El Nilein Bank - Abu Dhabi Branch

Financial statements
For the year ended 31 December 2024

Principal business address:
Sheikh Sultan Bin Zayed Al Nahyan Building
Al Danah Zone 1
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UAE

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Independent Auditor's Report
To the General Manager of El Nilein Bank - Abu Dhabi Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of El Nilein Bank - Abu Dhabi Branch ("the Bank"), which comprise the statement of financial position as at 31 December 2024, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Independent Auditor's Report (continued)
Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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Dr. Osama El Bakry
Registration No: 935
Abu Dhabi, United Arab Emirates

Date: 6 August 2025

Statement of financial position
As at 31 December 2024

	Notes	**31 December 2024 AED '000**	31 December 2023 AED '000
Assets			
Cash and balances with Central Bank of the UAE	6	**425,741**	511,503
Due from banks	7	**109,479**	72,108
Due from Head Office	8	**229,025**	235,987
Loans and advances	9	**28,053**	5,880
Islamic financing receivables	10	**1,796,578**	1,730,089
Other assets	11	**10,725**	8,605
Intangible assets	12	**3,277**	2,999
Property and equipment	13	**6,101**	6,879
Right-of-use asset	14	**3,410**	3,216
Total assets		**2,612,389**	2,577,266
Liabilities			
Customers' deposits	15	**2,078,581**	1,985,330
Current tax liability	16	**6,815**	11,246
Due to Head Office	28	**20,656**	3,217
Other liabilities	17	**36,863**	111,253
Lease liability	18	**2,757**	2,858
Provision for employees' end of service indemnity	19	**7,844**	6,678
Total liabilities		**2,153,516**	2,120,582
Equity			
Capital	1	**412,000**	412,000
Statutory reserve	20	**10,277**	10,058
Impairment reserve	29	**-**	14,559
Retained earnings		**36,596**	20,067
Total equity		**458,873**	456,684
Total liabilities and equity		**2,612,389**	2,577,266
Commitments and contingencies	21	**109,948**	115,659

To the best of our knowledge, the financial statements present fairly in all material respects the financial position, financial performance and cash flow of the Bank as of and for, the periods presented therein.

These financial statements were authorized and approved for issue by the Board of Directors on **6 August 2025** and signed on their behalf by:

Nazik Muhagir	**Issamelden Gaffar**	**Osama Hassan**
General Manager	Deputy General Manager	Head of Finance

The attached notes 1 to 32 form an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 December 2024

	Notes	**Year ended 31 December 2024 AED'000**	Year ended 31 December 2023 AED'000
Operating income			
Income from Islamic financing activities	22	**97,218**	107,454
Investment income	23	**17,874**	30,497
Commission, fee and foreign exchange income	24	**18,178**	21,926
Total operating income		**133,270**	159,877
Expenses			
Staff cost	25	**(28,997)**	(29,586)
General, administrative and other operating expenses	26	**(17,494)**	(9,612)
Amortization	12	**(862)**	(941)
Depreciation	13,14	**(1,823)**	(1,062)
Total expenses		**(49,176)**	(41,201)
Profit before depositors' share of profits		**84,094**	118,676
Depositors' share of profits	27	**(18,796)**	(21,139)
Profit before allowance for expected credit losses		**65,298**	97,537
Allowance for expected credit losses	30(a)	**(59,204)**	(83,633)
Profit after allowance for impairment		**6,094**	13,904
Gain on foreign exchange revaluation		**31**	487
Profit before tax		**6,125**	14,391
Tax charge for the year	16	**(3,936)**	(2,878)
Profit after tax for the year		**2,189**	11,513
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,189**	11,513

The attached notes 1 to 32 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2024

	Capital AED '000	Statutory reserve AED '000	Impairment reserve AED '000	Retained earnings AED '000	Total AED '000
As at 1 January 2024	**412,000**	**10,058**	**14,559**	**20,067**	**456,684**
Profit for the year	**-**	**-**	**-**	**2,189**	**2,189**
Transfer to statutory reserve	**-**	**219**	**-**	**(219)**	**-**
Transfer from impairment reserve (Note 29)	**-**	**-**	**(14,559)**	**14,559**	**-**
As at 31 December 2024	**412,000**	**10,277**	**-**	**36,596**	**458,873**
As at 1 January 2023	412,000	8907	-	24,264	445,171
Profit for the year	-	-	-	11,513	11,513
Transfer to statutory reserve	-	1,151	-	(1,151)	-
Transfer to impairment reserve (Note 29)	-	-	14,559	(14,559)	-
As at 31 December 2023	412,000	10,058	14,559	20,067	456,684

The attached notes 1 to 32 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2024

	Notes	**Year ended 31 December 2024 AED'000**	Year ended 31 December 2023 AED'000
Cash flows from operating activities			
Profit before tax for the year		**6,125**	14,391
Adjustments for:			
Amortization	12	**862**	941
Depreciation	13,14	**1,823**	1,062
Income from Islamic financing activities	22	**(97,218)**	(107,454)
Investment income	23	**(17,874)**	(30,497)
Depositors' share of profits	27	**18,796**	21,139
Provision for employees' end of service indemnity	19	**1,776**	1,356
Finance cost on lease liability	18	**129**	82
Allowance for expected credit losses	30(a)	**59,204**	83,633
		(26,377)	(15,347)
Changes in:			
Placement with Head office	7	**-**	(107,607)
Due from Banks with original maturities over three months	7	**14,000**	40,000
Loans and advances	9	**(43,757)**	114
Islamic financing receivables	10	**(107,621)**	(281,364)
Other assets	11	**(2,120)**	5,665
Customers' deposits	15	**93,251**	(728,352)
Other liabilities	17	**(88,833)**	93,485
Income received from Islamic financing activities and Investment		**115,744**	144,822
Depositors' share of profits paid		**(3,536)**	(19,675)
Due to Head office		**17,439**	(991)
Employees end of service indemnity paid		**(610)**	-
Tax paid	16	**(6,541)**	-
Lease liability paid	18	**(1,000)**	(797)
Net cash used in operating activities		**(39,961)**	(870,047)
Cash flows from investing activities			
Addition to intangible assets	12	**(1,140)**	(437)
Additions to property and equipment	13	**(267)**	(5,060)
Net cash used in investing activities		**(1,407)**	(5,497)
Decrease in cash and cash equivalents		**(41,368)**	(875,544)
Cash and cash equivalents at the beginning of the year		**550,385**	1,425,929
Cash and cash equivalents at the end of the year		**509,017**	550,385

The attached notes 1 to 32 form an integral part of these financial statements.

