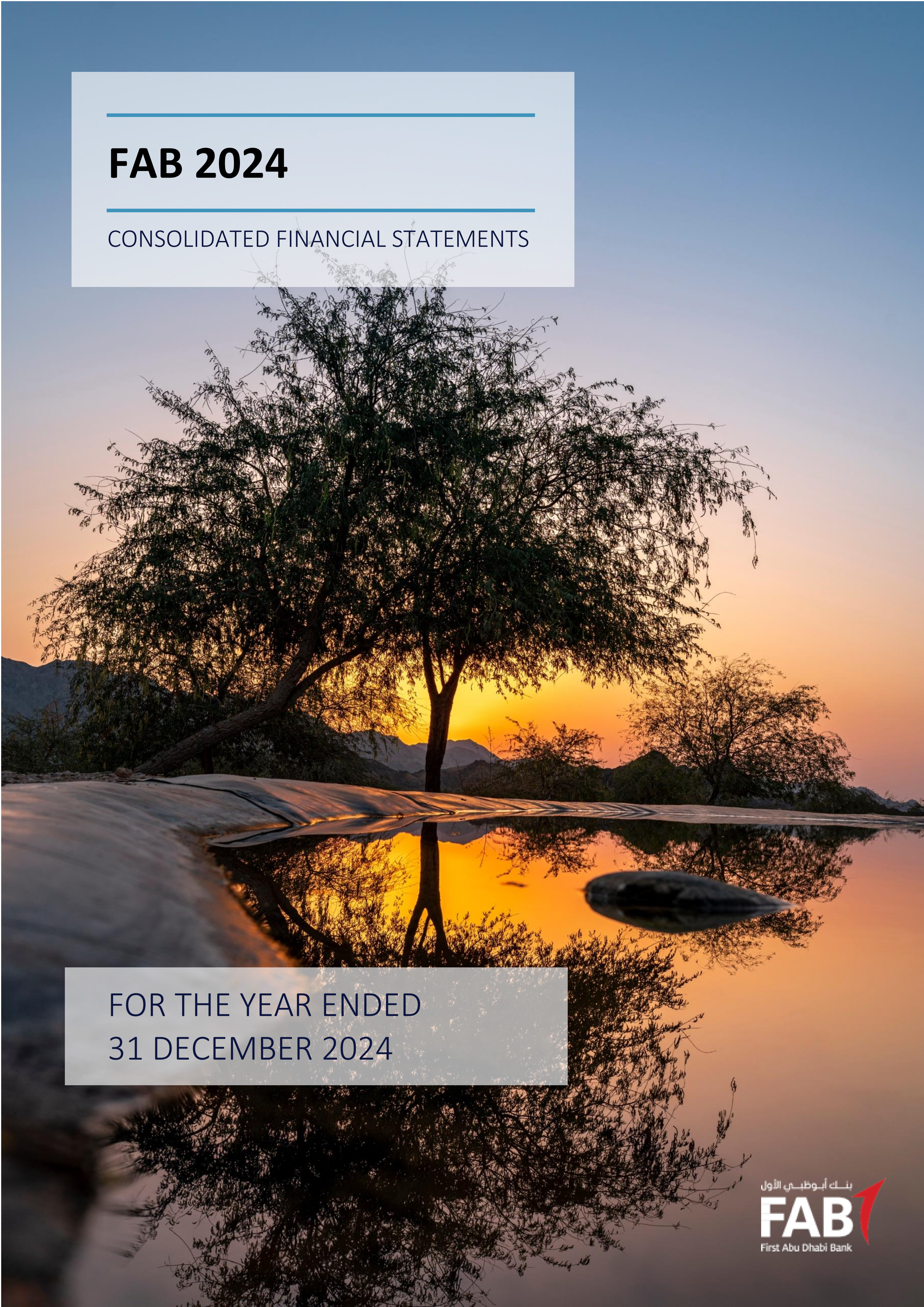

FAB 2024

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

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Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Abu Dhabi Bank P.J.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with applicable ethical and independence requirements of United Arab Emirates that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

Our audit approach

Overview

Key Audit Matters	Measurement of Expected Credit Losses on Loans, advances and Islamic financing

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL") on Loans, advances and Islamic financing	
The ECL charge for the year ended 31 December 2024 amounted to AED 3,885 million (net of recoveries) and the allowance for ECL as at that date amounted to AED 13,789 million. The Directors recognise a provision for expected credit losses (ECL) in the consolidated financial statements in relation to loans, advances and Islamic Financing.	We performed the following audit procedures on the computation and reasonableness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024: • We obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Group, including IT general controls and application controls, for the estimation of ECL, calculation of days past due, application of the staging criteria and the process of overriding ECL modelled output.

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

Our audit approach (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The Directors exercise significant judgments and make a number of assumptions in developing its ECL models which is determined as a function of the assessment of the Probability of Default ("PD") separately for retail and non-retail portfolios, determination of Loss Given Default ("LGD"), adjusted for the forward-looking information and Exposure At Default ("EAD") associated with the underlying funded and unfunded exposures subject to ECL.

In case of defaulted exposures, the Directors exercise judgment to evaluate and estimate the expected future cash flows for each exposure. This assessment guides decisions on whether to reschedule or restructure the exposure. This evaluation also takes into consideration the value of collateral securing these exposures.

ECL overrides including staging overrides and overlays / underlays may also be recorded by the Directors using credit risk judgments where the assumptions and modelling techniques do not capture all the relevant risk factors.</td><td>• For a sample of exposures of loans, we checked the appropriateness of the Group's application of the staging criteria, including the basis for movement between stages.

• We involved our internal experts to assess the following areas:
○ Evaluation of the appropriateness of the accounting policies adopted by the Group based on the requirements of IFRS 9;
○ Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for the models selected for testing.
○ Reasonableness of the key assumptions and judgements made by Directors in assessing the definition of default, the application of Significant Increase in Credit Risk (SICR) and staging criteria, determining the historic and forward-looking information of macroeconomic data in estimating the ECL components and use of probability weighted scenarios.
○ For a sample of customers, testing the mathematical accuracy and appropriateness of discounting used in the ECL calculation.

• We tested the completeness and the accuracy of the data used in the calculation of ECL for loans.

• We assessed the modification of loans accounting treatment for a sample of parties that have undergone rescheduling or restructuring.</td></tr>
</table>

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
The Group's impairment policy under IFRS 9 is presented in Note 6a (vii) to the consolidated financial statements. We considered this as a key audit matter considering the exercise of significant judgement, estimates including use of forward-looking macroeconomic data and complex models, and as it has a material impact on the consolidated financial statements of the Group.	• We performed an independent credit assessment for a sample of non-retail exposures, including Stage 3, by assessing quantitative and qualitative factors, including an assessment of the financial performance of the borrower, the source of repayments and its history and credit risk mitigation, including collateral, on a discounted cash flow basis. • We assessed the reasonableness of assumptions underlying the ECL provision for major product categories in the retail portfolio. • For a sample of loan exposures, we evaluated the reasonableness of Directors overrides including ECL overlays / underlays and staging overrides during the process of ECL computation. • We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL as required by IFRS Accounting Standards.

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Management Discussion and Analysis Report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Sustainability Report, Corporate Governance Report and the Board of Directors' Report which are expected to be made available to us after that date.

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

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

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

When we read the Sustainability Report, Corporate Governance Report and the Board of Directors Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal-Decree Law No. (32) of 2021, Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

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

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

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

Report on other legal and regulatory requirements

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

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

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

iii) the Group has maintained proper books of account;

iv) the financial information included in the Management Discussions & Analysis Report is consistent with the books of account of the Group;

v) the Group has purchased or invested in shares during the year and the investments as at 31 December 2024 are disclosed in note 9 and note 13 to the consolidated financial statements;

vi) note 46 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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

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

Independent auditor's report to the shareholders of First Abu Dhabi Bank P.J.S.C. (continued)

Report on other legal and regulatory requirements (continued)

Further, as required by the ADAA Chairman's Resolution no 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2024, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2024:

(i) its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and

(ii) applicable provisions of the relevant laws, resolutions and circulars that have an impact on the Subject Entity's consolidated financial statements.

PricewaterhouseCoopers Limited Partnership – Abu Dhabi
5 February 2025

Stuart Alexander Scoular
Registered Auditor Number: 5563
Place: Abu Dhabi, United Arab Emirates

Consolidated statement of financial position
As at 31 December 2024

	Note	31 Dec 2024 AED million	31 Dec 2023 AED million
Assets			
Cash and balances with central banks	8	**214,404**	233,390
Investments at fair value through profit or loss	9	**56,028**	45,209
Due from banks and financial institutions	10	**23,724**	25,266
Reverse repurchase agreements	11	**69,661**	78,504
Derivative financial instruments	43	**45,893**	46,421
Loans, advances and Islamic financing	12	**528,897**	483,954
Non trading investment securities	13	**187,446**	179,643
Other assets	14	**49,440**	41,332
Investment in associates	15	**4,963**	1,501
Investment properties	16	**8,169**	8,162
Property and equipment		**4,683**	5,115
Intangibles	17	**19,939**	20,136
Total assets		**1,213,247**	1,168,633
Liabilities			
Due to banks and financial institutions	18	**71,896**	71,528
Repurchase agreements	19	**32,329**	26,096
Commercial paper	20	**17,888**	19,659
Derivative financial instruments	43	**53,758**	51,002
Customer accounts and other deposits	21	**782,379**	759,863
Other liabilities	22	**52,473**	46,932
Term borrowings	23	**64,788**	63,939
Subordinated notes	24	**6,861**	4,191
Total liabilities		**1,082,372**	1,043,210
Equity			
Share capital	25	**11,048**	11,048
Share premium		**53,583**	53,558
Treasury shares		**-**	(7)
Statutory and special reserves		**13,084**	13,084
Other reserves	25	**(3,997)**	208
Tier 1 capital notes	26	**10,755**	10,755
Share based payment		**250**	250
Retained earnings		**46,029**	36,417
Total equity attributable to shareholders of the Bank		**130,752**	125,313
Non-controlling interest		**123**	110
Total equity		**130,875**	125,423
Total liabilities and equity		**1,213,247**	1,168,633

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.
These consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 February 2025 and signed on its behalf:

Chairman	Group Chief Executive Officer	Group Chief Financial Officer

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 10.

Consolidated statement of profit or loss

For the year ended 31 December 2024

	Note	31 Dec 2024 AED million	31 Dec 2023 AED million
Interest income	28,51	**59,574**	55,848
Interest expense	29,51	**(42,100)**	(39,313)
Net interest income		**17,474**	16,535
Income from Islamic financing and investing products	30	**3,474**	2,910
Distribution on Islamic deposits	31	**(1,336)**	(1,306)
Net income from Islamic financing and investing products		**2,138**	1,604
Total net interest income and income from Islamic financing and investing products		**19,612**	18,139
Fee and commission income	32	**5,520**	4,283
Fee and commission expense	32	**(1,762)**	(1,275)
Net fee and commission income		**3,758**	3,008
Net foreign exchange gain	33	**1,832**	2,597
Net gain on investments and derivatives	34	**5,399**	3,704
Other operating income	35	**1,024**	23
Operating income		**31,625**	27,471
Gain on disposal of stake in subsidiary and fair value gain on retained interest	36	-	284
Total income including gain on disposal of stake in subsidiary and fair value gain on retained interest		**31,625**	27,755
General, administration and other operating expenses	37	**(7,787)**	(7,125)
Profit before net impairment charge and taxation		**23,838**	20,630
Net impairment charge	38	**(3,924)**	(3,078)
Profit before taxation		**19,914**	17,552
Income tax expense	39	**(2,818)**	(1,042)
Net profit for the year		**17,096**	16,510
Net profit attributable to:			
Shareholders of the Bank		**17,055**	16,405
Non-controlling interest		**41**	105
Basic and diluted earnings per share (AED)	45	**1.48**	1.43

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 10.
Refer note 51 for changes to comparative figures.

