated to MCC, MIC and Group ALCO and ensures the effective management of risk in support of the Group's business strategy and Group's risk appetite. The committee supports Board Risk Committee in the review of policies to ensure effective management of risks the Group faces including credit, market, operational, reputational, compliance, legal, conduct and environmental and social risks.

B. The risk function

The Risk Function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with Group standards and policies.

Group Risk assists in controlling and actively managing the Group's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group's activities;
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks;
- To ensure that the Group's business strategies, risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- To ensure the integrity of the Group's risk/return decisions guaranteeing their transparency;
- To ensure that appropriate risk management architecture and systems are developed and implemented.

C. Risk appetite

The Group Risk Appetite Statement (Group RAS) is an articulation of the risk that the Group would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.

The Group RAS is a critical component and extension of the GRMF. It is a mechanism used by the Group to proactively establish and subsequently monitor the group's risk profile using a set of pre-defined key risk metrics and respective thresholds.

D. Credit risk

Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate and institutional banking and retail banking and wealth management receivables, and financing commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement and acceptances.

The Group is also exposed to other credit risks arising from investments in financing securities (sukuk) and other exposures arising from derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk management

Group's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group's credit policy focuses on the core credit principles, financing guidelines and parameters, control and monitoring requirements, problem financing receivable identification, management of high-risk counterparties, provisioning and write-offs. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is regularly measured against the risk appetite parameters and breaches, if any, are actioned by the Group's senior management.

Corporate and institutional Banking, Business Bank and Private Banking credit risk management

Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Financing Receivables (NPFR) – The Group has a well-defined process for identification of EA, WL & NPFR accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPFR accounts and impairment, in line with IFRS and regulatory guidelines.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

D. Credit Risk (continued)

Credit risk management (continued)

Retail banking credit risk management

The Group has a structured management framework for Retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position.

In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to funding transactions.

The Group's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognize impairment on its retail portfolios.

Credit approving authorities

BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, 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 and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:

For Retail facility, the bank leverages both credit bureau information and/or in-house model for on boarding a customer. Post origination, the payment behaviour is closely monitored on a period basis and the behavioural score are build using historical payment behaviour and other factors which reflects risk associated with the customers.

Corporate and institutional Banking, Business Banking and Private Banking:

Ratings are determined at the obligor level for these segments. A relationship/portfolio manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as, but not limited to, published financial statements. This will determine the updated internal credit rating and PD.

Treasury:

For financing securities (sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Corporate and Institutional Banking, Business Banking and Private Banking:

Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date in addition to assessing qualitative and quantitative factors.

Retail:

Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:

The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

The IFRS9 Governance Forum is the committee responsible for the oversight of provisions. The committee has reviewed the calculation process, methodology, and the results of provisions as presented by the EI Chief Risk Officer (EI CRO). Further, the Board approved the provisioning process and associated provisions as presented by the EI CRO, as per Article 9.16 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:

The obligor is more than 90 days past due on its contractual payments.

Qualitative:

The obligor meets unlikelihood to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

Curing

The Group continues to monitor such financial instruments for a probationary period of up to 24 months, depending on the payment frequency, to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for payments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

D. Credit Risk (continued)

Credit risk management (continued)

Measuring ECL – Explanations of input, assumptions and estimation techniques

ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet payment financings, this is based on the contractual payments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

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

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Credit risk monitoring

Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally, for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 and regulatory requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

Retail banking: risks of the Group's financing portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

Group credit risk mitigation strategy

The Group operates within prudential exposure ceilings set by the Board in line with the UAE Central Bank guidelines. There are well laid out processes for exception management and escalation.

The Group has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

Collateral management

Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed and the Group seeks to ensure enforceability of the collateral. Major categories of collaterals include cash/ fixed deposits, inventories, shares, guarantees (corporate, bank and personal guarantees), immovable properties, receivables, gold and vehicles.

Collaterals are revalued regularly as per the Group's credit policy. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Group to assess the fair market value of the collateral and ensure that risks are appropriately managed. Security structures and legal covenants are also subject to regular review.

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs

Financing and Sukuk in corporate and institutional banking and Treasury are written off (either partially or in full) when there is no reasonable prospect of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amounts due.