Statement of cash flows (continued)
For the year ended 31 December 2024

Cash and cash equivalents comprise of:

	Notes	**Year ended 31 December 2024 AED'000**	Year ended 31 December 2023 AED'000
Cash and cash equivalents comprise of:			
Cash and balances with the Central Bank of UAE	6	**425,741**	511,503
Due from banks	7	**109,479**	72,108
Due from head office	8	**229,025**	235,987
		764,245	819,598
Less: Placement with head office	8	**(235,228)**	(235,213)
Less: Balances with original maturities over three months	7	**(20,000)**	(34,000)
		509,017	550,385

The attached notes 1 to 32 form an integral part of these financial statements.

1 Legal status and principal activities

El Nilein Bank – Abu Dhabi Branch (the Bank) was registered with the Department of Economic Development, Abu Dhabi and the Abu Dhabi Chamber of Commerce and Industry as a branch of a foreign bank. The Head Office of the Bank is El Nilein Bank, Republic of Sudan, incorporated as Private Limited Bank in Khartoum, Sudan. The Head Office operates within the United Arab Emirates ("UAE") through its sole branch located in the Emirate of Abu Dhabi. The Head Office is owned by the Central Bank of Sudan ("CBOS") (99%) and the Ministry of Finance of Sudan (1%). CBOS is the ultimate controlling party.

The capital of the Bank is AED 412,000,000 as of 31 December 2024 (2023: AED 412,000,000).

The principal activity of the Bank is to provide commercial and Islamic banking services within the UAE.

The address of the registered office of the Bank is Shaikh Sultan Bin Zayed Al Nahyan Building Aldanah Zone 1, P.O Box: 46013, Abu Dhabi.

2 Application of new and revised IFRSs

New and revised IFRSs applied with no material effect on the consolidated financial statements.

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

2 Application of new and revised IFRS (continued)

Amendment to standards and interpretations issued but not yet effective and not early adopted

The Bank has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS's	Effective for annual periods beginning on or after
Lack of Exchangeability (Amendments to IAS 21): 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
Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7: These amendments • clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;	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.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures: IFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards	1 January 2027

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments is not expected to have a material impact on the financial statements of the Bank in the period of initial application.

3 Definitions

The following terms are used in the financial statements with the meaning specified:

Murabaha

Is a contract whereby the Bank (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions.

The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an instalment basis over the period of the Murabaha as stated in the contract.

Wakala

Is an agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Shari'a compliant manner and according to the feasibility study or investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital.

The Wakeel may be granted any excess over and above a specific pre-agreed rate of return as a performance incentive. In principle, the Wakala profit is distributed on declaration or distribution by the Wakeel. However, since the Wakala profit is always reliably estimated, it is internally distributed on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding.

The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise, the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement, the Bank may act either as Muwakkil or as Wakeel, as the case may be.

Istisna'a

Is a sale contract between two parties whereby the Bank (the "Sani" or "Seller") undertakes to construct, for its customer (the "Mustasni" or "Purchaser"), a specific asset or property (being "Al-Masnoo") according to precise pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction or development can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract, the Bank could be the Sani' or the Mustasni'. Istisna'a profit (the difference between the sale price of Al-Masnoo to the customer and the Bank's total Istisna'a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

3 Definitions (continued)

Mudaraba

Is a contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle, the Mudaraba profit is distributed on declaration or distribution by the Mudarib.

The Mudaraba profit is internally distributed on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding.

The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise, the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract, the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

Musharaka

Is an agreement between the Bank and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement.

In principle, Musharaka profit is distributed on declaration or distribution by the managing partner. The Musharaka profit is internally distributed on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Bank receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

Ijarah

Is an agreement whereby the Bank (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing or acquiring the specified asset, either from a third-party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term or periods, payable on fixed or variable rental basis.

3 Definitions (continued)

Ijarah (continued)

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfilment of all the obligations by the Lessee under the ljarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

ljarah rentals accrue upon the commencement of the lease and continue throughout the lease term based on the outstanding fixed rentals (which predominantly represent the cost of the leased assets).

Sukuk

These comprise asset-backed, Shari'a compliant trust certificates.

4 Material accounting policy information

4.1 Statement of compliance

The financial statements have been prepared in accordance with and comply with IFRS Accounting Standards, issued by the International Accounting Standards Board (IASB) and the applicable requirements of the laws of the UAE and the Central Bank of the UAE ("The CBUAE"). The principal accounting policies adopted in the preparation of the Banks's financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

4.2 Basis of measurement and preparation

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

The financial statements have been prepared on an accrual basis under the historical cost convention.

4.3 Functional and presentation currency

These financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the Bank's functional and presentation currency. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

4 Material accounting policy information (continued)

4.4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in note 5 to the financial statements.

4.5 Cash and cash equivalents

Cash and cash equivalents consist of cash, balances with the CBUAE and balances with banks and financial institutions with an original maturity of three months or less.

4.6 Due from banks

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

4.7 Customers' deposits and due to Head Office

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

4.8 Revenue recognition

Revenue is recognized in the statement of comprehensive income at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the Bank and the revenue and costs, if applicable, can be measured reliably.

i. Income from Islamic financing and investing receivables

Income on Islamic financing receivables and deposits are recognized in the statement of comprehensive income on an accruals basis using the effective profit rates of the financial assets.

The effective profit rate is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or liability to them carrying amount of the financial asset or liability. The effective rate is established on initial recognition of the financial asset and liability and is not revised subsequently. When calculating effective profit rates, the Bank estimates cash flows considering all contractual terms of the financial instruments, but not future credit losses. The calculation includes all amounts paid or received by the Bank that is an integral part of the effective profit rate, including transaction costs and all other premiums or discounts.

Income from the following financing and investing receivables are recognized on the as follows:

4 Material accounting policy information (continued)

4.8 Revenue recognition (continued)

a) Mudaraba

Income from Mudaraba financing is recognized on distribution by the Mudarib except for quantifiable and contractually determined profits which are recognized on an accrual basis, whereas the losses are charged to income on their declaration by the Mudarib.

Except for Mudaraba financing income on all other Islamic financing is recognised in the statement of comprehensive income on an accrual basis.

ii. Fee and commission

The Bank earns fee and commission income from a diverse range of services provided to its customers. Recognition of revenue for fee and commission income depends on the purpose for which the fees are assessed and the basis of accounting for the associated financial instrument. Fee and commission income is accounted for as follows:

- Income which forms an integral part of the effective profit rate of a financial instrument is recognized as an adjustment to the effective profit rate (for example, loan commitment fees) and recorded in "profit income";
- Income earned from the provision of services is recognized as revenue as the services are provided;
- Profit earned on the execution of a significant act is recognized as revenue when the act is completed.

Fees and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

4.9 Income tax expense

Income tax comprises current and deferred tax. Income tax expense is recognised in the profit or loss to the extent that it relates to items recognised directly in other comprehensive income.
Current tax is the expected tax payable on taxable income for the year using tax rates enacted at the reporting date by tax laws and regulations in the Emirate of Abu Dhabi and any adjustments to the tax payable in respect of the previous year.