Consolidated statement of other comprehensive income

For the year ended 31 December 2024

	31 Dec 2024 AED million	31 Dec 2023 AED million
Net profit for the year	**17,096**	16,510
Other comprehensive (loss)/Income		
Items that will be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**(1,929)**	(749)
Net change in fair value reserve during the year (including ECL)	**324**	1,393
Income tax	**63**	-
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income - net change in fair value	**(1,702)**	(327)
Remeasurement of defined benefit obligations	**(13)**	(10)
Proposed Board of Directors' remuneration	**(45)**	(45)
Other adjustments	**-**	3
Income tax	**176**	-
Other comprehensive (loss)/income for the year	**(3,126)**	265
Total comprehensive income for the year	**13,970**	16,775
Comprehensive income attributable to:		
Shareholders of the Bank	**13,939**	16,669
Non-controlling interest	**31**	106
Total comprehensive income for the year	**13,970**	16,775

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 10.

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Share capital AED million	Share premium AED million	Treasury shares AED million	Statutory and special reserves AED million	Other reserves AED million	Tier 1 capital notes AED million	Share based payment AED million	Retained earnings AED million	Equity attributable to shareholders of the Bank AED million	Non-controlling interest AED million	Total AED million
Balance at 1 January 2024	**11,048**	**53,558**	**(7)**	**13,084**	**208**	**10,755**	**250**	**36,417**	**125,313**	**110**	**125,423**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,055**	**17,055**	**41**	**17,096**
Other comprehensive loss for the year	**-**	**-**	**-**	**-**	**(3,058)**	**-**	**-**	**(58)**	**(3,116)**	**(10)**	**(3,126)**
Treasury shares movements during the year (note 25)	**-**	**25**	**7**	**-**	**50**	**-**	**-**	**-**	**82**	**-**	**82**
Interest on Tier 1 capital notes (note 26)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(743)**	**(743)**	**-**	**(743)**
IFRS 9 reserve movement (note 25)	**-**	**-**	**-**	**-**	**(1,222)**	**-**	**-**	**1,222**	**-**	**-**	**-**
Realised loss on sale of FVOCI Investment	**-**	**-**	**-**	**-**	**25**	**-**	**-**	**(25)**	**-**	**-**	**-**
<u>Transactions with owners of the Bank</u>											
Dividend for the year (net of treasury shares)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,839)**	**(7,839)**	**(18)**	**(7,857)**
Balance at 31 December 2024	**11,048**	**53,583**	**-**	**13,084**	**(3,997)**	**10,755**	**250**	**46,029**	**130,752**	**123**	**130,875**
Balance at 1 January 2023	11,048	53,558	(7)	13,084	(836)	10,755	250	27,186	115,038	12	115,050
Net profit for the year	-	-	-	-	-	-	-	16,405	16,405	105	16,510
Other comprehensive income / (loss) for the year	-	-	-	-	316	-	-	(52)	264	1	265
Interest on Tier 1 capital notes (note 26)	-	-	-	-	-	-	-	(653)	(653)	-	(653)
IFRS 9 reserve movement (note 25)	-	-	-	-	708	-	-	(708)	-	-	-
Realised loss on sale of FVOCI Investment	-	-	-	-	20	-	-	(20)	-	-	-
<u>Transactions with owners of the Bank</u>											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(5,741)	(5,741)	(8)	(5,749)
Balance at 31 December 2023	11,048	53,558	(7)	13,084	208	10,755	250	36,417	125,313	110	125,423

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 3 to 10.

Consolidated statement of cash flows
For the year ended 31 December 2024

	Note	31 Dec 2024 AED million	31 Dec 2023 AED million
Cash flows from operating activities			
Profit before taxation		**19,914**	17,552
Adjustments for:			
Depreciation and amortisation of intangibles	37	**1,087**	981
Gain on sale of property and equipment		**(22)**	(1)
Gain on sale of investment properties		**-**	(148)
Gain on sale of fixed assets		**-**	(1)
Gain on disposal of stake in subsidiary and fair value gain on retained interest	36	**-**	(284)
Net impairment charge	38	**4,650**	3,585
Net other operating income		**303**	-
Accreted interest		**452**	532
		26,384	22,216
Changes in:			
Investments at fair value through profit or loss		**(10,758)**	(13,511)
Due from central banks, banks and financial institutions		**(814)**	1,027
Reverse repurchase agreements		**8,835**	(9,463)
Loans, advances and Islamic financing		**(49,976)**	(27,808)
Other assets		**(8,076)**	(10,023)
Due to banks and financial institutions		**368**	9,967
Repurchase agreements		**6,233**	(12,908)
Customer accounts and other deposits		**22,516**	59,289
Derivative financial instruments		**1,800**	2,492
Other liabilities		**3,958**	9,957
		470	31,235
Income tax paid, net of recoveries	22	**(1,446)**	(1,058)
Board of Directors' remuneration paid		**(45)**	(45)
Net cash (used in) / from operating activities		**(1,021)**	30,132
Cash flows from investing activities			
Net movement in non trading investment securities and investment in associates		**(12,060)**	(6,702)
Net movement in investment properties		**(7)**	(1,041)
Proceeds from sale of subsidiary		**-**	335
Purchase of property and equipment, net of disposals		**97**	(1,071)
Net cash used in investing activities		**(11,970)**	(8,479)
Cash flows from financing activities			
Net movement of commercial paper		**(1,771)**	(12,080)
Dividend paid		**(7,840)**	(5,728)
Issue of term borrowings	23	**14,648**	8,140
Repayment of term borrowings	23	**(12,461)**	(8,397)
Issuance of subordinated note		**2,755**	3,673
Interest on Tier 1 capital notes	26	**(743)**	(653)
Net cash used in financing activities		**(5,412)**	(15,045)
Net (decrease) / increase in cash and cash equivalents		**(18,403)**	6,608
Foreign currency translation adjustment		**(2,967)**	(206)
Cash and cash equivalents at 1 January		**257,198**	250,796
Cash and cash equivalents	40	**235,828**	257,198

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor’s report on audit of the consolidated financial statements is set out on page 3 to 10.

1 Legal status and principal activities

First Abu Dhabi Bank PJSC (the "Bank") is a public joint stock company with a limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE) under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended). The registered address of the Bank is P. O. Box 6316, FAB Building, Khalifa Business Park, Al Qurum, Abu Dhabi, United Arab Emirates.

These consolidated financial statements as at and for the year ended 31 December 2024, comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in corporate, consumer, private and investment banking activities, payment services, management services, Islamic banking activities, and real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Indonesia, Iraq, Jordan[1], Kingdom of Saudi Arabia, Kuwait, Lebanon[1], Libya, Malaysia, Oman, Qatar[2], Singapore, South Korea, Switzerland, the United Kingdom and the United States of America.

The Group's Islamic banking activities are conducted in accordance with Islamic Sharia'a rules and principles as interpreted by the Internal Shariah Supervision Committee ("ISSC") in accordance with the resolutions issued by the Higher Shariah Authority ("HSA").

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: FAB). The consolidated financial statements of the Group as at and for the year ended 31 December 2024 are available upon request from the Group's registered office or at website (http://www.bankfab.com).

[1] Under closure.
[2] The Bank has notified the Qatar Financial Centre Regulatory Authority ("QFCRA") that it will relinquish its Qatar Financial Centre ("QFC") branch license and permanently close its QFC branch.

2 Statement of compliance

These consolidated financial statements have been prepared on a going concern basis as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the requirements of applicable laws in the UAE. IFRS Accounting Standards comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Standard Interpretations Committee ("IFRS IC").

The Bank is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the financial system of the Government of Abu Dhabi and instructions issued by the Department of Finance as at the date of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 February 2025.

3 Basis of preparation

(a) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis except for the following items, which are measured on the following basis:

Items	Measurement basis
Investments at fair value through profit or loss ("FVTPL")	Fair value
Derivative financial instruments	Fair value
Debt and equity instruments designated at fair value through other comprehensive income ("FVOCI")	Fair value
Investment properties	Fair value
Recognised assets and liabilities designated as hedged items in qualifying hedge relationships	Adjusted for changes in fair value attributable to the risk being hedged
Non-financial assets acquired in settlement of loans, advances and Islamic financing	Lower of fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing

(b) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency. The presentation of the consolidated financial statements have been rounded to the nearest millions, unless otherwise indicated. Items included in the financial statements of each of the Group's overseas subsidiaries and branches are measured using the currency of the primary economic environment in which they operate.

4 Changes in material accounting policies and disclosures

New and amended standards and interpretations adopted

The following amendments to existing standards and framework have been applied by the Group in preparation of these consolidated financial statements. The adoption of the below amended standards did not result in changes to previously reported net profit or equity of the Group.

Description	Effective from
Amendment to IAS 1 – Non current liabilities with covenants	1 January 2024
Amendment to IAS 1 – Classification of liabilities as current or non current	1 January 2024
Amendment to IFRS 7 – Supplier finance arrangements	1 January 2024
Amendment to IAS 7 – Statement of cash flows	1 January 2024
Amendments to IFRS 16 – Lease liability in a sale and leaseback	1 January 2024

Standards issued but not yet effective

The following new standards and amendments to the existing standards are applicable to annual reporting periods beginning on or after 1 January 2025 and early application is permitted. The Group is currently evaluating the impact of the new standards and amendments to the existing standards and expects to adopt them on the effective date.

- Amendments to IAS 21 – Lack of Exchangeability
- IFRS 18 Presentation and disclosure in financial statements - This new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.
- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
- IFRS 19 Subsidiaries without Public Accountability: Disclosures – This new standard permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

5 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The consideration transferred does not include amounts related to the settlement of pre existing relationships. Such amounts are generally recognised in profit or loss. Acquisition related costs are expensed as incurred and included in general, administration and other operating expenses, except if related to the issue of debt or equity securities.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the excess consideration is recognised immediately in consolidated statement of profit or loss as a gain from bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

5 Basis of consolidation (continued)

(i) Business combinations (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. An impairment loss is recognised if the carrying amount of the CGU exceed its recoverable amount. Where goodwill has been allocated to a CGUs and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(ii) Subsidiaries

IFRS 10 – "Consolidated financial statements" governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities. The definition of control is such that an investor controls an investee when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) the investor has power over an investee;
(b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Generally, it is presumed that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

(a) The purpose and design of the investee.
(b) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
(c) Potential voting rights held by the Group.
(d) The relevant facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time the decision needs to be made (including voting patterns at previous shareholders' meetings) and whether the Group can direct those activities.
(e) Contractual arrangements such as call rights, put rights and liquidation rights.
(f) Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Subsidiaries (including special purpose entities) are entities that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries (including special purpose entities) are included in these consolidated financial statements from the date that control commences until the date that control ceases. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Bank and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

The carrying amount of the Group's investment in each subsidiary and the equity of each subsidiary are eliminated on consolidation. All significant intra group balances, transactions and unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra group transactions are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

5 Basis of consolidation (continued)

(ii) Subsidiaries (continued)

The consolidated financial statements comprises the financial statements of the Bank and those of its following subsidiaries (including special purpose entities):

Legal Name	Country of Incorporation	Principal activities	As at 31 Dec 2024	As at 31 Dec 2023
First Abu Dhabi Bank USA N.V.	Curacao	Banking	100%	100%
First Abu Dhabi Bank Securities - Sole Proprietorship L.L.C	United Arab Emirates	Brokerage	100%	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%	100%
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	Property Management	100%	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%	100%
Abu Dhabi Securities Brokerage Egypt[1]	Egypt	Brokerage	96%	96%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%	100%
FAB Global Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%	100%
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services	100%	100%
Mismak Properties - Sole Proprietorship L.L.C (“Mismak”)	United Arab Emirates	Real estate investments	100%	100%
Shangri La Dubai Hotel LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	100%	100%
First Merchant International LLC (“FMI”)	United Arab Emirates	Real estate investments	100%	100%
FAB Employment Services LLC	United Arab Emirates	Resourcing services	100%	100%
FAB Resourcing Services LLC (Subsidiary of Nawat)	United Arab Emirates	Resourcing services	100%	100%
Horizon Gulf Electromechanical Services L.L.C. (“Horizon”)	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf General Contracting LLC	United Arab Emirates	Real estate related services	100%	100%
PDCS Engineering LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf Oil and Gas Services LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services	100%	100%
FAB Sukuk Company Limited[3]	Cayman Islands	Special purpose entity	-	-
First Gulf Libyan Bank[2]	Libya	Banking services	50%	50%
First Gulf Information Technology LLC (“FGIT”)	United Arab Emirates	IT Services	100%	100%
FAB Global Business Services Limited	India	IT Services	100%	100%
FAB Capital Financial Company (A Saudi Closed Joint Stock Company)	Kingdom of Saudi Arabia	Financial Institution	100%	100%
First Abu Dhabi Bank Misr S.A.E (“FAB Misr”)	Egypt	Banking	100%	100%
FAB Invest SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968A SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968B SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	100%
1968C SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	-
1968D SPV RSC Limited	United Arab Emirates	Special purpose entity	100%	-
Lime Consumer Finance	Egypt	Financial services	100%	-

[1] Under liquidation.