Non performing consumer financing and credit cards, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

E. Analysis by economic activity for assets:

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2024		2023	
	Financing receivables	Others	Financing receivables	Others
Manufacturing	2,661,385	731,820	2,391,314	400,058
Construction	382,593	259,642	741,005	317,291
Trade	5,782,657	–	5,463,957	–
Transport and communication	638,533	1,347,690	604,412	1,223,101
Utilities and services	2,106,761	896,191	1,983,044	768,265
Sovereign	1,418,238	4,816,553	225,639	3,191,198
Personal	45,976,812	–	36,772,410	–
Real estate	8,578,624	–	4,546,094	–
Hotels and restaurants	38,709	–	91,565	–
Management of companies and enterprises	4,682,710	–	3,160,155	–
Financial institutions and investment companies	1,601,651	15,383,365	1,064,005	10,514,039
Others	4,521,013	92,748	3,216,041	184,217
Total Assets	78,389,686	23,528,009	60,259,641	16,598,169
Less: Deferred Income	(3,213,965)	–	(1,660,758)	–
Less: Expected credit loss	(4,695,866)	(35,976)	(4,851,146)	(37,353)
	70,479,855	23,492,033	53,747,737	16,560,816

Others includes due from banks and investment securities.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

F. Classification of investment securities as per their external ratings

As of 31 December 2024

Ratings	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
AAA	–	–	238,463	238,463
AA- to AA+	–	730,319	2,219,450	2,949,769
A- to A+	–	2,910,839	3,754,676	6,665,515
Lower than A-	–	1,454,566	1,790,618	3,245,184
Unrated	62,775	264,207	51,415	378,397
Less: Expected credit loss	–	(8,541)	(5,214)	(13,755)
	62,775	5,351,390	8,049,408	13,463,573

Of which issued by:

	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Governments	–	455,522	4,361,031	4,816,553
Public sector enterprises	–	4,350,508	3,693,591	8,044,099
Private sector and others	62,775	553,901	–	616,676
Less: Expected credit loss	–	(8,541)	(5,214)	(13,755)
	62,775	5,351,390	8,049,408	13,463,573

As of 31 December 2023

Ratings	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
AAA	–	–	238,328	238,328
AA- to AA+	–	934,787	939,371	1,874,158
A- to A+	–	2,872,648	1,898,469	4,771,117
Lower than A-	–	1,811,034	1,390,192	3,201,226
Unrated	64,172	252,576	51,415	368,163
Less: Expected credit loss	–	(18,615)	(4,715)	(23,330)
	64,172	5,852,430	4,513,060	10,429,662

Of which issued by:

	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Governments	–	540,895	2,650,303	3,191,198
Public sector enterprises	–	4,592,421	1,867,472	6,459,893
Private sector and others	64,172	737,729	–	801,901
Less: Expected credit loss	–	(18,615)	(4,715)	(23,330)
	64,172	5,852,430	4,513,060	10,429,662

G. Risk gross maximum exposure:

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

	2024 AED 000	2023 AED 000
Deposits with Central Bank	13,503,946	14,078,160
Due from banks	10,028,460	6,131,154
Investment securities	13,463,573	10,429,662
Financing receivables	70,479,855	53,747,737
Positive fair value of Islamic derivatives	156,947	184,173
Customer acceptances	747,795	1,036,534
Other assets	200,518	151,225
Total (A)	108,581,094	85,758,645
Contingent liabilities	9,295,482	7,152,749
Irrevocable commitments	2,367,784	2,795,524
Total (B)	11,663,266	9,948,273
Total credit risk exposure (A + B)	120,244,360	95,706,918

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	52,544,710	2,372,055	3,682,118	58,598,883
Transfers from stage 1	(2,101,057)	1,926,817	174,240	–
Transfers from stage 2	1,019,064	(1,805,363)	786,299	–
Transfers from stage 3	13,261	42,231	(55,492)	–
New financial assets, net of payments and others	17,590,238	273,590	(312,437)	17,551,391
Amounts written off during the year	–	–	(974,553)	(974,553)
Total gross financing receivables as at 31 December	69,066,216	2,809,330	3,300,175	75,175,721
Expected credit losses	(1,219,370)	(365,036)	(3,111,460)	(4,695,866)
Carrying amount	67,846,846	2,444,294	188,715	70,479,855
By business units				
Corporate Banking	26,853,785	1,202,415	2,645,908	30,702,108
Retail Banking	42,212,431	1,606,915	654,267	44,473,613
Total gross financing receivables	69,066,216	2,809,330	3,300,175	75,175,721