Deferred tax is recognised in respect of temporary differences arising between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefits will be realised.

4 Material accounting policy information (continued)

4.9 Income taxes (continued)

Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of those matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

As at 31 December 2024, the Law is enacted from the perspective of IAS 12 - Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to prescribed by way of Cabinet Decisions.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

4.10 Provision for employees' benefits

Estimated amounts required to cover employees' end of service indemnity at the date of the statement of financial position are computed pursuant to the UAE Federal Labour law based on the employees' accumulated period of service and current remuneration at the date of the statement of financial position.

The management is of the opinion that no significant difference would have arisen the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

UAE Nationals employed by the Bank is registered in the scheme managed by the General Pension and Social Security Authority. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated services at the reporting date and in accordance with the Banks's internal regulations, which comply with the UAE Federal Labour Law.

4.11 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized, and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortization is charged on a straight-line basis over their estimated useful lives. The amortization method and estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

4 Material accounting policy information (continued)

4.11 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed periodically to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Software

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives, which is normally a period of 80 months.

4.12 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and any identified impairment loss.

Property and equipment are depreciated using the straight-line method over the expected useful lives of the assets as under:

Furniture and fixtures	160 months
Office equipment	80 – 120 months
Vehicles	80 months

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets, and adjusted prospectively, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Maintenance and repairs are charged to expenses as incurred and renewals and improvements, which extend the life of the asset, are capitalized and depreciated over the remaining life of the assets.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

i. Impairment of non–financial assets

At each date of the statement of financial position, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

4 Material accounting policy information (continued)

4.12 Property and equipment (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to the statement of other comprehensive income. For such properties, the impairment is recognized in the statement of other comprehensive income up to the amount of any previous revaluation.

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

It is the management opinion that no such indication exists at the date of the statement of financial position and accordingly, no adjustments or disclosures are required in respect of this issue.

4.13 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of outstanding amounts of such transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are recognized in the statement of comprehensive income.

At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 translated using the exchange rates as at the dates of the initial transactions.

4 Material accounting policy information (continued)

4.14 Financial instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Business model assessment

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

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual 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 realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- 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 future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Banks’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Bank’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, specifically:

(i) Financing instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial Assets (continued)

(ii) Financing instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);

(iii) all other financing instruments (e.g., instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL. However, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset on an asset by asset basis;

(iv) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

(v) the Bank may irrevocably designate a financing instrument that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Islamic financing and investing assets

Islamic financing and investing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing and receivables (including cash and cash equivalents, Islamic finance receivables, due from banks and other financial institutions, and other receivables) are measured at amortised cost using the effective profit method, less any impairment except for those recognized on an accruals basis as details in note 4.8.i.

Profit income is recognised by applying the effective profit rate, except for short-term receivables when the effect of discounting is immaterial.

i. Financing instruments at amortised cost or at FVOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank’s business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and profit on the principal outstanding (SPPI).

For the purpose of SPPI test, the principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., if there are payments of principal). Profit consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as a margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial assets (continued)

i. Financing instruments at *amortised cost or at FVOCI (continued)*

Contractual cash flows that are SPPI are consistent with a basic financing arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Banks's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

The Bank reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Bank has not identified a change in its business models.

Financing instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

ii. Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified, the classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in the business model that results in reclassifying the financial assets of the Bank. During the current period and previous accounting period, there was no change in the business model under which the Bank holds financial assets, and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

iii. Allowance for expected credit losses

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

- Due from Banks and other financial institutions
- Islamic financing and investing assets
- Loans and advances
- Off balance sheet exposures subject to credit risk

No impairment loss is recognised on Islamic equity investments.

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

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract. The cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate (EPR).
- For undrawn financial commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the finance and the cash flows that the Bank expects to receive if the finance is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financing instrument less any amounts that the Bank expects to receive from the holder, the customer or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of finances that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EPR, regardless of whether it is measured on an individual basis or a collective basis.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial assets (continued)

iv. Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- the significant financial difficulty of the customer or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of loans, advances and Islamic financing receivables by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether financing instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate financing instruments are credit impaired, the Bank considers factors such as delinquency, watchlist indication, restructuring flag, deterioration in credit ratings and the ability of the customer to raise funding.

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

v. Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favorable change for such assets creates an impairment gain.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial assets (continued)

vi. Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.
The Bank considers the following as constituting an event of default:

- the customer is past due more than 90 days on any material credit obligation to the Bank, or
- the customer is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Further, the cases where the criteria of 90 days overdue are rebutted using reasonable information. When assessing if the customer is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example, in corporate financing a qualitative indicator used is the 'watchlist flag', which is not used for retail financing.

Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty, are critical inputs in this analysis. The Bank uses a variety of sources of information to assess default which is either developed internally or obtained from external sources.

vii. Significant increase in credit risk

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

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

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial assets (continued)

vii. Significant increase in credit risk

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that form the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

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

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Bank considers the credit risk upon initial recognition of an asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal risk grade;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Bank relies on a broad range of forward-looking information as economic inputs, such as average oil prices, and gross domestic product along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

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

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

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial assets (continued)

vii. Significant increase in credit risk (continued)

However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing, there is a particular focus on assets that are included on a 'watch list' given there is a concern that the creditworthiness of the specific counterparty has deteriorated.

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

viii. Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing finance would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the profit rate that arises when covenants are breached).

The Bank renegotiates finances to customers in financial difficulty to maximise collection and minimise the risk of default. A finance forbearance is granted in cases where although the customer made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened, and the customer is expected to be able to meet the revised terms.

The revised terms in most of the cases include an extension of the maturity of the finance, changes to the timing of the cash flows of the finance (principal and profit payment), reduction in the amount of cash flows due (principal and profit forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail financing.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank’s policy, a modification results in derecognition when it gives rise to substantially different terms.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial Assets (continued)

viii. Modification and derecognition of financial assets (continued)

The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except on the rare occasions where the new finance is considered to be originated credit-impaired. This applies only in the case where the fair value of the new finance is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the customer is in the past due status under the new terms.

Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains all the risks and rewards of ownership substantially and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains all the risks and rewards of ownership of a transferred financial asset substantially, the Bank continues to recognise the financial asset and also recognises collateralised financing for the proceeds received.

ix. Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a payment plan with the Bank. The Bank categorises a finance or receivable for write off after almost all possible avenues of payments have been exhausted.

However, where finances or receivables have been written off, the Bank continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

4 Material accounting policy information (continued)

4.14 Financial instruments (continued)

Financial liabilities

i. Classification and subsequent measurement

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

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and financial commitments.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii. Derecognition

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

The exchange between the Bank and its original financer of financing instruments with substantially different terms, as well as substantial modifications of the terms of existing liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate, is significantly different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors such as currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of financing instruments or modification of terms is accounted for as an extinguishment, any cost or fees incurred as recognised as part of the gain or loss on extinguishment. If an exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4 Material accounting policy information (continued)

4.15 Leases

Financial guarantee contracts

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

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

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

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position, and the remeasurement is presented in other revenue.
The Bank has not designated any financial guarantee contracts as at FVTPL.