[2] Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the Board of Directors.

[3] FAB Sukuk Company’s entire issued share capital is held by Maple FS Limited on trust for charitable purposes.

5 Basis of consolidation (continued)

(iii) Structured entities

A structured entity is established by the Group to perform a specific business objective. Structured entities are designed so that their voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. In assessing whether the Group acts as a principal or has power over investees in which it has an interest, the Group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

The Group acts as a fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund including the investors right to appoint, reassign or remove the fund manager. Whilst assessing control, the Group reviews all facts and circumstances to determine whether as a fund manager the Group is acting as agent or principal. If deemed to be a principal, the Group controls the fund and would consolidate them else as an agent the Group would account for them as investments in funds.

The Group's interest in investment funds in which it acts as an agent is set out below, these funds are included as part of non trading investment securities measured at fair value through other comprehensive income.

Type of Structured Entity	Nature and purpose	Interest held by the Group
Investment funds managing assets	Generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund amounting to AED 2 million for 31 December 2024 (31 December 2023: AED 3 million)

(iv) Joint Arrangements and Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but no control or joint control over those policies. Investment in associates is accounted under the equity method of accounting.

A joint arrangement is an arrangement between the Group and other parties where the Group along with one or more parties has joint control by virtue of a contractual agreement. Joint arrangement may be a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to and record their respective share of the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of the joint arrangement and, thus, are accounted under the equity method of accounting.

Under the equity method, the investment in an associate is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Goodwill is neither amortised nor individually tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement profit or loss. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture.

5 Basis of consolidation (continued)

(iv) Joint Arrangements and Investments in Associates (continued)

The list of associates are as follows:

Legal Name	Country of incorporation	Principal activities	31 Dec 2024	31 Dec 2023
BCP Growth Holdings Limited	United Arab Emirates	Payment services	-	40%
Neptune Project Holding 1 Limited (UAE)("NPH1")	United Arab Emirates	Payment services	34%	-
Midmak Properties LLC	United Arab Emirates	Real estate Investments	16%	16%
Emirates Digital Wallet LLC	United Arab Emirates	Payment services	23%	23%

(v) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(vi) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not assets of the Bank.

6 Material accounting policies

(a) Financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises loans, advances and Islamic financing, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (excluding regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable on issue. The fair value of a financial assets and liabilities on initial recognition is generally its transaction price.

(ii) Classification

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. On initial recognition, a financial asset is classified as measured at: amortised cost or Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL").

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

- the financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI").

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

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

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

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Classification (continued)

All other financial assets are classified as measured at FVTPL.

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

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All other financial liabilities, are measured at amortised cost using effective interest rate ("EIR") method or at FVTPL when they are held for trading.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for 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 Group's stated objective for managing the financial assets is achieved and how much cash flows are realised.

The business model assessment is based on the reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's consumer and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the consumer business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

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

Certain debt securities are held by the Group in a separate portfolio for long term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Certain other debt securities are held by the Group in separate portfolios to meet everyday liquidity needs. The Group seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value.

The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial assets due to repayments of principal or amortisation of the premium/discount. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (like liquidity risk and administrative costs etc.), as well as profit margin.

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI") (continued)

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

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

The Group holds a portfolio of long term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

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

Financial liabilities are never reclassified.

(iii) Derecognition

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (note 6 (a)(iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset in which case, the Bank also recognises an associated liability. The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Derecognition of financial assets (continued)

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(iv) Modifications of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

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

If the modification doesn’t result into cash flows that are substantially different, then a financial asset does not result in derecognition of the financial asset. In this case, the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees receivable as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Modification of financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recomputing the effective interest rate on the instrument.

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(v) Offsetting

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS Accounting Standards netting criteria are met. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has an enforceable legal right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date regardless of whether that price is directly observable or estimated using valuation technique. The fair value of a liability reflects its non performance risk. The Group applies judgement as described below to assess if there is quoted price available in an active market, which determines the level in the fair value hierarchy into which the fair value instrument is classified.

When quoted price is available, the Group measures the fair value of an financial instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the consolidated statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group based on the net exposure to either market or credit risk, are measured based on a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Portfolio level adjustments – e.g. bid ask adjustment or credit risk adjustments that reflect the measurement based on the net exposure – are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the latest net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving similar investments, or based on the expected discounted cash flows.

The fair value of a financial liability with a demand feature (demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(vii) Impairment

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Balances with central banks;
- Due from banks and financial institutions;
- Reverse repurchase agreements;

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

- Non trading investment at fair value through other comprehensive income (debt securities);
- Loans, advances and Islamic financing;
- Other financial assets;
- Undrawn commitment to extend credit; and
- Guarantees.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (note 50 (a)).

The Group considers the above debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Credit loss allowances are measured using a following approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there is no significant increase in credit risk (“SICR”) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit loss captures the lifetime expected credit loss.
- Purchased or originated credit impaired (POCI) – POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at origination. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit loss.

Measurement of ECL

The key inputs into the measurement of ECL are:

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

These parameters are generally derived from statistical models and other historical data. They are adjusted to reflect forward looking information. Additionally, the Group has an extensive review process to adjust ECL for factors not available in the model.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Measurement of ECL (continued)

ECL are a probability weighted estimate of credit loss. They are measured as follows:

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

Restructured financial assets

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

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

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 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. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of Loans, advances and Islamic financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or Originally Credit Impaired ("POCI") financial assets

For POCI assets, lifetime ECL are incorporated on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision reported under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Write off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'net impairment charge' in the consolidated statement of profit or loss. Financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Central Bank of the UAE ("CBUAE") provision requirements

As per the new Credit Risk Management Standards (''CRMS'') issued by CBUAE and notice no. CBUAE/BIS/2024/5131 dated 17 October 2024, if the general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the retained earnings. The impairment reserve will not be available for payment of dividend.

(b) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition.

Cash and cash equivalents are non derivative financial assets measured at amortised cost in the consolidated statement of financial position.

(c) Due from banks and financial institutions

These are non derivative financial assets that are measured at amortised cost, less any allowance for impairment.

(d) Investments at fair value through profit or loss

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

(e) Reverse repurchase agreements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised in the consolidated statement of financial position. The amount paid to the counterparty under these agreements is recorded as reverse repurchase agreements in the consolidated statement of financial position. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method.

(f) Loans, advances and Islamic financing

Loans, advances and Islamic financing' captions in the consolidated statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- lease receivables;
- loans and advances measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised in profit or loss; and
- Islamic financing and investing contracts.

6 Material accounting policies (continued)

(f) Loans, advances and Islamic financing (continued)

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

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

In determining whether an arrangement is a lease, the Group ascertains the substance of the arrangement and assesses whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

These are derecognised when either the borrower repays its obligations or the loan are sold or written off.

Islamic financing and investing contracts

The Group engages in Sharia'a compliant Islamic banking activities through various Islamic contracts such as Ijara, Forward Ijara, Murabaha, Mudaraba and Wakala.

Ijara / Forward Ijara

Ijara / Forward Ijara is a mode of Islamic financing whereby the Group (lessor) leases an asset acquired by the Group based on the customer's (lessee) request and promise to lease or forward lease the assets for a specific period against certain rental / advance rental instalments. At the end of the financing tenor and upon settlement of the financial obligation agreed between the lessor and the lessee, the ownership of the asset shall be transferred to the lessee via exercise of a purchase / sale undertaking. Also, the Group transfers substantially all the risks and rewards related to the ownership of the leased asset to the lessee.

Murabaha

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon cost price plus marked up profit (Deferred Sale Price). The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. The Deferred Sale Price of the Murabaha is quantifiable and fixed at the commencement of the transaction.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a shariah compliant project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

Wakala

An agreement between the Group and customer whereby one party (Muwakkil) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions and expected return in consideration of performance incentive and/or a certain fee based on the Wakala agreement. The expected return payable to the Muwakkil is subject to actual return generated under the Wakalah investment. In case the actual return is less than the expected return, the agent shall be liable to any is obliged to guarantee any losses or shortfall arises due to its negligence or violation of any of the terms and conditions of the Wakala otherwise, losses are borne by the Muwakkil. In case the actual return is more than the expected return, the Muwakkil shall be entitled to the expected return amount and any excess amount shall be entitled by the Wakil as incentive. The Group may be Wakil or Muwakkil depending on the nature of the transaction.

(g) Non trading investment securities

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

6 Material accounting policies (continued)

(g) Non trading investment securities (continued)

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

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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

The Group elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument by instrument basis on initial recognition and is irrevocable. Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. These investments are held for long term strategic purposes.

(h) Investment properties

Investment properties are defined as land, a building or part of a building (or a combination of these including property under construction) held to earn rentals and/or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss under ‘Other operating income’ in the year in which they arise.

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

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within ‘Other operating income’ in the consolidated statement of profit or loss.

(ii) Subsequent costs

Subsequent expenditures are only capitalised when it is probable that the future economic benefits of such expenditures will flow to the Group. Ongoing expenses are charged to consolidated statement of profit or loss as incurred.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

(iii) Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation is calculated using the straight line method over their estimated useful lives and is generally recognised in profit or loss. Freehold Land and Capital work in progress is not depreciated.

6 Material accounting policies (continued)

(i) Property and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives of assets for the current and comparative period are as follows:

Buildings and villas	20 to 50 years
Office furniture and equipment	5 to 10 years
Fit-out leased premises	3 to 10 years
Safes	10 years
Computer systems and equipment	3 to 7 years
Vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at every reporting date at each reporting date and adjusted if appropriate.

(iv) Capital work in progress

Capital work in progress assets are assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct cost attributable to design and construction of the property capitalised in accordance with Group's accounting policies. When the assets are ready for the intended use, the capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's accounting policies.

(v) Impairment of non financial assets

At each reporting date, the Group assesses the carrying amounts of its non financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of any other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Intangible assets

The Group's intangible assets other than goodwill include intangible assets arising out of business combinations. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill arising on acquisition represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised directly in the income statement.

6 Material accounting policies (continued)

(j) Intangible assets (continued)

For the purpose of impairment testing, goodwill and license acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill and license impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other intangible assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the statement of profit or loss.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

Customer relationships	7.5 to 15 years
Core deposits	2.5 years to 15 years
Brand	20 years
License	Indefinite life

(k) Collateral pending sale

Real estate and other collateral may be acquired as the result of settlement of certain loans, advances and Islamic financing and are recorded as assets held for sale and reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of assets held for sale. Any subsequent write down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the consolidated statement of profit or loss. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the consolidated statement of profit or loss. The Group's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Group operates.