AED 000 31 December 2023

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	48,129,717	1,259,856	3,692,074	53,081,647
Transfers from stage 1	(2,178,901)	1,588,044	590,857	–
Transfers from stage 2	312,900	(652,413)	339,513	–
Transfers from stage 3	367	19,846	(20,213)	–
New financial assets, net of payments and others	6,280,627	156,722	14,111	6,451,460
Amounts written off during the year	–	–	(934,224)	(934,224)
Total gross financing receivables as at 31 December	52,544,710	2,372,055	3,682,118	58,598,883
Expected credit losses	(1,264,296)	(275,465)	(3,311,385)	(4,851,146)
Carrying amount	51,280,414	2,096,590	370,733	53,747,737
By business units				
Corporate Banking	18,713,745	502,190	3,049,098	22,265,033
Retail Banking	33,830,965	1,869,865	633,020	36,333,850
Total gross financing receivables	52,544,710	2,372,055	3,682,118	58,598,883

The stage 1 and stage 2 are performing financing receivables having grades 1a-4f while stage 3 is non-performing financing receivable having grades 5a-5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

I. Amounts arising from ECL

Financing receivables	31 December 2024				31 December 2023			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
AED 000								
Balance as at 1 January	1,264,296	275,465	3,311,385	4,851,146	955,482	274,920	3,482,267	4,712,669
Transfers from Stage 1	(95,828)	66,646	29,182	–	(87,730)	33,256	54,474	–
Transfers from Stage 2	46,517	(260,676)	214,159	–	20,605	(142,035)	121,430	–
Transfers from Stage 3	6,845	3,036	(9,881)	–	367	5,663	(6,030)	–
Allowances for impairment made during the year	(2,460)	280,565	850,752	1,128,857	375,572	103,661	1,076,834	1,556,067
Write back / recoveries made during the year	–	–	(207,534)	(207,534)	–	–	(483,366)	(483,366)
Amounts written off during the year	–	–	(974,553)	(974,553)	–	–	(934,224)	(934,224)
Others*	–	–	(102,050)	(102,050)	–	–	–	–
Closing balance as at 31 December	1,219,370	365,036	3,111,460	4,695,866	1,264,296	275,465	3,311,385	4,851,146

The contractual amount outstanding on financing receivables which were written off during the year and are still subject to enforcement activity amounted to AED 975 million (2023: AED 934 million).

*This represents ECL against unfunded exposures transferred to other liabilities.

J. Market risk

Market Risk is the risk that the value of financial instruments in the Group's book – with the inclusion of some other financial assets and liabilities could produce a loss because of changes in future market conditions.

The Group takes on market risks in the pursuit of its strategic and business objectives.

The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk – which are actively managed and monitored:

- Profit Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of profit rates and changes in credit spreads
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates
- Credit Spread Risk: Losses in the value due to change in credit spreads driven by associated credit risk of the security issuer/ underlying
- Commodity Price Risk: losses in value due to exposures to changes in spot prices, forward prices, and volatilities of commodities such as precious metals.

The Group's risk exposures to market risk are segregated into Trading and Banking Books. The Trading Book include those financial instruments held with trading intent arising from market-making, position-taking and other so designated financial instruments accounted for at fair value daily. The Banking Book include financial instruments not held with trading intent that arise from the management of Profit Rate risk and FX risk from the Group's retail and corporate and institutional banking assets and liabilities, and other financial investments designated as either FVOCI or Amortised Cost.

Market risk oversight and management process

As part of the Group's enterprise-wide risk management framework, an extensive governance processes are applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the Group's Board Risk Committee (BRC) and Asset-Liability Committee (ALCO) of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures subject to regular review and consistent with the Bank's approach to strict compliance with Shariah rules and principles.
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective dealing activities – such as risk sensitivities, Gross and Net open positions, Value-at-Risk (VaR) and stop-loss limits.

The Group uses appropriate and independently validated market standard models for the revaluation and risk measurement of its linear and non-linear financial products and receives regular market information from independent market data providers in order to measure and monitor market risk.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2024			2023		
	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000
Equity	10	6,278	–	10	6,417	–
Sukuk	10	–	535,139	10	–	585,243

K. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework

The Group applies a three line of defence model for operational risk management. The business and support units form the first line of defence. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defence, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defence, provides independent assurance to the Board of Directors.