At the inception of a contract, the Bank assesses whether the contract is, or contains a lease. A contract is or contains a lease if the contracts convey the right to control the use of an identified asset for the Bank for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset -this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Bank has the right to obtain all the economic benefits from the use of the asset throughout the period of use substantially; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

- The Bank has the right to operate the asset; or
- The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on a reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

However, where the contract is not separable into a lease and non-lease component, then the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

4 Material accounting policy information (continued)

4.15 Leases (continued)

Financial guarantee contracts (continued)

The Bank determines the lease term as the non – cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Bank revises the lease term if there is a change in the non-cancellable period of a lease.

a) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located and lease payments made at or before the commencement date less any lease incentives received unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

The recognised right-to-use assets are subsequently depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Also, the right-of-use assets are periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

b) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (those leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets exemption to leases that are considered of low value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

c) Lease liability

The lease liability is initially recognised at the present value of the lease payments that are not paid in the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Bank used its incremental borrowing rate.

4 Material accounting policy information (continued)

4.15 Leases (continued)

Financial guarantee contracts (continued)

c) Lease liability (continued)

After initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where,

a) There is a change in the lease term as a result of a reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or
b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the contact of a purchase option, the Bank remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Bank determined the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined; or
c) There is a change in the amounts expected to be payable under a residual value guarantee; or
d) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review. The Bank remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate unless the change in lease payments results from a change in floating interest rates. In such a case, the Bank uses a revised discount rate that reflects a change in the interest rate.

The Bank recognises the amount of the re-measurements of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero, and there is a further deduction in the measurement of the lease liability, the Bank recognises any remaining amount of the re-measurement in profit or loss.

The Bank accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the context.

Lease modifications that are not accounted for as a separate, lease the Bank, at the effective date of the lease modification:

a) allocates the consideration in the modified contract;
b) determines the lease term of the modified lease; and
c) remeasured the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective rate of the modification, if the interest rate implicit in the lease cannot be readily determined.

4 Material accounting policy information (continued)

4.16 Provisions

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

4.17 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are disclosed in the notes to the Bank financial statements as pledged assets 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 loans and receivables to either banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective yield method.

4.18 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:

- In the principal market for asset or liability; or
- In the absence of principal market, in the most advantageous market for assets and liabilities

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

The principal or the most advantageous market must be accessible to by the Bank. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value hierarchy is described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Banks's valuation committee determines the policies and procedures for both recurring and nonrecurring fair value measurement.

4 Material accounting policy information (continued)

4.19 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantees are initially recognized at their fair value, (which is the premium received on issuance). The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

5 Significant accounting judgements and estimates

2.1 Significant judgements in applying the Banks's accounting policies

In the process of applying the Banks's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amount recognized in the financial statement:

5.1.2 Financial instruments

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

- Classification of financial assets: assessment of the 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 interest 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 Bank while determining the ECL, are:

Assessment of Significant Increase in Credit Risk

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 Bank compares the risk of a default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Banks's existing risk management processes exposure based on three factors. If any of the following factors indicate that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Bank 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.

5 Significant accounting judgements and estimates (continued)

5.1 Significant judgements in applying the Banks's accounting policies (continued)

5.1.1 Financial instruments (continued)

Assessment of Significant Increase in Credit Risk (continued)

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 Bank reviews its loans and advances portfolio and Islamic financing receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Bank 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 loan or homogenous group of loans and advances or Islamic 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 (FLI) 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 require significant judgment.

Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled 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. Each macroeconomic scenario used in the Bank's ECL calculation will have forecasts of the relevant macroeconomic variables.

The Bank's estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The Bank base case scenario is based on macroeconomic forecasts published by the external experts and other publicly available data. Upside and downside scenarios are set relative to the Bank base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios, will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios are probability-weighted according to the Bank's best estimate of their relative likelihood based on the historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities.

5 Significant accounting judgements and estimates (continued)

5.1 Significant judgements in applying the Banks's accounting policies (continued)

5.1.1 Financial instruments (continued)

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

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

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 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 Bank's Governance process for oversight.

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 a default, but contains a rebuttable presumption that default has occurred when exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment options and 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 Bank 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 Bank 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 and Economist team and will be responsible for reviewing and approving key inputs and assumptions used in the Bank ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Bank's financial statements.

5.1.2 Contingencies

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

5 Significant accounting judgements and estimates (continued)

5.1 Significant judgements in applying the Banks's accounting policies (continued)

5.1.3 The lease-term of contracts with renewal options

The Bank determines the lease term considering all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

5.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.2.1 Property and equipment

Property and equipment are depreciated over their estimated useful lives, which is based on the expected usage of the asset and expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

5.2.2 Intangible assets

Intangible assets are amortized over their estimated useful lives, which is based on the expected pattern of consumption of the future economic benefits embodied in the assets.

5.2.3 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount.

The fair value less costs of disposal calculation are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

5.2.4 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include consideration of inputs such as liquidity risk, credit risk, prepayment rates, recovery rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

6 Cash and balances with the Central Bank of the UAE

	2024 AED '000	2023 AED '000
Cash on hand	**6,660**	17,853
Balances with the Central Bank of the UAE:		
Current accounts	**317,024**	416,932
Deposit	**101,000**	75,000
Cash in transit	**1,060**	1,722
Less: Allowance for expected credit losses	**(3)**	(4)
	425,741	511,503

7 Due from banks

	2024 AED '000	2023 AED'000
Local banking units:		
Current accounts	**3,053**	11,040
Overseas banking units:		
Deposits	**20,000**	34,000
Current accounts	**86,451**	27,080
Less: Allowance for expected credit losses	**(25)**	(12)
	109,479	72,108

The deposits balances carry a profit at a rate of 3.5% per annum (2023: 2.5%-3.9%).

8 Due from Head Office

	2024 AED '000	2023 AED'000
Placement with Head Office	**235,228**	235,228
Head office current account	**762**	762
Less: Allowance for expected credit losses	**(6,965)**	(3)
	229,025	235,987

The placement with Head Office and balances are unsecured, interest free and receivable on demand.