(l) Due to banks and financial institutions, customer accounts and other deposits and commercial paper

Due to banks and financial institutions, customer accounts and other deposits and commercial paper are financial liabilities and are initially recognised at their fair value minus the transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

(m) Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a fixed price on a specified future date are not derecognised from the statement of the financial position as the Group retains substantially all of the risks and reward of ownership. The liability to the counterparty for amounts received including accrued interest under these agreements is shown as repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method.

6 Material accounting policies (continued)

(n) Term borrowings and subordinated notes

Term borrowings and subordinated notes include convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued do not vary with changes in their fair value, are accounted for as compound financial instruments. The equity component of the convertible notes is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Term borrowing which are designated at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; and
- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Term borrowings and subordinated notes without conversion option and that are not at fair value through profit or loss are financial liabilities which are initially recognised at their fair value minus the transaction costs and subsequently measured at their amortised cost using the effective interest rate method and adjusted to the extent of fair value changes for the risks being hedged.

(o) Treasury shares

Own equity instruments which are acquired (treasury shares) are deducted from the equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancelation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. If treasury shares are distributed as part of a bonus share issue, the cost of the shares is charged against retained earnings. Voting rights relating to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

(p) Share based payment

On the grant date fair value of options granted to staff is estimated and the cost is recognised as staff cost, with a corresponding increase in equity, over the period required for the staff to become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service conditions are expected to be met; as such the amount ultimately recognised as an expense is based on the number of share options that do meet the related service and non market performance conditions at the vesting date. These shares may contribute to the calculation of dilutive EPS once they are deemed as potential ordinary shares.

(q) Interest income and expense

(i) Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortised cost and gross carrying amount

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

6 Material accounting policies (continued)

(q) Interest income and expense (continued)

(iii) Calculation of interest income and expense

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

The effective interest rate is revised as a result of periodic re estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

For information on when financial assets are credit impaired, note 6(a)(vii).

(iv) Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense presented in the consolidated statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.
- negative interest on financial assets measured at amortised cost; and
- Interest expense on lease liabilities.

(r) Income from Islamic financing activities

Ijara income is recognised on an effective profit rate basis over the lease term where the usufruct of the lease asset is being transferred to and used by the lessee, until such time a reasonable doubt exists with regard to its collectability.

Murabaha income is recognised based on a fixed deferred sale price stipulated in the Murabaha contract. Based on the Bank's internal accounting treatment, the profit element of the deferred sale price is being calculated on an effective profit rate basis over the period of the contract, until such time a reasonable doubt exists with regard to its collectability.

Mudaraba income is recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the consolidated statement of profit or loss on their declaration by the Mudarib. Where the Group is the Rab Al Mal the losses are charged to the Group's consolidated statement of profit or loss when incurred.

Wakala income is recognised on the effective profit rate basis over the period, adjusted by actual income when received. Losses are accounted for when incurred.

(s) Depositors' share of profit

Depositors' share of profit is amount accrued as expense on the funds accepted from banks and customers in the form of wakala and mudaraba deposits and recognised as expenses in the consolidated statement of profit or loss. The amounts are calculated in accordance with agreed terms and conditions of the wakala deposits and Sharia'a principles.

6 Material accounting policies (continued)

(t) Fee and commission income and expense

The Group earns fee and commission income from a diverse range of financial services provided to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The basis of accounting treatment of fees and commission depends on the purposes for which the fees are collected and accordingly the revenue is recognised in consolidated statement of profit or loss. Fee and commission income is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided;
- income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in “Interest income”.

A contract with a customer that results in a recognised financial instrument in the Group’s consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

(u) Zakat

Zakat is only paid on behalf of shareholders in jurisdictions where zakat payment is made mandatory by the regulations of the jurisdictions. Such payment is made in accordance with the regulations of the jurisdictions. On annual basis, the Group notifies shareholders on the Zakat per share payable with regards to FAB Group Islamic banking activities/assets.

(v) Net gain/(loss) on investments and derivatives

Net gain/(loss) on investments and derivatives comprises realised and unrealised gains/losses on investments at fair value through profit or loss and derivatives, realised gains/losses on non trading investment securities and dividend income. Net gain/(loss) on investment at fair value through profit or loss also includes changes in the fair value of financial assets and financial liabilities designated at fair value. Interest income and expense on financial assets and financial liabilities at FVTPL are included under net gain / loss on investment and derivatives.

Gains or losses arising from changes in fair value of FVOCI assets are recognised in the statement of other comprehensive income and recorded in fair value reserve with the exception of ECL, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in the consolidated statement of profit or loss. Where the investment is sold or realised, the cumulative gain or loss previously recognised in equity under fair value reserve is reclassified to the consolidated statement of profit or loss in case of debt instruments. Non trading investment securities includes FVOCI and amortised cost instruments.

The Group also holds investments in assets issued in countries with negative interest rates. The Group discloses interest paid on these assets in the line where its economic substance of transaction is reflected (note 33).

Amortised cost investments, which are not close to their maturity are not ordinarily sold. However, when they are sold or realised, the gain or loss is recognised in the consolidated statement of profit or loss.

Dividend income is recognised when the right to receive payment is established.

(w) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the spot exchange rates at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

6 Material accounting policies (continued)

(w) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on transaction are generally recognised in profit or loss. However, foreign currency differences arising from the transaction arising from the translation of the following item are recognised in OCI.

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

On consolidation, the assets and liabilities of the foreign operations are translated into UAE Dirhams at rates of exchange at the reporting date. The profit or loss of foreign operations are translated at average rates, as appropriate. Exchange differences (including those on transactions which hedge such investments) arising from retranslating the opening net assets, are taken directly to foreign currency translation adjustment account in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

(x) Income taxes

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

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered/receivable from, or paid/payable, to the taxation authorities.

Current tax is provided for in accordance with fiscal regulations of the respective countries in which the Group operates and is recognised in the consolidated statement of profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated statement of profit or loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

- temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.
- temporary differences relating to investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for all or part of the deferred tax asset to be utilised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

6 Material accounting policies (continued)

(x) Income taxes (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

(y) Derivative financial instruments

A derivative is a financial instrument or other contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently remeasured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty and netting set, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative’s components using appropriate pricing or valuation models mainly discounted cash flow models. The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument and, if so, the nature of the risk being hedged. All gains and losses from changes in fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the consolidated statement of financial position together with the host contract.

(z) Other derivatives

Other non trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net gain on investments and derivatives or net foreign exchange gain.

6 Material accounting policies (continued)

(aa) Hedge accounting

When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

It is the Group's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an on going basis, of the effectiveness of the hedge.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an on going basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecasted transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

(i) Fair value hedge

When a derivative is designated as the hedging instrument in a fair value hedge relationship, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at amortised cost, then its carrying amount is adjusted for the risk being hedged accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

(ii) Cash flow hedge

When a derivative is designated as the hedging instrument in a cash flow hedge relationship, the effective portion of changes in the fair value of the derivatives is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss. The amount recognised in the hedging reserve under OCI is reclassified to consolidated statement of profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss and in the same line in the consolidated statement of profit or loss and OCI.

If the hedging derivative expires, is sold, terminated or exercised or the hedge no longer meets the criteria for cash flow hedge accounting the hedge accounting or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to consolidated statement of profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight line basis.

6 Material accounting policies (continued)

(aa) Hedge accounting (continued)

(iii) Net investments hedges

A foreign currency exposure arises from a net investment in branches/subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in exchange rates between the functional currency of the branches/subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary in the consolidated financial statements of the Group. As this risk may have a significant impact on the Group's consolidated financial statement, the Group assesses this risk case by case and may decide to hedge the exposure.

When a derivative instrument or a non derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of the changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non derivative is recognised immediately in the consolidated statement of profit or loss. The amount recognised under OCI is fully or partially reclassified to consolidated statement of profit or loss as a reclassification adjustment on disposal of the foreign operation or partial disposal of the foreign operation, respectively.

(ab) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(ac) End of services and post employment benefits

The Group provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity or to a government organisation and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in consolidated statement of profit or loss in the periods during which services are rendered by employees.

Pension and national insurance contributions for eligible employees are made by the Group to Pensions and Benefits Fund in accordance with the applicable laws of country where such contributions are made.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in "staff cost" in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately to profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

6 Material accounting policies (continued)

(ad) Board of Directors' remuneration

Pursuant to Article 171 of Federal Decree-Law no. (32) of 2021 and in accordance with the Bank's Articles of Association, Directors' shall be entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

(ae) Earnings per share

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

(af) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer, being the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance for which discrete financial information is available. Segment results that are reported to the Group Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(ag) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost less any accumulated depreciation and impairment losses if any, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

6 Material accounting policies (continued)

(ag) Leases (continued)

(i) Group acting as a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. The Group presents right of use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(iii) Group acting as a lessor

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

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

At the commencement date of a finance lease, as a lessor, the Group recognises assets held under a finance lease in its consolidated statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

At the commencement of an operating lease, as a lessor, the Group recognises lease payments from operating leases as income on either a straight line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which the benefit from the use of the underlying asset is diminished.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(ah) Guarantees, letter of credit and loan commitment

To meet the financial needs of the customers, the Group issues guarantees, letter of credit and loan commitments.

Guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance; and
- the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Guarantees are reviewed periodically to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on loans, advances and Islamic financing. If a specific provision is required for guarantees, the related unearned commissions recognised under other liabilities in the consolidated balance sheet are reclassified to the appropriate provision.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

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

Similar to financial guarantee contracts, undrawn loan commitments and letters of credits contracts are in the scope of ECL requirements.

7 Use of estimates and judgements

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

In applying the Group's accounting policies, IFRS Accounting Standards require management to select suitable accounting policies, apply them consistently and make judgements, estimates and assumptions that are reasonable and prudent and would result in relevant and reliable information. Management, based on guidance in IFRS Accounting Standards and the IASB's framework for the preparation and presentation of financial statements has made these estimates, judgements and assumptions. Listed below are those estimates and judgement which could have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectation of future events that may have a financial impact on the Group and considered to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in business for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group. In making this assessment, the Group has considered the impact of climate related matters on their going concern assessment.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on going concern basis.

(b) Impairment charge on financial assets

Impairment losses are evaluated as described in accounting policy 6(a)(vii).

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires assumptions, in particular, in the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of multiple models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of impacts between economic inputs, such as oil prices, gross domestic product and collateral values etc. on PDs, EADs and LGDs.
- Selection of forward looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. The Group is currently in process for assessing the impact of climate risk in the Group's risk models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(c) Impairment charge on property and equipment

Impairment losses are evaluated as described in accounting policy note 6(a)(vii).

In determining the net realisable value, the Group uses the selling prices determined by external independent valuer companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The selling prices are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

7 Use of estimates and judgements (continued)

(d) Contingent liability arising from litigation

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

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case, no provision is made where the probability of outflow is considered to be remote, or probable, or a reliable estimate cannot be made. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(e) Valuation of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The valuation techniques of financial instruments may require certain unobservable inputs to be estimated by management. These are discussed in detail in note 6 (a)(vi) & note 49.

(f) Defined benefit plan

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for obligations include the discount rate. Any changes in these assumptions would impact the carrying amount of the defined benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the future obligations. In determining the appropriate discount rate, the Group considers interest rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have the terms to maturity approximating the terms of related benefit obligation. Other key assumptions for defined benefit obligations are based in part on current market conditions. Additional information on these assumptions is disclosed in note 22.

(g) Financial asset and liability classification

The Group's accounting policies provide scope for the classification and assessment of the business model for financial assets and liabilities to be designated on inception into different accounting categories. The classification criteria are mentioned in policy note 6 (a)(ii).

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(h) Assessment whether cash flows are SPPI for certain Islamic financing assets

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement for certain Islamic financing assets. Management has assessed the features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. Management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

7 Use of estimates and judgements (continued)

(i) Operating segments

In preparation of the segment information disclosure, management has made certain assumptions to arrive at the segment reporting. These assumptions would be reassessed by management on a periodic basis. Operating segments are detailed in note 44.