Operational Risk Management Process

The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

K. Operational risk (continued)

Insurance Management

The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed annually and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management

The Board and Management are determined to build and maintain a credible defence to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

Whistleblowing

The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management

Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defence model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management

Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

L. Liquidity risk

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing receivables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

M. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

31 December 2024	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
Assets						
Cash and deposits with the Central bank of the UAE	12,851,170	1,823,357	–	–	–	14,674,527
Due from banks	2,226,386	2,822,558	4,979,516	–	–	10,028,460
Investment securities	305,227	1,270,504	3,451,547	5,603,066	2,833,229	13,463,573
Financing receivables	17,232,227	10,985,631	16,082,176	10,432,707	15,747,114	70,479,855
Positive fair value of Islamic derivatives	4,637	4,808	52,046	60,480	34,976	156,947
Investment properties	–	–	–	–	170,795	170,795
Customer acceptances	747,795	–	–	–	–	747,795
Property and equipment	–	–	–	–	320,207	320,207
Other Assets	426,644	–	–	–	659,870	1,086,514
Total assets	33,794,086	16,906,858	24,565,285	16,096,253	19,766,191	111,128,673

31 December 2024	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
Liabilities						
Due to banks	3,034,887	863,477	–	–	1,985,161	5,883,525
Customer deposits	62,783,812	12,306,374	642,685	710,755	341,304	76,784,930
Sukuk payable and other medium term financing	–	1,836,064	4,672,007	2,755,054	–	9,263,125
Negative fair value of Islamic derivatives	4,399	5,050	41,393	61,442	37,736	150,020
Customer acceptances	747,795	–	–	–	–	747,795
Other liabilities	1,982,156	–	–	–	2,016,811	3,998,967
Total equity	–	–	–	–	14,300,311	14,300,311
Total liabilities and equity	68,553,049	15,010,965	5,356,085	3,527,251	18,681,323	111,128,673
Off balance sheet						
Letter of credits and guarantees	4,234,072	2,699,499	2,042,882	30,337	258,427	9,265,217

31 December 2023

Assets	31,270,218	16,794,071	13,180,657	9,496,880	17,069,905	87,811,731
Liabilities and equity	57,557,382	8,420,448	5,590,337	413,760	15,829,804	87,811,731
Off balance sheet	3,512,997	1,658,880	1,253,999	287,271	428,821	7,141,968

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

N. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted payment obligations.

Payments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request payment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	5,883,525	(5,928,658)	(3,055,075)	(888,422)	–	–	(1,985,161)
Customer deposits	76,784,930	(77,411,503)	(62,947,335)	(12,555,064)	(759,402)	(802,160)	(347,542)
Sukuk payable	9,263,125	(10,264,367)	(35,010)	(2,112,401)	(5,138,000)	(2,978,956)	–
	91,931,580	(93,604,528)	(66,037,420)	(15,555,887)	(5,897,402)	(3,781,116)	(2,332,703)
Letters of credit and guarantees	9,265,217	(9,265,217)	(4,234,072)	(2,699,499)	(2,042,882)	(30,337)	(258,427)
Irrevocable financing commitments	2,367,784	(2,367,784)	(2,086,851)	(102,187)	(1,940)	(6,014)	(170,792)

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
31 December 2023							
Financial liabilities							
Due to banks	5,792,375	(5,829,167)	(3,264,014)	(569,586)	–	–	(1,995,567)
Customer deposits	61,314,915	(61,818,660)	(51,956,362)	(8,032,758)	(960,791)	(416,325)	(452,424)
Sukuk payable	4,672,500	(4,950,178)	(30,909)	(93,408)	(4,825,861)	–	–
	71,779,790	(72,598,005)	(55,251,285)	(8,695,752)	(5,786,652)	(416,325)	(2,447,991)
Letters of credit and guarantees	7,141,968	(7,141,968)	(3,512,997)	(1,658,880)	(1,253,999)	(287,271)	(428,821)
Irrevocable financing commitments	2,795,524	(2,795,524)	(722,383)	(2,055,759)	–	–	(17,382)

O. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated at fair value through other comprehensive income and amortised cost. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

AED 000	As at 31 December 2024		As at 31 December 2023	
	Amount	Variance	Amount	Variance
Rates Up 200 bp	4,235,597	370,011	3,669,155	422,878
Base Case	3,865,586	–	3,246,278	–
Rates Down 200 bp	3,153,679	(711,907)	2,571,000	(675,278)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimise net revenues.