9 Loans and advances

	2024 AED '000	2023 AED '000
Letters of guarantee under settlement	**16,181**	3,820
Letters of credit under settlement	**34,177**	3,053
Staff loans	**4,319**	4,047
	54,677	10,920
Less: Allowance for expected credit losses	**(26,624)**	(5,040)
	28,053	5,880

10 Islamic financing receivables

	2024 AED '000	2023 AED '000
Mugawla	**5,715**	10,150
Murabaha	**1,306,020**	1,208,018
Mudaraba	**629,768**	756,084
Musharaka	**172,157**	39,411
	2,113,660	2,013,663
Less: Deferred profit on Murabaha	**(54,487)**	(51,882)
	2,059,173	1,961,781
Less: Allowance for expected credit losses	**(262,595)**	(231,692)
	1,796,578	1,730,089

11 Other assets

	2024 AED '000	2023 AED '000
Accrued profit	**245**	897
Other receivables	**12,204**	9,441
VAT receivables	**1,023**	1,299
Prepayments	**2,118**	1,833
	15,590	13,470
Less: Allowance for expected credit losses	**(4,865)**	(4,865)
	10,725	8,605

Other receivables are unsecured, interest free and receivable on demand.

12 Intangible assets

	Software AED '000
Cost	
As at 31 December, 2022	7,535
Additions for the year	437
As at 31 December, 2023	7,972
Additions for the year	**1,140**
As at 31 December, 2024	**9,112**
Accumulated amortization	
As at 31 December, 2022	(4,032)
Amortization for the year	(941)
As at 31 December, 2023	(4,973)
Amortization for the year	**(862)**
As at 31 December, 2024	**(5,835)**
Carrying amount:	
As at 31 December, 2024	**3,277**
As at 31 December, 2023	2,999

13 Property and equipment

	Furniture and fixtures AED '000	Office equipment AED '000	Vehicle AED '000	Capital Work in Progress AED '000	Total AED '000
Cost					
As at 31 December, 2022	1,724	3,782	501	26	6,033
Additions for the year	4,384	1,480	-	-	5,864
Disposals for the year	(1,647)	-	-	-	(1,647)
As at 31 December, 2023	**4,461**	**5,262**	**501**	**26**	**10,250**
Additions for the year	**15**	**252**	**-**	**-**	**267**
Adjustments	**38**	**(69)**	**-**	**-**	**(31)**
As at 31 December, 2024	**4,514**	**5,445**	**501**	**26**	**10,486**
Accumulated depreciation					
As at 31 December, 2022	(730)	(2,475)	(305)	-	(3,510)
Depreciation for the year	(163)	(467)	(75)	-	(705)
Disposals for the year	844	-	-	-	844
As at 31 December, 2023	**(49)**	**(2,942)**	**(380)**	**-**	**(3,371)**
Depreciation for the year	**(338)**	**(641)**	**(65)**	**-**	**(1,044)**
Adjustments	**(2)**	**11**	**21**	**-**	**30**
As at 31 December, 2024	**(389)**	**(3,572)**	**(424)**	**-**	**(4,385)**
Carrying amount					
As at 31 December, 2024	**4,125**	**1,873**	**77**	**26**	**6,101**
As at 31 December, 2023	4,412	2,320	121	26	6,879

14 Right-of-use asset

	2024 Office space AED '000	2023 Office space AED '000
Cost:		
At 1 January	**3,573**	-
Additions for the year	**973**	3,573
At 31 December	**4,546**	3,573
Accumulated depreciation:		
At 1 January	**(357)**	-
Depreciation for the year	**(779)**	(357)
At 31 December	**(1,136)**	(357)
Net carrying amount as on 31 December	**3,410**	3,216
Rate of depreciation	**20%**	20%

This represents right-of-use asset recognized against lease agreement entered into by the Bank in respect of office space. The lease term is of 5 years.

15 Customers' deposits

	2024 AED '000	2023 AED '000
Current deposits	**1,261,771**	1,128,414
Mudaraba deposits	**360,583**	306,859
Call deposits	**293,875**	337,131
Fixed deposits	**100,000**	160,000
Margin deposits	**47,906**	39,949
Savings deposit	**14,446**	12,977
	2,078,581	1,985,330

16 Current tax liability

	2024 AED '000	2023 AED '000
Movement in current tax liability:		
At the beginning of the year	**11,246**	8,368
Amounts paid during the year	**(6,541)**	-
Other adjustments	**(1,826)**	-
Current year tax expenses	**3,936**	2,878
At the end of the year	**6,815**	11,246

Reconciliation between tax expense and accounting profit

The following is the reconciliation of current tax expenses calculated on accounting profits at the applicable tax rate with the current tax expense for the year.

Reconciliation of tax expense	2024 AED '000	2023 AED '000
Profit for the year before tax	**6,125**	14,391
Add:		
Non-deductible expenses	**7,565**	-
	13,690	14,391
Tax @ 20% of net accounting profit (2023: 20%)	**2,738**	2,878
Tax @ 9% of taxable income exceeding AED 375,000 (2023: nil)	**1,198**	-
Total current tax expenses	**3,936**	2,878
Effective tax rate	**64%**	20%

17 Other liabilities

	2024 AED '000	2023 AED '000
Accruals	**20,179**	11,267
Cheques payable	**5,672**	94,438
Allowance for impairment related to off balance sheet items	**860**	1,117
VAT payable	**232**	140
Others	**9,920**	4,291
	36,863	111,253

18 Lease liability

	2024 AED '000	2023 AED '000
At 1 January	**2,858**	-
Additions for the year	**770**	3,573
Finance cost	**129**	82
Payments	**(1,000)**	(797)
At 31 December	**2,757**	2,858
Current portion of lease liability	**875**	920
Non-current portion of lease liability	**1,882**	1,938
	2,757	2,858

As at 31 December 2024 the remaining term of the lease is 3 years and 9 months and the weighted average incremental borrowing rate is 5% per annum.

19 Provision for employees' end of service indemnity

	2024 AED '000	2023 AED '000
At 1 January	**6,678**	5,322
Charges for the year	**1,776**	1,356
Paid during the year	**(610)**	-
At 31 December	**7,844**	6,678

20 Statutory reserve

In accordance with the applicable UAE laws and regulations, 10% of the profit for the year is transferred to statutory reserve, until this reserve is equal to 50% of the Head Office allocated capital. This reserve is not available for distribution.

21 Commitments and contingencies

	2024 AED '000	2023 AED '000
Letters of guarantee	**94,621**	113,671
Letters of credit	**15,327**	1,988
	109,948	115,659

22 Income from Islamic Financing activities

	2024 AED '000	2023 AED '000
Murabaha income	**80,425**	75,514
Mudaraba income	**1,890**	30,052
Mugaowala income	**1,291**	1,038
Musharaka income	**13,612**	850
	97,218	107,454

23 Investment income

	2024 AED '000	2023 AED '000
Income on deposits	**17,874**	30,497

24 Commission, fee and foreign exchange income

	2024 AED '000	2023 AED '000
Fees and commission income	**15,980**	13,214
Gain on foreign currency exchange	**2,198**	8,712
	18,178	21,926

25 Staff costs

	2024 AED '000	2023 AED '000
Salaries and wages	**13,384**	11,531
Staff benefits	**15,613**	18,055
	28,997	29,586

26 General, administrative and other operating expenses

	2024 AED '000	2023 AED '000
IT related expenses	**4,215**	2,061
Short term leases	**160**	1,073
Advertising	**126**	328
Others	**12,993**	6,150
	17,494	9,612

26 General, administrative and other operating expenses (continued)

Lease payment not recognized as a liability

The Bank has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2024	2023
	AED '000	AED '000
Short term leases	**160**	1,073

27 Depositors' share of profits

The depositors' share of profits for the year ended 31 December, 2024 has been authorized by the investment committee of the Bank.