(j) Effective Interest Rate (EIR) method

The Group's EIR method, as explained in note 6 (p), recognises interest income using a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability along with recognising the impact of transaction costs and fees and points paid or received that are an integral part of the effective interest rate. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

(k) Hedge accounting

The Group has designated hedge relationships as both fair value and cash flow hedges. The Bank's hedge accounting policy include an element of judgement and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Group's hedge accounting policies include an element of judgement and estimation in note 6 (z).

(l) Goodwill impairment testing

The Group estimates that reasonably possible changes in the assumptions used for the impairment would not cause the recoverable amount of either CGU to decline below the carrying amount. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Group consolidated statement of profit or loss statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

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

(m) Effect of climate risk on accounting judgments and estimates

Where appropriate, the Bank considers climate related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates.

(n) Tax

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest maybe due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made (refer note 39).

(o) Investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgments and assumptions made (note 16).

(p) Structured entities

The Group's accounting policies provide scope for the classification and consolidation of structured entities in policy note 5 (iii). For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager, and the Group's aggregate economic interest in each fund is not material. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not consolidated these funds.

8 Cash and balances with central banks

	31 Dec 2024 AED million	31 Dec 2023 AED million
Cash on hand	**2,128**	1,920
Central Bank of the UAE		
cash reserve deposits	**68,961**	34,173
other balances	**10,000**	28,000
Balances with other central banks	**133,459**	169,462
Gross cash and balances with central banks	**214,548**	233,555
Less: expected credit loss	**(144)**	(165)
Total cash and balances with central banks	**214,404**	233,390

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14 day period. Balances with other central banks includes mandatory reserves which are available for day to day operations under certain specified conditions.

9 Investments at fair value through profit or loss

	31 Dec 2024 AED million	31 Dec 2023 AED million
Investments in managed funds	**1**	9
Investment in private equities	**3,601**	3,136
Investments in equities	**2,226**	1,568
Debt securities	**50,200**	40,496
Total investments at fair value through profit or loss	**56,028**	45,209

Included in the above are sukuk investments as at 31 December 2024 amounting to AED 2,837 million (31 December 2023: AED 1,449 million).

10 Due from banks and financial institutions

	31 Dec 2024 AED million	31 Dec 2023 AED million
Current, call and notice deposits	**2,464**	4,440
Margin deposits	**14,937**	14,728
Fixed deposits	**6,373**	6,156
Gross due from banks and financial institutions	**23,774**	25,324
Less: expected credit loss	**(50)**	(58)
Total due from banks and financial institutions	**23,724**	25,266

11 Reverse repurchase agreements

The Group enters into reverse repurchase agreements in the normal course of business in which the third party transfers financial assets to the Group for short term financing.

	31 Dec 2024 AED million	31 Dec 2023 AED million
Reverse repurchase with banks and others	**69,755**	77,114
Reverse repurchase with central banks	**-**	1,477
Gross reverse repurchase agreements	**69,755**	78,591
Less: expected credit loss	**(94)**	(87)
Total reverse repurchase agreements	**69,661**	78,504

At 31 December 2024, the fair value of financial assets accepted as collateral that the Group is permitted to sell or re-pledge in the absence of default is AED 114,374 million (31 December 2023: AED 89,895 million).

At 31 December 2024, the fair value of financial assets accepted as collateral that have been sold or re-pledged was AED 6,907 million (31 December 2023: AED 8,331 million). The Group is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

12 Loans, advances and Islamic financing

	31 Dec 2024 AED million	31 Dec 2023 AED million
Gross loans, advances and Islamic financing	550,513	504,641
Less: interest in suspense	(7,827)	(7,186)
Less: expected credit loss	(13,789)	(13,501)
Net loans, advances and Islamic financing	528,897	483,954

	31 Dec 2024 AED million	31 Dec 2023 AED million
By counterparty:		
Government sector	72,830	61,310
Public sector	81,027	79,383
Banking sector	17,993	12,607
Corporate / private sector	294,255	269,854
Personal / retail sector	84,408	81,487
Gross loans, advances and Islamic financing	550,513	504,641

	31 Dec 2024 AED million	31 Dec 2023 AED million
By product:		
Overdrafts	19,470	21,031
Term loans	443,286	414,882
Trade related loans	50,488	32,199
Personal loans	30,075	29,252
Credit cards	5,478	5,541
Vehicle financing loans	1,716	1,736
Gross loans, advances and Islamic financing	550,513	504,641

The Group provides lending against investment in equity securities and funds. The Group is authorised to liquidate these instruments if their coverage falls below the agreed threshold. The carrying value of such lending is AED 78,215 million (31 December 2023: AED 77,557 million) and the fair value of instruments held as collateral against such loans is AED 200,672 million (31 December 2023: AED 188,577 million). During the year, the Group has liquidated insignificant amount of collateral due to fall in the coverage ratio.

Included in the above loans, advances and Islamic financing are the following Islamic financing contracts:

Islamic financing contracts

	31 Dec 2024 AED million	31 Dec 2023 AED million
Murabaha	26,308	25,429
Ijara	15,731	12,683
Others	567	561
Gross Islamic financing contracts	42,606	38,673
Less: suspended profit	(164)	(208)
Less: expected credit loss	(1,827)	(1,147)
Total Islamic financing contracts	40,615	37,318

13 Non trading investment securities

	31 Dec 2024 AED million	31 Dec 2023 AED million
Fair value through other comprehensive income (FVOCI):		
- with recycle to profit or loss (Debt investments securities)	**177,922**	170,716
- without recycle to profit or loss (Equity investments securities[1])	**5,495**	4,553
Amortised cost securities	**4,030**	4,375
Gross non trading investment securities	**187,447**	179,644
Less: expected credit loss on amortised cost securities	**(1)**	(1)
Total non trading investment securities	**187,446**	179,643

[1]Equity investments securities measured at FVOCI are strategic investments for long term purposes.

An analysis of non trading investments securities by class at the reporting date is shown below:

	31 Dec 2024 AED million			31 Dec 2023 AED million		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Equity investment securities	**1,187**	**4,308**	**5,495**	1,051	3,502	4,553
Debt investment securities	**181,032**	**920**	**181,952**	174,026	1,065	175,091
Gross non trading investment securities	**182,219**	**5,228**	**187,447**	175,077	4,567	179,644
Less: expected credit loss on amortised cost securities	**(1)**	**-**	**(1)**	(1)	-	(1)
Total non trading investment securities	**182,218**	**5,228**	**187,446**	175,076	4,567	179,643

Included in the above are sukuk investments as at 31 December 2024 amounting to AED 8,864 million (31 December 2023: AED 9,735 million).

Debt investments securities under repurchase agreements included in non trading investment securities as at 31 December 2024 amounted to AED 25,660 million (31 December 2023: AED 18,360 million).

As at 31 December 2024, the fair value of non trading investment securities measured at amortised cost amounted to AED 3,867 million (31 December 2023: AED 4,154 million).

14 Other assets

	31 Dec 2024 AED million	31 Dec 2023 AED million
Interest receivable	**31,854**	28,077
Acceptances	**12,633**	7,659
Sundry debtors and other receivables	**4,797**	5,659
Deferred tax asset	**423**	238
Gross other assets	**49,707**	41,633
Less: expected credit loss	**(267)**	(301)
Net other assets	**49,440**	41,332

The Group does not perceive any significant credit risk on interest receivable and acceptances.

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position (refer note 22). However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

15 Investment in associates

	31 Dec 2024 AED million	31 Dec 2023 AED million
Investment in associates	**4,963**	1,501
Total investment in associates	**4,963**	1,501

On 9 June 2023, FAB had entered into an agreement with affiliates of Brookfield Asset Management ("Brookfield"), together with other co-investors, for the acquisition by BCP VI Neptune Bidco Holdings Limited of Network International Holdings Plc (“Network”) for AED 10.3 billion (GBP 2.2 billion). Pursuant to effectiveness of the Scheme of Arrangement (under Part 26 of the UK Companies Act 2006), on 17 September 2024, FAB alongside Brookfield and other co-investors has acquired 100% of the share capital of Network (the “Network International Acquisition”) through BCP VI Neptune Bidco Holdings Limited.

Under the terms of the agreement, FAB and other parties had provided equity funding, interim and revolving financing facilities to facilitate the Network International Acquisition. Additionally, FAB has entered into an agreement with Brookfield and other co-investors to transfer its investment in BCP Growth Holdings Limited in exchange for a convertible loan instrument that converts into an equity investment in NPH1 following receipt of necessary regulatory clearances. Upon completion of the conversion, FAB effectively holds c.34% in NPH1. Accordingly, the shareholding in NPH1 has been recognised as an investment in associate during the year.

16 Investment properties

	31 Dec 2024 AED million	31 Dec 2023 AED million
As at the beginning of year	**8,162**	7,168
Additions	**8**	1,561
Disposals	**(2)**	(568)
Fair value adjustment	**1**	1
As at the year end	**8,169**	8,162

The fair value of the investment properties is based on the valuations performed by third party valuers as at 31 December 2024 and 31 December 2023. These all are level 3 under the fair value hierarchy.

Amounts recognised in the consolidated statement of profit or loss in respect of net rental income of investment properties are as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Rental income derived from investment properties	**212**	163
Operating expenses	**(61)**	(54)
Net rental income from investment properties	**151**	109

Investment properties are stated at fair value which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under prevailing market conditions at the measurement date.

The Group's investment properties consist of land and buildings in Abu Dhabi and Dubai. Management determined that these investment properties consist of two classes of commercial and retail assets, based on the nature, characteristics and risks of each property.

The valuers are accredited with recognised and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties; in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards.

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2024 and 2023:

Type	31 Dec 2024 AED million	Valuation technique	Significant unobservable inputs	Inter relationship between key unobservable inputs
Buildings	4,469	Comparable and residual method Sales comparison method	Comparable transactions Current market price of similar assets	Not applicable
Land	3,700	Comparable and residual method	Cost of construction Developer's profit Financing cost	Not applicable

17 Intangibles

	Goodwill AED million	Customer relationships AED million	Core deposits AED million	License AED million	Brand AED million	Total AED million
Cost						
As at 1 January 2023	18,693	1,778	704	369	22	21,566
Additions	-	-	-	-	-	-
As at 31 December 2023	18,693	1,778	704	369	22	21,566
As at 1 January 2024	**18,693**	**1,778**	**704**	**369**	**22**	**21,566**
Additions	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2024	**18,693**	**1,778**	**704**	**369**	**22**	**21,566**
Accumulated amortisation						
As at 1 January 2023	-	921	301	-	11	1,233
Charge for the year	-	136	60	-	1	197
As at 31 December 2023	-	1,057	361	-	12	1,430
As at 1 January 2024	**-**	**1,058**	**361**	**-**	**12**	**1,431**
Charge for the year	**-**	**137**	**58**	**-**	**1**	**196**
As at 31 December 2024	**-**	**1,195**	**419**	**-**	**13**	**1,627**
Carrying amounts						
At 31 December 2023	18,693	721	343	369	10	20,136
At 31 December 2024	**18,693**	**583**	**285**	**369**	**9**	**19,939**

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. In a goodwill impairment test, the recoverable amounts of the goodwill carrying CGUs are compared with the respective carrying amounts. The recoverable amount is the higher of a CGUs fair value less costs of disposal and its value in use.

For the purposes of impairment testing, goodwill is allocated to the Group's independent CGUs which are Corporate & Investment Banking – AED 13,221 million, Consumer Banking – AED 4,149 million and FAB Egypt operation – AED 1,323 million (FAB Misr).