P. Profit rate repricing analysis*

	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
31 December 2024							
Assets							
Cash and deposits with the Central Bank of the UAE	–	3,423,188	1,521,415	301,938	–	9,427,986	14,674,527
Due from banks	3,851,318	4,224,279	689,069	1,073,492	–	190,302	10,028,460
Investment securities	178,546	126,797	509,030	761,474	11,824,951	62,775	13,463,573
Financing receivables	22,802,187	27,784,210	4,057,900	4,510,119	11,325,439	–	70,479,855
Positive fair value of Islamic derivatives	–	–	–	–	–	156,947	156,947
Investment properties	–	–	–	–	–	170,795	170,795
Customer acceptances	–	–	–	–	–	747,795	747,795
Property and equipment	–	–	–	–	–	320,207	320,207
Other assets	–	–	–	–	–	1,086,514	1,086,514
Total assets	26,832,051	35,558,474	6,777,414	6,647,023	23,150,390	12,163,321	111,128,673

*Represents when the profit rate will be repriced for each class of assets and liabilities.

	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
31 December 2024							
Liabilities and equity							
Due to banks	902,896	1,853,469	–	863,477	–	2,263,683	5,883,525
Customer deposits	23,871,832	4,980,787	6,576,103	5,946,771	201,050	35,208,387	76,784,930
Sukuk payable and other medium term financing	–	1,836,250	–	1,836,064	5,590,811	–	9,263,125
Negative fair value of Islamic derivatives	–	–	–	–	–	150,020	150,020
Customer acceptances	–	–	–	–	–	747,795	747,795
Other liabilities	–	–	–	–	–	3,998,967	3,998,967
Total equity	–	–	–	–	–	14,300,311	14,300,311
Total liabilities and equity	24,774,728	8,670,506	6,576,103	8,646,312	5,791,861	56,669,163	111,128,673
On balance sheet gap	2,057,323	26,887,968	201,311	(1,999,289)	17,358,529	(44,505,842)	–
Profit rate sensitivity gap – 2024	2,057,323	26,887,968	201,311	(1,999,289)	17,358,529	(44,505,842)	–
Cumulative profit rate sensitivity gap – 2024	2,057,323	28,945,291	29,146,602	27,147,313	44,505,842	–	–
Cumulative profit rate sensitivity gap – 2023	(621,963)	24,836,066	26,317,670	26,583,515	38,254,867	–	–

*Represents when the profit rate will be repriced for each class of assets and liabilities.

Notes to the Group Consolidated Financial Statements continued

For the year ended 31 December 2024

36 Risk management (continued)

Q. Reputational risk

Reputational risk is the risk of damage to a Group's reputation as a result of any event, arising from negative publicity about its business practices, conduct, or financial condition. Such negative publicity may affect public or stakeholder confidence in the Group leading to a decline in customer base, business revenue, liquidity, or capital position. Reputational Risk may also arise as a result of negative stakeholder opinion. This could be a result of any event, behaviour, action, or inaction, either by the Group's itself, our employees or those with whom we are associated.

Reputational risk damage can often arise from a secondary effect or outcome of other interconnected risks, as defined within the Group Risk Management Framework. As such, these additional risk categories when assessing reputational risks and their measurement.

The Groups Reputational Risk policy is defined to ensure all organisational units identify, measure, manage and monitor the reputational risks that arise from the ongoing operations of the Group during its transactions with clients, setting up of new products business practices, counterparties, customer complaints and claims, sponsorship, and media relations. The governance of the Group's reputational risk management is integrated into the Group's broader risk management framework.

R. ICAAP and Stress-Testing

Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

S. Model Risk

Model risk is the risk of potential adverse consequences arising from decision made based on incorrect or misused model outputs and reports. As the Group has a robust model governance and Management approach, potential losses arising from the outputs of the internal models due to errors in the development, implementation, or use of such models are well understood and managed.

A specialised model management unit within the Group oversees the validation and use of models for regulatory and/or financial reporting purposes, guided by the Group Model Governance and Management Framework. This ensures that the models follow a robust approach of validation prior to use. The governance process for the models is performed across the model life cycle. All Tier 1 and Tier 2 models are managed through a centralised Model Inventory System to track and manage their use. The Group Model Validation Standards outline the minimum requirements that models should meet prior to use.