Distribution to depositors for Mudaraba deposits are calculated as per the requirements of the profit equalization regulation issued by the CBUAE.

28 Related party transactions

The Bank enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise entities under common ownership and/or common management and control and key management personnel. The Head Office and the management decide on the terms and conditions of the transactions and services received/ rendered from/to related parties as well as on other charges. Banking transactions are entered with related parties on terms and conditions approved by the management and the Head Office of the Bank.

	2024	2023
Balances with related parties	**AED '000**	AED '000
Assets		
Due from Head Office*	**762**	762
Placement with Head Office (due from Head Office)	**235,228**	235,228
Mudaraba with other Nilein bank branches	**12,300**	12,300
Head Office - Mudaraba deposit	**103,552**	103,552
Mudaraba with the Central Bank of Sudan	**29,173**	29,173
Liabilities		
Due to Head Office*	**20,656**	3,217
Customers' deposits from other Nilein Bank branches	**100,000**	100,000
Customers' deposits from the Central Bank of Sudan	**7,473**	4,315

28 Related party transactions (continued)

*Amounts are unsecured, interest free and receivable/payable on demand.

	2024	2023
	AED ’000	AED ’000
Transactions carried out during the year with related parties:		
Key management personnel:		
Compensation (short-term employee benefits)	**1,557**	1,443
End of service benefits (post-employment benefits)	**227**	291
Profit on Central Bank of Sudan Mudaraba	**-**	27,521
Profit expense on deposit from HO	**2,250**	-

29 Impairment reserve under the Central Bank of UAE guidance

Up to 30 November 2024, in accordance with the guideline issued by The CBUAE in March 2018, the Bank was required to assess general and specific provisions for financial instruments as per Circular 28/2010 and compare with the amounts required as per IFRS 9. If the provisions as per Circular 28/2010 were higher than provisions as per IFRS 9, the difference was to be recorded as an impairment reserve against retained earnings in the statement of changes in equity.

During the year the CBUAE had issued credit risk management standards which has removed the above requirements. Accordingly the management has reversed the impairment reserve of AED 14,559 thousand to retained earnings.

	2024	2023
	AED ’000	AED ’000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**-**	19,415
Less: Stage 1 and Stage 2 provisions under IFRS 9	**-**	54,458
General provision transferred to the impairment reserve	-	-
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**-**	197,969
Less: Stage 3 provisions under IFRS 9	**-**	183,410
Specific provision transferred (from)/to the impairment reserve	**(14,559)**	14,559
Total provision transferred (from)/to the impairment reserve	**(14,559)**	14,559

As at 31 December 2024, provision as per IFRS 9 is higher than required for CBUAE provisions; as a result, no impairment reserve has been created.

30 Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

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

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

Introduction and overview

Risk management framework

The risk management policies of the Bank are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, to reflect the changes in market condition, products and services offered.

The General Manager of UAE branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Head Office also monitors regularly the risk management framework.

a) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and causes the Bank to incur a financial loss. It arises principally from the Bank's loans and advances, Islamic financing receivables, cash and balances with the Central Bank of UAE, due from banks, and certain other assets.
Management of credit risk:

The credit risk management of the Bank framework includes:

- Establishment of authorization structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorization structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;

Diversification of lending and investment activities:

- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

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

30 Financial risk management (continued)

(a) Credit risk (continued)

In addition, the Bank manages credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

Exposure to credit risk

The Bank measures its maximum exposure to credit risk by reference to the gross carrying amount of financial assets. The table below shows the maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of netting and collateral agreements:

	2024	2023
	AED '000	AED '000
Due from banks	**109,504**	72,120
Due from Head office	**235,990**	235,990
Loans and advances	**54,677**	10,920
Islamic financing receivables	**2,113,660**	2,013,663
Other assets (with credit risk exposure)	**15,590**	13,470
	2,529,421	2,346,163
Commitments and contingencies	**109,948**	115,659
Less: Allowance for expected credit losses	**(301,074)**	(241,612)
Total credit risk exposure	**2,338,295**	2,220,210

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring. Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following the restructuring, previously overdue customers account is kept on a watch list and reset to normal status after a certain observation period and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Factors considered for the determination of impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or economic conditions.

30 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Write-off policy

The Bank writes off a loan / investment balance (and any related loss allowance) when the management determines that the loans / investments are uncollectible. This determination is reached after considering information such as the significant deterioration in the borrower's/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or proceeds from collateral will not be sufficient to pay back the entire exposure or all possible efforts of collecting the amounts have been exhausted.

For smaller balances of standardized loans, write off decisions are generally based on a product-specific past due status.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage profits over property, vehicles and other securities over assets and guarantees. The Bank accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational large corporate and high net-worth private individuals.

Past due but not impaired loans

These are the loans where contractual profit or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

30 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Concentration of credit risk

The Bank balances are with reputed banks. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances		Islamic Financing Activities	
	2024	2023	**2024**	2023
	AED '000	AED '000	**AED '000**	AED '000
Concentration by industry sector:				
Real estate	**-**	-	**-**	-
Trading	**50,358**	6,874	**1,477,013**	1,252,193
Government	**-**	-	**29,137**	29,137
Personal/private loans for business	**4,319**	4,046	**6,878**	5,494
Others	**-**	-	**600,632**	726,839
Gross amount	**54,677**	10,920	**2,113,660**	2,013,663
Less: Allowance for expected credit losses	**(26,624)**	(5,040)	**(262,595)**	(231,692)
Less: Deferred profit	**-**	-	**(54,487)**	(51,882)
Carrying amount	**28,053**	5,880	**1,796,578**	1,730,089

30 Financial risk management (continued)

(a) Credit risk (continued)

Analysis of the gross exposure by rating for Islamic financing receivables and loans and advances as follows:

Classification	Stage 1 12 month AED '000	Stage 2 Lifetime AED '000	Stage 3 Lifetime AED '000	2024 Total AED '000
Normal (N)	**1,039,928**	**-**	**-**	**1,039,928**
Watchlist (WL)	**-**	**654,800**	**-**	**654,800**
Substandard (SS)	**-**	**-**	**31,375**	**31,375**
Doubtful (DF)	**-**	**-**	**4,044**	**4,044**
Loss (Loss)	**-**	**-**	**438,190**	**438,190**
Gross carrying amount	**1,039,928**	**654,800**	**473,609**	**2,168,337**