The recoverable amount for the CGUs have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs, assets and their ultimate disposal at a discount rate of ~9.5% p.a. and a terminal growth rate ranging from 5% to 7% p.a. based on the CGU earning growth.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of above CGUs to decline below the carrying amount. The recoverable amount of the CGUs has been determined based on a value in use calculation, using cash flow projections covering a five year period and by applying a terminal growth rate thereafter. The forecast cash flows have been discounted using the Weighted Average Cost of Capital.

The calculation of value in use in the CGUs is most sensitive to the following assumptions:
• Interest margins;
• Discount rates;
• Market share during the projection period;
• Projected growth rates used to extrapolate cash flows beyond the projection period;
• Current local Gross Domestic Product ("GDP"); and
• Local inflation rates.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. No impairment losses were recognised during the year ended 31 December 2024 (31 December 2023: nil) because the recoverable amounts of the CGU's were determined to be higher than their carrying amounts.

18 Due to banks and financial institutions

	31 Dec 2024 AED million	31 Dec 2023 AED million
Due to Banks and financial institutions		
Current, call and notice deposits	**5,969**	6,759
Margin	**14,893**	11,946
Fixed deposits	**15,862**	18,576
	36,724	37,281
Due to Central banks		
Current and call deposits	**245**	215
Margin deposits	**-**	705
Fixed and certificate of deposits	**34,927**	33,327
	35,172	34,247
Total due to banks and financial institutions	**71,896**	71,528

Due to banks and financial institutions are denominated in various currencies and carry a rate of interest in the range of 0.02 % to 5.54 % (31 December 2023: 0.02 % to 5.32 %).

19 Repurchase agreements

The Group enters into repurchase agreements in the normal course of business by which it transfers recognised financial assets directly to third parties.

	31 Dec 2024 AED million	31 Dec 2023 AED million
Repurchase agreements with banks / financial institutions	**32,329**	26,096
Total repurchase agreements	**32,329**	26,096

The carrying value that is also the fair value of financial assets collateralised as at 31 December 2024 amounted to AED 25,660 million (31 December 2023: AED 18,360 million) and their associated financial liabilities amounted to AED 32,329 million (31 December 2023: AED 26,096 million). The net difference between the fair value of the financial assets collateralised and the carrying value of the repurchase agreement is AED 6,669 million (31 December 2023: AED 7,735 million) which represents pledged financial assets received as collateral against reverse repurchase agreements or through security borrowing arrangement from custodian.

20 Commercial paper

The Bank has a Euro Commercial Paper programme with a limit of USD 3.5 billion and a US Dollar Commercial Paper programme with a limit of USD 10 billion.

The notes outstanding as at 31 December 2024 amounted to AED 17,888 million (31 December 2023: AED 19,659 million) and have maturity period of less than 12 months.

The Group has not had any defaults of principal, interest or other breaches with respect to its commercial paper programs during the years ended 31 December 2024 and 31 December 2023.

21 Customer accounts and other deposits

	31 Dec 2024 AED million	31 Dec 2023 AED million
By account:		
Current accounts	321,176	329,826
Savings accounts	38,713	30,874
Margin accounts	3,552	2,611
Notice and time deposits	385,034	362,481
	748,475	725,792
Certificates of deposit	33,904	34,071
Total customer accounts and other deposits	782,379	759,863

	31 Dec 2024 AED million	31 Dec 2023 AED million
By counterparty:		
Government sector	174,519	203,000
Public sector	87,152	72,682
Corporate / private sector	358,779	337,100
Personal / retail sector	128,025	113,010
	748,475	725,792
Certificates of deposit	33,904	34,071
Total customer accounts and other deposits	782,379	759,863

	31 Dec 2024 AED million	31 Dec 2023 AED million
By location:		
UAE	562,120	562,985
Europe	81,882	59,496
Arab countries	45,209	51,011
Americas	36,593	35,019
Asia	18,712	15,137
Others	3,959	2,144
	748,475	725,792
Certificates of deposit	33,904	34,071
Total customer accounts and other deposits	782,379	759,863

Islamic customer deposits

Included in the above customer accounts and other deposits are the following Islamic customer deposits:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Wakala deposits	9,037	6,558
Mudaraba saving deposits	5,389	3,856
Current account	2,638	2,026
Murabaha deposits	686	437
Margin deposits	82	78
Mudaraba term deposits	52	72
Total Islamic customer deposits	17,884	13,027

22 Other liabilities

	31 Dec 2024 AED million	31 Dec 2023 AED million
Interest payable	**26,771**	24,217
Acceptances	**6,034**	6,832
Provision employees' end of service benefits	**395**	379
Accounts payable, sundry creditors and other liabilities	**17,170**	14,909
Income tax	**2,103**	595
Total other liabilities	**52,473**	46,932

Employees end of service benefits

Defined benefit obligations

The Group provides for end of service benefits for its eligible employees. An actuarial valuation has been carried out as at 31 December 2024 to ascertain present value of the defined benefit obligation. A registered actuary in the UAE was appointed to evaluate the same. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The following key assumptions (weighted average rates) were used to value the liabilities:

	31 Dec 2024	31 Dec 2023
Discount rate	**5.80% per annum**	5.48% per annum
Salary increase rate	**2.96% per annum**	2.48% per annum

Demographic assumptions for mortality, withdrawal and retirement were used in valuing the liabilities and benefits under the plan. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used.

A shift in the in the discount rate assumption by +/- 50 basis points would impact the liability by AED 8 million (31 December 2023: AED 8 million) and AED 9 million (31 December 2023: AED 8 million) respectively. Similarly, a shift in the salary increment rate assumption by +/- 50 basis points would impact the liability by AED 9 million (31 December 2023: AED 9 million) and AED 9 million (31 December 2023: AED 8 million) respectively.

The movement in the employees' end of service obligation was as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Balance at the beginning of year	**379**	381
Net charge during the year	**59**	53
Remeasurement losses in OCI	**13**	10
Paid during the year and other adjustments	**(56)**	(65)
Balance at the end of year	**395**	379

Defined contribution plan

The Group pays contributions for its eligible employees which are treated as defined contribution plans. The charge for the year in respect of these contributions is AED 129 million (31 December 2023: AED 120 million). As at 31 December 2024, pension payable of AED 16 million (31 December 2023: AED 16 million) has been classified under other liabilities.

22 Other liabilities (continued)

Income tax

The Group has provided for income tax in accordance with management's estimate of the total amount payable based on tax rates enacted or substantively enacted as at the reporting date. Where appropriate, the Group has made payments of tax on account in respect of these estimated liabilities.

The income tax charge for the year is calculated based upon the adjusted net profit for the year. The movement in the provision was as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Balance at the beginning of year	595	578
Charge for the year	2,818	1,042
Income tax paid, net of recoveries	(1,446)	(1,058)
Other movements	136	33
Balance at the end of year	2,103	595

UAE Corporate Tax Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for the Group from 1 January 2024. A rate of 9% is applicable to taxable income exceeding AED 375,000 based on the Cabinet Decision 116 of 2022.

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. The Group has accounted for current taxes in the financial statement for the period beginning from 1 January 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. The company considered the application of IAS 12 and any requirements for the measurements and recognition of deferred taxes for the year ended 31 December 2024.

Pillar 2 disclosure

The Group is subject to the Pillar Two Model rules as per the Organisation for Economic Cooperation and Development's ('OECD') Global Anti-Base Erosion ('GloBE') proposal in several jurisdictions in which the Group operates.

While The UAE Ministry of Finance announced in December 2024 that a Domestic Minimum Top-up Tax (DMTT) of 15% will be effective for financial years starting on or after 1 January 2025, this is not considered to be substantively enacted as regulation or guidance for this has not been announced. France, Switzerland and the UK have implemented either a global or domestic minimum tax of 15%, effective for 2024 onwards, whilst Bahrain, Malaysia and Singapore have implemented either a global or domestic minimum tax of 15% effective for 2025 onwards. Other jurisdictions where the Bank has a taxable presence, including Hong Kong intends to implement the GloBE proposal for 2025 onwards.

As a result of on going implementation uncertainties, the Group is not able to provide a reasonable estimation at the reporting date and is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance. The assessment considers a number of factors including whether the transitional safe harbour is expected to apply based on the most recent filings of tax returns, country by country reporting and financial statements of the relevant entities. For those jurisdictions where either a global minimum tax or domestic minimum tax or both have been implemented with effect for 2024 onwards, no material impact to the Bank's IFRS Accounting Standards tax charge was recognised.

The Group has applied the mandatory and temporary exception from recognising and disclosing information on the associated deferred tax assets and liabilities at 31 December 2024 as required by the amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'.

23 Term borrowings

	31 Dec 2024 AED million	31 Dec 2023 AED million
Amortised cost	**64,106**	63,426
Fair value through profit or loss	**682**	513
Total term borrowings	**64,788**	63,939

During the year, the Bank has issued various fixed and floating rate notes. The movement of term borrowings during the year is below:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Beginning of the year	**63,939**	62,635
New issuances	**14,648**	8,140
Repayments	**(12,461)**	(8,397)
Fair valuations, exchange movements and other adjustments	**(1,338)**	1,561
End of the year	**64,788**	63,939

23 Term borrowings (continued)

		31 Dec 2024						31 Dec 2023					
Currency	**Interest rate (range)**	**Up to 3 months AED million**	**3 months to 1 year AED million**	**1 to 3 years AED million**	**3 to 5 years AED million**	**Over 5 years AED million**	**Total AED million**	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Total AED million
AED	Fixed rate of 4.00% to 6.00% p.a.	-	-	1,396	6	-	1,402	-	4	1,385	6	-	1,395
AUD	Fixed rate of 1.87% p.a.	-	-	140	-	-	140	-	-	150	-	-	150
AUD	3 month AUD BBSW + up to 4.459% p.a.	797	68	345	68	-	1,278	-	-	1,328	-	75	1,403
CHF	Fixed rate of 0.07% to 1.072% p.a.	-	604	3,243	-	-	3,847	-	1,500	2,330	1,683	-	5,513
CNH	Fixed rate of 2.79% to 4.05% p.a.	69	3,298	1,398	-	-	4,765	433	943	4,356	78	-	5,810
EUR	Fixed rate of 0.125% to 3.00% p.a.	-	378	4,599	46	156	5,179	-	98	3,222	1,911	164	5,395
GBP	Fixed rate of 0.875% to 2.205% p.a.	-	1,885	1,072	79	-	3,036	-	-	2,906	-	80	2,986
HKD	Fixed rate of 0.85% to 3.94% p.a.	-	825	432	-	-	1,257	-	138	1,042	180	-	1,360
JPY	Fixed rate of 0.235% to 2.60% p.a.	-	-	228	-	-	228	52	-	257	-	-	309
MXN	Fixed rate of 0.50% p.a.	-	-	-	10	-	10	-	-	-	11	-	11
PHP	Fixed rate of 3.80% p.a.	-	-	-	-	-	-	-	146	-	-	-	146
NZD	Fixed rate of 5.5% p.a.	-	-	-	75	-	75	-	-	-	83	-	83
USD	Fixed rate of up to 6.66% p.a.	3,356	126	6,864	12,885	7,332	30,563	4,586	922	5,898	10,402	8,032	29,840
USD	3 Month LIBOR + up to 5.677% p.a.	129	459	1,175	-	-	1,763	184	3,911	1,983	-	184	6,262
USD	USD SOFR QRT OB SHIFT - 5BD + up to 5.367% p.a.	-	147	2,997	8,101	-	11,245	-	184	213	2,879	-	3,276
Total term borrowings		4,351	7,790	23,889	21,270	7,488	64,788	5,255	7,846	25,070	17,233	8,535	63,939

Included in the above are sukuk borrowings as at 31 December 2024 amounting to AED 13,654 million (31 December 2023: 13,331 million).