T. Regulatory/compliance risk

Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

Shariah non-compliance risk

Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic Shariah audit to ensure compliance with Shariah principles and rules.

Based on the Shariah Governance Standard for Islamic Financial Institutions issued by the Higher Shariah Authority of the Central Bank of UAE ("HSA") on 21 April 2020 (the "Standard"), the Bank's Board of Directors ("Board") is ultimately responsible for the Bank's compliance with Shariah principles. The ISSC is the highest authority in the Bank from a Shariah governance perspective. The Board is expected to be aware of Shariah non-compliance risk and its potential impact on the Bank. The Board Risk Committee supervises and monitors management of Shariah non-compliance risk and sets controls in relation to this type of risk, in consultation with ISSC and through the Internal Shariah control Division of the Bank. ("ISCD"). The Board risk committee ensures the availability of an information system that enables the Bank to measure, assess and report Shariah non-compliance risk. Reports are provided in a timely manner to the Board and Senior Management, in formats suitable for their use and understanding. The Bank implements effective internal Shariah controls adopting the three lines of defence approach where each line is independent, which includes:

- The first line of defence, represented by the business line, sets clear policies, procedures, and controls, approved by Internal Shariah Supervision Committee of the Bank ("ISSC"), and executes the business activities in a manner compliant with the principles of Shariah at all times.
- The second line of defence, represented by the ISCD, undertakes amongst the others the Shariah control and Shariah compliance functions.
- The third line of defence represented by Internal Shariah Audit Department undertakes the execution of Shariah audit assignments of the Bank and reports its findings to the ISSC.

U. Environmental, social and governance (ESG) risk

The rapidly changing global landscape, marked by challenges such as climate change, the evolving expectations of our stakeholders, as well as a continuous evolution of international standards, particularly in the areas of sustainability accounting, audit and ethics necessitates a proactive approach to ESG. The Group continues to develop its approach to ESG in line with progressing standards, both regionally and globally.

Climate related risk

Climate risks relate to the financial and non-financial impacts that may arise as a result of climate change. There are two categories of climate risks: physical risks, as a result of climate change and environmental factors that are event driven (acute) or longer-term shifts (chronic) and may vary in severity and frequency across various scenarios, and transition risks, which arises from the shift to a low carbon economy. Managing climate risk is critical in the pursuit of sustainable growth and transitioning towards a low carbon economy. Both, physical and transition risks can affect households, businesses and the wider macroeconomy and manifest within the Group's principal risks in several ways.

The Group considers climate risk as part of the broader environmental and social risks. Our strategy on climate risk has been incorporated into the Group Risk Management Framework and is guided by the three-lines of defence approach.

The Group's Board of Directors bears the final responsibility for all aspects concerning climate related risks. The Board actively participates in shaping our ESG strategy and is regularly briefed on the progress of this strategy by the Executive Committee.

Impact of climate risk on accounting judgments and estimates

The Group is currently assessing the financial impacts associated with climate-related credit risk. Using the results of ongoing analysis, the Group intends to highlight and address risks and opportunities which present immediate and anticipated effects on financial position, performance and planning as well as cashflows and to disclose the actions taken to manage these risks and opportunities.

As at 31 December 2024, the Group raised sukuk payable amounting to AED 2,754 million via sustainable and green financings in capital markets.

Notes to the Group Consolidated Financial Statements continued **For the year ended 31 December 2024**

36 Risk management (continued)

V. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

W. Internal Audit's role in overall risk management

The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

37 LEGAL PROCEEDINGS

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 6. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2024. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided.

38 SOCIAL CONTRIBUTIONS

Earnings prohibited by Shariah for 2024 amount to AED 4.7 million (2023: AED 9.6 million). The social contributions (including donations and charity) made during the year amount to AED 37.0 million (2023: AED 50.5 million).

39 COMPARATIVE AMOUNTS

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

Emirates Islamic Bank P.J.S.C.

3rd Floor, Building 16,
Dubai Healthcare City, Dubai
PO Box: 6564, Dubai,
United Arab Emirates

emiratesislamic.ae

Emirates Islamic Bank P.J.S.C. is licensed by the Central Bank of the UAE