Classification	Stage 1 12 months AED '000	Stage 2 Lifetime AED '000	Stage 3 Lifetime AED '000	2023 Total AED '000
Normal (N)	1,007,856	-	-	1,007,856
Watchlist (WL)	-	688,035	-	688,035
Substandard (SS)	-	-	10,706	10,706
Doubtful (DF)	-	-	58,029	58,029
Loss (Loss)	-	-	259,957	259,957
Gross carrying amount	1,007,856	688,035	328,692	2,024,583

30 Financial risk management (continued)

(a) Credit risk (continued)

Analysis of the allowance for expected credit losses by rating for Islamic financing receivables and loans and advances as follows:

Classification	**Stage 1 12 month AED '000**	**Stage 2 Lifetime AED '000**	**Stage 3 Lifetime AED '000**	**2024 Total AED '000**
Normal (N)	**29,702**	**-**	**-**	**29,702**
Watchlist (WL)	**-**	**24,035**	**-**	**24,035**
Substandard (SS)	**-**	**-**	**11,574**	**11,574**
Doubtful (DF)	**-**	**-**	**202**	**202**
Loss (Loss)	**-**	**-**	**223,706**	**223,706**
Total allowance for expected credit losses	**29,702**	**24,035**	**235,482**	**289,219**

Classification	Stage 1 12 month AED '000	Stage 2 Lifetime AED '000	Stage 3 Lifetime AED '000	2023 Total AED '000
Normal (N)	19,168	-	-	19,168
Watchlist (WL)	-	34,194	-	34,194
Substandard (SS)	-	-	5,121	5,121
Doubtful (DF)	-	-	26,471	26,471
Loss (Loss)	-	-	151,778	151,778
Total allowance for expected credit losses	19,168	34,194	183,370	236,732

30 Financial risk management (continued)

(a) Credit risk (continued)

The geographic distribution of assets, liabilities and off-balance sheet date items of the Bank as at 31 December 2024 are as follows:

	2024			2023		
	Assets AED '000	**Liabilities and equity AED '000**	**Off balance sheet items AED '000**	Assets AED '000	Liabilities and equity AED '000	Off balance sheet items AED '000
The UAE	**1,640,942**	**1,954,469**	**109,948**	1,524,874	1,849,579	115,659
Sudan	**864,996**	**657,920**	**-**	991,312	727,687	-
Indian Subcontinent & Asia	**106,451**	**-**	**-**	61,080	-	-
Western Europe	**-**	**-**	**-**	-	-	-
	2,612,389	**2,612,389**	**109,948**	2,577,266	2,577,266	115,659

30 Financial risk management (continued)

(a) Credit risk (continued)

The details of gross exposure of financial assets and their expected credit losses per stages is follows:

	Gross exposure				Allowance for expected credit losses			
31 December 2024	**Stage 1 AED '000**	**Stage 2 AED'000**	**Stage 3 AED '000**	**Total AED '000**	**Stage 1 AED '000**	**Stage 2 AED '000**	**Stage 3 AED'000**	**Total AED '000**
Cash and balances with CBUAE	**425,744**	**-**	**-**	**425,744**	**3**	**-**	**-**	**3**
Due from banks	**109,504**	**-**	**-**	**109,504**	**25**	**-**	**-**	**25**
Due from Head office	**235,990**	**-**	**-**	**235,990**	**6,965**	**-**	**-**	**6,965**
Loans and advances	**4,422**	**-**	**50,255**	**54,677**	**91**	**-**	**26,533**	**26,624**
Islamic financing receivables	**1,059,114**	**654,800**	**399,746**	**2,113,660**	**29,611**	**24,035**	**208,949**	**262,595**
Other assets	**12,449**	**-**	**-**	**12,449**	**4,865**	**-**	**-**	**4,865**
	1,847,223	**654,800**	**450,001**	**2,952,024**	**41,560**	**24,035**	**235,482**	**301,077**
Commitment & contingencies	**109,948**	**-**	**-**	**109,948**	**860**	**-**	**-**	**860**
Gross carrying amount	**1,957,171**	**654,800**	**450,001**	**3,061,972**	**42,420**	**24,035**	**235,482**	**301,937**

	Gross exposure				Allowance for expected credit losses			
31 December 2023	**Stage 1 AED '000**	**Stage 2 AED '000**	**Stage 3 AED '000**	**Total AED '000**	**Stage 1 AED '000**	**Stage 2 AED '000**	**Stage 3 AED '000**	**Total AED '000**
Cash and balances with CBUAE	511,507	-	-	511,507	4	-	-	4
Due from banks	72,120	-	-	72,120	12	-	-	12
Due from Head office	235,990	-	-	235,990	3	-	-	3
Loans and advances	4,047	-	6,873	10,920	84	-	4,957	5,040
Islamic financing receivables	1,003,809	688,036	321,818	2,013,663	19,084	34,194	178,414	231,692
Other assets	10,338	-	-	10,338	4,865	-	-	4,865
	1,837,811	688,036	328,691	2,854,538	24,052	34,194	183,371	241,616
Commitment & contingencies	115,659	-	-	115,659	1,117	-	-	1,117
Gross carrying amount	1,953,466	688,036	328,691	2,970,197	25,169	34,194	183,371	242,733

30 Financial risk management (continued)

(b) Liquidity risk

Liquidity or funding risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The below table shows discounted cash flows on the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Bank's expected cash flows may vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance. The contractual maturities of the financial instrument have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is to be maintained.

Certain liquidity restrictions may arise from holding deposits in Sudan due to money market restrictions. Accordingly, assets held in Sudan may be subject to delays in the transformation to AED currency.