23 Term borrowings (continued)

During the year, the Group has issued various fixed and floating rate notes. The nominal value of the notes issued during the year is stated below:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Fixed rate		
AED	-	1,316
CNH	444	-
EUR	46	-
USD	6,387	6,353
NZD	-	83
Floating rate		
USD	7,749	169
	14,626	7,921

The Group has hedged the interest rate and foreign currency exposure on term borrowings. The nominal value hedged as at 31 December 2024 is AED 58 billion (31 December 2023: AED 64 billion) and the risks being hedged have a net positive fair value of AED 6,599 million as at 31 December 2024 (31 December 2023: net positive fair value of AED 5,507 million). The Group has not had any defaults of principal, interest, or other breaches with respect to its term borrowings during the year ended 31 December 2024 and 31 December 2023.

24 Subordinated notes

Date of issue	Currency	Interest rate	Maturity date	31 Dec 2024 AED million	31 Dec 2023 AED million
10 December 2012	MYR	Fixed rate of 4.75% p.a.	9 December 2027	399	385
4 October 2023	USD	Fixed rate of 6.32% p.a. until 4 April 2029 and if not called, then from 4 April 2029 to the maturity date, the prevailing 5-Year US Treasury rate + 1.70% p.a.	4 April 2034	3,715	3,806
16 July 2024	USD	Fixed rate of 5.804% p.a. until 16 January 2030 and if not called, then from 16 January 2030 to the maturity date, the prevailing 5-Year US Treasury rate + 1.55% p.a.	16 January 2035	2,747	-
Total subordinated notes				6,861	4,191

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interest, or other breaches with respect to its subordinated notes during the year ended 31 December 2024 and 31 December 2023.

25 Capital and reserves

Share capital

	31 Dec 2024 AED million	31 Dec 2023 AED million
Authorised share capital	11,048	11,048
Ordinary shares of AED 1 each	11,048	11,048
Treasury shares of AED 1 each[1]	-	7

[1]Refer note 27.

At the Annual General Meeting (AGM) held on 5 March 2024, the shareholders of the Bank approved a cash dividend of AED 0.71 per ordinary share amounting to AED 7,844 million (31 December 2022: cash dividend of AED 0.52 per ordinary share amounting to AED 5,745 million).

25 Capital and reserves (continued)

Statutory and special reserves

In accordance with the Bank's Articles of Association and as required by Article 241 of UAE Federal Decree Law No. (32) of 2021, a minimum of 10 % of the annual net profit should be transferred to both statutory and special reserve until each of these reserves equal to 50% of the paid-up share capital. The statutory and special reserve are not available for distribution to the shareholders. No transfers were made during the year because statutory and special reserve are equal to 50% of the paid-up share capital.

Dividends

	31 Dec 2024 AED million	31 Dec 2023 AED million
Dividend on ordinary shares paid during the year	**7,822**	5,720

Other reserves

	Fair value reserve AED million	General reserve AED million	Foreign currency translation reserve AED million	IFRS 9 reserve - specific AED million	IFRS 9 reserve – collective AED million	Total AED million
As at 1 January 2024	**(1,185)**	**228**	**(2,925)**	**1,222**	**2,868**	**208**
Other comprehensive loss for the year	**(1,139)**	**-**	**(1,919)**	**-**	**-**	**(3,058)**
Transfer during the year	**-**	**50**	**-**	**-**	**-**	**50**
IFRS 9 reserve movement[1]	**-**	**-**	**-**	**(1,222)**	**-**	**(1,222)**
Realised loss on sale of FVOCI investment	**25**	**-**	**-**	**-**	**-**	**25**
As at 31 December 2024	**(2,299)**	**278**	**(4,844)**	**-**	**2,868**	**(3,997)**
As at 1 January 2023	(2,270)	228	(2,176)	1,222	2,160	(836)
Other comprehensive income / (loss) for the year	1,065	-	(749)	-	-	316
IFRS 9 reserve movement	-	-	-	-	708	708
Realised loss on sale of FVOCI investment	20	-	-	-	-	20
As at 31 December 2023	(1,185)	228	(2,925)	1,222	2,868	208

[1]During the year, in accordance with the new Credit Risk Management Standards (''CRMS'') issued by CBUAE, specific provision was appropriated to retained earnings.

(i) Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI;
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance; and
- cash flow hedge reserves.

	Revaluation reserve – instruments at FVOCI AED million	Hedging reserve – cash flow hedge AED million	Total AED million
As at 1 January 2024	**(882)**	**(303)**	**(1,185)**
Net unrealised fair value changes	**(894)**	**(425)**	**(1,319)**
Realised loss on sale of FVOCI instruments recycled through profit or loss	**150**	**-**	**150**
Realised loss on sale of FVOCI instruments recycled through equity	**25**	**-**	**25**
Impact of ECL	**30**	**-**	**30**
As at 31 December 2024	**(1,571)**	**(728)**	**(2,299)**
As at 1 January 2023	(1,511)	(759)	(2,270)
Net unrealised fair value changes	447	456	903
Realised loss on sale of FVOCI instruments recycled through profit or loss	128	-	128
Realised loss on sale of FVOCI instruments recycled through equity	20	-	20
Impact of ECL	34	-	34
As at 31 December 2023	(882)	(303)	(1,185)

25 Capital and reserves (continued)

(i) Fair value reserve (continued)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions. During the year, there has been no significant transfer from cash flow hedge reserve to profit or loss.

(ii) General reserve

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors.

(iii) Foreign currency translation reserve ("FCTR")

FCTR represents the exchange differences arising from translation of the net investment in foreign operations.

(iv) IFRS 9 reserve

As per the new Credit Risk Management Standards (''CRMS'') issued by CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.5% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

During the year ended 31 December 2024, total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.5% of the Credit Risk weighted assets as computed under the CBUAE capital regulations.

	31 Dec 2024 AED million	31 Dec 2023 AED million
Non distributable impairment reserve – General		
Minimum provision for Stage 1 &2 as per CBUAE requirements	**8,360**	7,697
Less: Stage 1 and 2 impairment provision taken against income	**(5,539)**	(4,829)
Excess/(Shortfall) in stage 1 & 2 provision to meet minimum CBUAE requirements	**2,821**	**2,868**
Balance of impairment reserve - general as at January 1, 2024	**2,868**	2,160
Add: Non-distributable reserve during the year (Impairment reserve-general)	**-**	708
Balance of impairment reserve - general as at December 31, 2024	**2,868**	2,868

The calculation process, the methodology and the results for provisions have been reviewed and approved by the Group Risk Committee("GRC") responsible for the oversight of provisions. Accordingly, the GRC has formally reviewed as presented by the Chief Risk Officer ("CRO") the calculation process, the methodology and results of the provision. Therefore, the provisions have been presented and approved by the Board or delegated body of the Board, as per Article 9 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

26 Tier 1 capital notes

Issuance	Currency	Interest rate	31 Dec 2024 AED million	31 Dec 2023 AED million
Government of Abu Dhabi Tier 1 capital notes	AED	Floating interest of 6-month EIBOR plus 2.3% p.a.	**8,000**	8,000
USD 750 million Tier 1 capital notes	USD	Fixed rate of 4.50% p.a., thereafter, reset on the first date and every sixth anniversary; thereafter on the basis of the aggregate of the margin and the relevant six year reset on the relevant U.S. Securities determination date	**2,755**	2,755
Total Tier 1 capital notes			**10,755**	10,755

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non payment election or a non payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full. During the year, the coupon payment election was made by the Bank amounting to AED 743 million (31 December 2023: AED 653 million).

27 Share based payment

The Group had introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Bank until the end of the vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

During the year, outstanding treasury shares were liquidated, and the gain have been presented in the consolidated statement of changes in equity.

28 Interest income

	31 Dec 2024 AED million	31 Dec 2023[1] AED million
Interest from:		
Central banks	13,320	14,348
Banks and financial institutions	1,487	1,159
Reverse repurchase agreements	3,770	3,541
Loans and advances (excluding Islamic financing)	30,958	28,040
Non trading investment securities	10,039	8,760
Total interest income	**59,574**	55,848

[1] Refer note 51 for changes to comparative figures.

29 Interest expense

	31 Dec 2024 AED million	31 Dec 2023[1] AED million
Interest to:		
Banks and financial institutions	2,946	3,262
Repurchase agreements	1,623	1,674
Commercial paper	1,020	1,013
Customer accounts and other deposits (excluding Islamic customers' deposits)	32,074	29,558
Term borrowings	3,942	3,704
Subordinated notes	495	102
Total interest expense	**42,100**	39,313

[1] Refer note 51 for changes to comparative figures.

30 Income from Islamic financing and investing products

	31 Dec 2024 AED million	31 Dec 2023 AED million
Murabaha	2,173	1,703
Ijara	824	766
Sukuk investments	410	390
Others	67	52
Total income from Islamic financing and investing products	**3,474**	2,910

31 Distribution on Islamic customers' deposits

	31 Dec 2024 AED million	31 Dec 2023 AED million
Wakala deposits	409	375
Mudaraba saving and term deposits	247	175
Islamic sukuk notes	662	745
Others	18	10
Total distribution on Islamic customers' deposits	**1,336**	1,306

The Group maintains an investment risk reserve of AED 39 million (2023: AED 22 million) which represents a portion of the depositors' share of profits set aside as a reserve.

32 Net fee and commission income

	31 Dec 2024 AED million	31 Dec 2023 AED million
Fee and commission income:		
Retail and corporate lending	2,132	1,758
Cards and e-services	1,299	761
Trade finance	1,046	892
Commission on transfers	219	168
Asset management and investment services	156	104
Brokerage income	110	121
Accounts related services	71	82
Collection services	56	47
Others	431	350
Total fee and commission income	5,520	4,283
Fee and commission expense:		
Credit card charges	919	693
Consumer and corporate lending	335	291
Brokerage commission	68	56
Trade finance	58	13
Others	382	223
Total fee and commission expense	1,762	1,275
Net fee and commission income	3,758	3,008

33 Net foreign exchange gain

	31 Dec 2024 AED million	31 Dec 2023 AED million
Trading and retranslation gain on foreign exchange and related derivatives[1]	193	1,346
Dealings with customers	1,639	1,251
Total net foreign exchange gain	1,832	2,597

[1]Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gain on investments and derivatives (note 34).

34 Net gain on investments and derivatives

	31 Dec 2024 AED million	31 Dec 2023 AED million
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	5,523	3,730
Net loss from sale of non trading investment securities	(150)	(128)
Dividend and other income	26	102
Total net gain on investments and derivatives	5,399	3,704

35 Other operating income

	31 Dec 2024 AED million	31 Dec 2023 AED million
Leasing related income	151	109
Other income	873	(86)
Total other operating income	1,024	23

36 Gain on disposal of stake in subsidiary and fair value gain on retained interest

On 9 September 2023, FAB and Aldar properties signed an agreement for the sale of FAB's wholly owned subsidiary, FAB Properties LLC. As per the terms of the agreement. FAB PJSC concluded the sale of 100% of its wholly owned subsidiary, FAB Properties LLC, to Provis Real Estate Management LLC and the share transfer has taken effect and been reflected in the trade license of FAB Properties LLC on 27 December 2023. Accordingly, FAB properties LLC has been deconsolidated from the consolidated financial statements of FAB PJSC for the year ended 31 December 2023.

37 General, administration and other operating expenses

	31 Dec 2024 AED million	31 Dec 2023 AED million
Staff costs	**4,032**	3,570
Information technology expenses	**1,125**	1,013
Depreciation	**863**	743
Professional fees	**549**	583
Amortisation of intangibles	**224**	238
Communication expenses	**219**	209
Premises expenses	**211**	195
Publicity and advertisement	**137**	111
Sponsorships and donations	**93**	105
Other general and administration expenses	**334**	358
Total general, administration and other operating expenses	**7,787**	7,125

Auditor's remuneration

	31 Dec 2024 AED million	31 Dec 2023 AED million
Audit services	**12**	12
Audit related services	**10**	8
Non-audit services	**1**	5
Total auditor's remuneration	**23**	25

Audit services

Audit services can be defined as services rendered by the Group's statutory auditor for the audit and review of the financial statements or services that are normally provided by the statutory auditor in connection with statutory and regulatory filings.