30 Financial risk management (continued)

(b) Liquidity risk

The maturity profile of the financial assets and financial liabilities on December 31, 2024, was as follows:

	Total AED '000	Up to 3 months AED '000	Over 3 months to 6 months AED '000	Over 6 months to 1 year AED '000	Over 1 year to 3 years AED '000	Unspecified AED '000
Assets						
Cash and balances with the Central Bank of the UAE	**425,741**	**425,741**	**-**	**-**	**-**	**-**
Due from banks	**109,479**	**89,479**	**-**	**20,000**	**-**	**-**
Due from Head Office	**229,025**	**762**	**102,991**	**-**	**125,272**	**-**
Loans and advances	**28,053**	**-**	**-**	**-**	**-**	**28,053**
Islamic financing receivables	**1,796,578**	**723,030**	**216,578**	**413,274**	**443,720**	**-**
Other assets	**7,584**	**245**	**-**	**7,339**	**-**	**-**
Total assets	**2,596,460**	**1,239,257**	**319,569**	**440,613**	**568,992**	**28,053**
Liabilities						
Customers' deposits	**2,078,581**	**1,261,772**	**62,352**	**393,875**	**360,582**	**-**
Other liabilities	**36,863**	**26,698**	**9,074**	**-**	**1,091**	**-**
Current tax liability	**6,815**	**-**	**6,815**	**-**	**-**	**-**
Due to head office	**20,656**	**-**	**-**	**20,656**	**-**	**-**
Total liabilities	**2,142,915**	**1,288,470**	**78,241**	**414,531**	**361,673**	**-**
Commitments and contingencies	**109,948**	**-**	**-**	**-**	**-**	**109,948**

30 Financial risk management (continued)

(b) Liquidity risk

The maturity profile of the financial assets and financial liabilities on December 31, 2023, was as follows:

	Total AED '000	Up to 3 months AED '000	Over 3 months to 6 months AED '000	Over 6 months to 1 year AED '000	Over 1 year to 3 years AED '000	Unspecified AED '000
Assets						
Cash and balances with the Central Bank of the UAE	511,503	511,503	-	-	-	-
Due from banks	72,108	38,108	-	34,000	-	-
Due from Head Office	235,987	762	109,444	-	125,781	-
Loans and advances	5,880	-	-	-	-	5,880
Islamic financing receivables	1,730,089	853,134	303,734	317,177	256,044	-
Other assets	5,473	1,900	2,142	1,431	-	-
Total assets	2,561,040	1,405,407	415,320	352,608	381,825	5,880
Liabilities						
Customers' deposits	1,985,330	1,128,414	52,926	497,131	306,859	-
Other liabilities	111,253	105,705	4,291	-	1,257	-
Current tax liability	11,246	-	11,246	-	-	-
Due to head office	3,217	-	-	3,217	-	-
Total liabilities	2,111,046	1,234,119	68,463	500,348	308,116	-
Commitments and contingencies	115,659	-	-	-	-	115,659

30 Financial risk management (continued)

(b) Liquidity risk

El Nilein Bank — Sudan (Head Office) has confirmed its intention to continue to provide financial support to the Bank to enable its meet its liabilities.

(c) Market risk

Market risk is the risk that the income and / or value of a financial instrument of the Bank will fluctuate because of changes in market prices such as profit rates, foreign exchange rates and market prices of equity.

Management of market risk

Corporate banking division has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Head Office.

Profit rate risk

Profit rate risk arises from profit bearing financial instruments and reflects the possibility that changes in profit rates will adversely affect the value of the financial instruments and the related cash flow. The Bank manages this risk principally through monitoring profit rate gaps and by matching the re-pricing profile of assets and liabilities.

A substantial portion of the Banks's assets and liabilities are re-priced within six months. Accordingly, there is limited exposure to profit rate risk.

During the year ended 31 December 2024, had profit rates increased/decreased by 100 basis points, with all other variables remaining constant, the impact on the results and equity of the Bank would have been as follows:

Impact on results and equity of the Bank

	2024	2023
	AED '000	AED '000
± 100 basis points change in profit rates	**11,359**	20,164

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The functional currency of the Bank is the UAE Dirham. At 31 December 2024, the Bank is not significantly exposed to movements in foreign currency exchange rates as its assets and liabilities are mainly denominated in AED, USD or GCC currencies.

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

30 Financial risk management (continued)

(d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes of the Bank, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Banks's operations and are faced by all business entities.

The objective of the Bank is to manage operational risk so as to balance the avoidance of financial losses and damage, to the reputation of the Bank with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established a framework of policies and procedures to identify, assess, control, manage and report risks.

Compliance with policies and procedures is supported by periodic reviews undertaken by the internal audit department. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

Capital management

The Banks's lead regulator, the CBUAE, sets and monitors regulatory capital requirements.

The Banks's objectives when managing capital is:

- safeguarding the Bank's ability to continue as a going concern and increase the returns for the Head Office; and
- complying with regulatory capital requirements set by the CBUAE.

The policy of the Bank is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on Head Office's return is also recognized, and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

In implementing current capital requirements, the Bank calculates its risk asset ratio in accordance with capital adequacy guidelines established by the CBUAE prescribing the ratio of total capital to total risk-weighted assets. Further, the Bank also calculates its capital adequacy ratio in accordance with Basel III Accord, which was adopted by CBUAE.

30 Financial risk management (continued)

BASEL III CAPITAL RATIO

The Banks regulatory capital is analysed into two tiers:

Tier 1 capital, which includes share capital, statutory reserves, accumulated profit and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes.

Tier 2 capital, which includes collective impairment allowance and fair value reserves relating to unrealised gains/losses on investments classified at fair value through other comprehensive income. Various limits are applied to elements of the capital base:

- CET1 must be at least 7.0% of risk weighted assets (RWA);
- Tier 1 Capital must be at least 8.5% of risk weighted assets; and
- Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA

The Banks' assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Bank follow the standardised approach for credit, market and operational risk, as permitted by the CBUAE and as per Pillar I of Basel III.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Banks' management, employing techniques based on the guidelines developed by the Basel Committee and the CBUAE. The required information is filed with the regulators on a monthly or/and quarterly basis.

During the years ended 31 December 2024 and 2023, the Bank was required to maintain a capital adequacy ratio at 10.5% and the Bank has complied in full with all of its externally imposed capital requriements.

30 Financial risk management (continued)

BASEL III CAPITAL RATIO (continued)

Capital adequacy ratio

Capital Adequacy Ratio (CAR) under Basel III in accordance with regulations of the CBUAE is as follows:

Capital management	2024 AED '000	2023 AED '000
Tier 1 capital		
Capital	**412,000**	412,000
Retained earnings	**36,596**	20,067
Impairment reserve	**-**	14,559
Statutory reserve	**10,277**	10,058
	458,873	456,684
Tier 2 capital		
Collective expected credit loss allowance	**21,892**	19,415
Total capital base	**480,765**	476,099
Risk weighted assets	**1,849,881**	1,744,186
Risk asset ratio	**22%**	27%

Foreign currency translation

Translations denominated in foreign currencies are recorded in local currency at the rates of exchange prevailing at the time of transactions. Assets and liabilities denominated in foreign currencies have been translated into United Arab Emirates Dirhams at middle market rates of exchanges prevailing at the reporting date. Gain and losses on foreign exchange transactions are dealt with in statement of comprehensive income.

	2024 AED	2023 AED
Currency rates used are as follows:		
United States Dollar (USD)	**3.669:1**	3.67:1
Euro	**3.815:1**	4.05:1
Saudi Arabian Riyal (SAR)	**0.979:1**	0.98:1
Omani Riyal (OMR)	**9.537:1**	-

31 Fair value of financial instruments

The Bank classifies all its financial assets under Level 3 of the fair value hierarchy.

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

32 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 31 December 2024 and the date of authorisation.