Audit related services

Audit related services are services other than 'audit services' for which the auditor of the entity is an appropriate provider particularly where those services are required by a law or regulation relating to the jurisdiction and activities of the subject entity.

Non-audit services

Non-audit services are services which do not fall in the above two segments of service and are also not part of prohibited services.

38 Net impairment charge

	31 Dec 2024 AED million	31 Dec 2023 AED million
Impairment charge on		
loans, advances and Islamic financing	**4,430**	3,039
other financial assets	**(3)**	36
unfunded exposures	**42**	242
other non financial instruments	**-**	2
Recoveries	**(726)**	(507)
Write off of impaired financial assets	**181**	266
Total net impairment charge	**3,924**	3,078

39 Income tax expense

In addition to adjustments relating to deferred taxation, the charge for the year is calculated based upon the adjusted net profit for the year at rates of tax applicable in respective overseas locations. The charge to the consolidated statement of profit or loss for the year is as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Charge for the year	**2,818**	1,042

Reconciliation of Group's tax on profit based on accounting and profit as per the tax laws is as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Profit before taxation	**19,914**	17,552
Effect of tax rates	**2,287**	570
Tax effects of:		
- Income not subject to tax	**(105)**	(3)
- Expenses not deductible for tax purposes	**154**	72
- Movement in unrecognised deferred tax	**(11)**	2
- Prior year adjustments	**12**	(35)
- Withholding tax deducted at source	**466**	432
- Mandatory remittance tax	**1**	4
- Others	**14**	-
Total income tax expense	**2,818**	1,042

40 Cash and cash equivalents

	31 Dec 2024 AED million	31 Dec 2023 AED million
Cash and balances with central banks	**214,548**	233,555
Due from banks and financial institutions	**23,774**	25,324
	238,322	258,879
Less: balances with central banks maturing after three months of placement	**(690)**	(559)
Less: due from banks and financial institutions maturing after three months of placement	**(908)**	(335)
Less: restricted deposits with central banks for regulatory purposes	**(896)**	(787)
Total cash and cash equivalents	**235,828**	257,198

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition.

41 Leases

The Group leases a number of branch and office premises. The leases typically run for a period of 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases IT equipment with contract terms of one to three years. These leases are short term and/or leases of low value items. The Group has elected not to recognise right of use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

Leases as lessee

Right of use assets

The movement during the year of right of use is as follows:

Right of use assets	31 Dec 2024 AED million	31 Dec 2023 AED million
Balance as at the beginning of year	158	197
Increase/(decrease) during the year	76	(13)
Depreciation and other adjustments	(6)	(26)
Balance as at the end of year	**228**	158

Lease liabilities	31 Dec 2024 AED million	31 Dec 2023 AED million
Maturity analysis – contractual undiscounted cash flows		
Less than one year	109	141
One to five years	118	176
More than five years	43	5
Total undiscounted lease liabilities at the end of year	**270**	322

Amounts recognised in profit or loss	31 Dec 2024 AED million	31 Dec 2023 AED million
Interest on lease liabilities	13	13
Depreciation charge for the year	74	71
Expenses relating to short term leases and low value assets	64	51
Total amounts recognised in profit or loss	**151**	135

42 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the year other than those arising out of normal course of business.

	31 Dec 2024 AED million	31 Dec 2023 AED million
Letter of credit	**39,752**	48,151
Guarantees	**138,198**	117,118
Trade contingencies	**177,950**	165,269
Undrawn commitment to extend credit	**78,962**	77,843
Commitments for future capital expenditure	**1,622**	1,593
Commitments for future private equity investments	**2,181**	1,807
Total commitments	**82,765**	81,243
Total commitments and contingencies	**260,715**	246,512

Credit risk characteristics of these unfunded facilities closely resemble the funded facilities as described in note 50(a).

Letter of credit and guarantees ("Trade contingencies") commit the Group to make payments on behalf of customers' contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to extend loans, advances and Islamic financing and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and may require a payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

Concentration by location	Undrawn loan commitments		Trade contingencies	
	31 Dec 2024 AED million	31 Dec 2023 AED million	31 Dec 2024 AED million	31 Dec 2023 AED million
UAE	**53,022**	46,493	**122,636**	114,215
Europe	**9,602**	11,763	**14,338**	15,038
Arab countries	**4,208**	7,465	**17,086**	13,919
Americas	**6,057**	3,546	**9,153**	10,234
Asia	**2,831**	4,039	**13,975**	11,527
Others	**3,242**	4,537	**762**	336
Total concentration	**78,962**	77,843	**177,950**	165,269

Concentration by location is based on the residential status of the customers.

43 Derivative financial instruments

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives enable Group to increase, reduce or alter exposure to specific risks such as interest or credit.

Group primarily uses the following derivative instruments for trading and risk management purposes.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. Futures contracts, including commodity futures, are transacted at standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Currency forwards represent commitments to purchase foreign and/or domestic currencies, including non deliverable spot transactions (i.e. the transaction is net settled). Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk for futures contracts is negligible, as they are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of cashflows arising out of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain cross currency swaps.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.

The Group's credit risk represents the potential loss if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, notional amount of the contracts and the liquidity of the market.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of risk. Options may be either exchange-traded or negotiated between the Group and a customer over the counter ("OTC").

Exchange traded derivatives are measured at fair value by reference to published price quoted in the market. Where derivatives are exchanged OTC, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models or valuation techniques such as discounted cash flows. Please refer to section 49(d) for further details on valuation techniques.

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

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43 Derivative financial instruments (continued)

31 December 2024				Notional amounts by term to maturity				
	Positive market value AED million	Negative market value AED million	Notional amount AED million	Less than three months AED million	From three months to one year AED million	From one year to three years AED million	From three years to five years AED million	Over five years AED million
Held for trading:								
Interest rate derivatives								
Swaps	33,570	33,528	1,704,727	155,546	280,868	428,415	367,900	471,998
Forwards & Futures	18	20	82,770	45,623	14,722	22,333	92	-
Options & Swaptions	200	341	49,447	1,611	3,741	20,084	18,952	5,059
Foreign exchange derivatives								
Forwards	4,027	4,137	468,399	285,867	146,550	27,006	8,955	21
Options	128	91	21,441	11,368	8,080	1,677	316	-
Other derivatives contracts	1,715	3,345	93,930	9,564	36,192	32,781	13,943	1,450
	39,658	41,462	2,420,714	509,579	490,153	532,296	410,158	478,528
Held as fair value hedges:								
Interest rate derivatives								
Swaps	5,326	11,793	505,907	205,815	93,390	77,668	64,545	64,489
	5,326	11,793	505,907	205,815	93,390	77,668	64,545	64,489
Held as cash flow hedges:								
Interest rate derivatives								
Swaps	864	503	50,027	-	4,224	31,081	12,051	2,671
Foreign exchange derivatives								
Forwards	45	-	3,099	3,099	-	-	-	-
	909	503	53,126	3,099	4,224	31,081	12,051	2,671
Total	45,893	53,758	2,979,747	718,493	587,767	641,045	486,754	545,688

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43 Derivative financial instruments (continued)

31 December 2023				Notional amounts by term to maturity				
	Positive market value	Negative market value	Notional amount	Less than three months	From three months to one year	From one year to three years	From three years to five years	Over five years
	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million
Held for trading:								
Interest rate derivatives								
Swaps	34,908	34,761	1,604,622	227,818	225,016	442,558	252,049	457,181
Forwards & Futures	31	24	19,310	14,913	4,397	-	-	-
Options & Swaptions	287	507	83,962	2,008	37,158	13,536	25,390	5,870
Foreign exchange derivatives								
Forwards	2,895	2,632	400,549	259,409	117,299	17,856	5,967	18
Options	74	53	14,603	7,404	5,665	1,199	335	-
Other derivatives contracts	1,956	2,370	85,430	16,091	12,747	34,976	19,338	2,278
	40,151	40,347	2,208,476	527,643	402,282	510,125	303,079	465,347
Held as fair value hedges:								
Interest rate derivatives								
Swaps	5,904	10,099	375,802	51,681	146,868	58,525	64,668	54,060
	5,904	10,099	375,802	51,681	146,868	58,525	64,668	54,060
Held as cash flow hedges:								
Interest rate derivatives								
Swaps	366	532	34,329	-	9,183	20,679	4,367	100
Foreign exchange derivatives								
Forwards	-	24	4,195	4,195	-	-	-	-
	366	556	38,524	4,195	9,183	20,679	4,367	100
Total	46,421	51,002	2,622,802	583,519	558,333	589,329	372,114	519,507

43 Derivative financial instruments (continued)

The positive / negative fair value in respect of derivatives represents the gain/loss respectively, arising on fair valuation of the trading and hedging instrument and are not indicative of any current or future losses. Furthermore, positive / negative amount has been adjusted to the carrying value of the hedged loans, advances and Islamic financing, non trading investment securities, term borrowings and subordinated notes where hedge accounting has been applied.

Where collateral agreements are in place against certain counterparties, and in order to mitigate any credit exposure, FAB would receive collateral. As at 31 December 2024, the Group received cash collateral of AED 12,395 million (31 December 2023: AED 13,844 million) against positive fair value of derivative assets from certain counterparties. Correspondingly, the Group placed cash collateral of AED 14,494 million (31 December 2023: AED 16,199 million) against the negative fair value of derivative liabilities.

Derivatives held for trading purposes

The Group uses derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and credit risks or initiates positions with the expectation of profiting from favourable movement in prices, rates or indices. The instruments used mainly include interest rate and currency swaps and forward contracts. The fair values of those derivatives are shown in the table above.

Derivatives held for hedging purposes

Derivatives held as fair value hedge

The Group uses derivative financial instruments for economic hedging purposes as part of its asset and liability management strategy by taking offsetting positions in order to reduce its own exposure to fluctuations in exchange and interest rates. The Group uses interest rate swaps to hedge against the changes in fair value arising from specifically identified interest bearing assets such as loans, advances and Islamic financing, non trading investment securities, term borrowings and subordinate notes. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Derivatives held as cash flow hedge

The Group uses forward contracts to hedge the foreign currency risk arising from its financial instruments. The Group has substantially matched the critical terms of the derivatives to have an effective hedge relationship.

44 Segmental information

The operating structure consists of six key Business segments across Geographic segments that are driving the business strategy, customer value propositions, products and channel development and customer relationships in addition to supporting the delivery of the Group's financial performance.

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

Business segments

Investment Banking ("IB")

IB offers banking and financing solutions, including corporate & Islamic finance, capital markets, transaction banking, trade, liquidity and cash management services along with a broad range of risk management solutions across credit, rates, FX and money market products. Focused on Institutional clients, the IB team enhances product delivery and specialization across various customer sectors which includes Government, Sovereign & Public Sector, Sovereign Wealth Fund & Financial Sponsors, Natural Resources, Global Diversified Industrials, Financial Institutions Group & Global Subsidiaries.

Corporate & Commercial Banking ("CCB")

CCB focuses on large corporates, medium and small entities with diversified products offering across sub segments which includes Corporate Banking, Contracting, Commercial Banking and Privileged Client Group.

Global Markets - trading ("GM-trading")

GM-trading encompasses trading, market-making, risk management and investment management activities across Linear products (FX, Rates, Credit and Securities financing), Structured Products, Commodities, and Investments. Global Markets Trading delivers best in class trading & risk management solutions, providing our clients access to a broad range of financial products. Global Markets sales income which are pertaining to customers are reflected in the respective underlying business segment managing the client relationship.

Consumer Banking ("CB")

The business targets consumer & elite segment across conventional and Islamic sector. The products' ranges offered include everyday banking products such as current accounts, deposits, credit cards, loans, wealth products etc. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, direct sales agents and through its banking subsidiaries namely First Abu Dhabi Islamic Finance.

Private Banking ("PB")

The business targets affluent and high net-worth customers across conventional and Islamic sector. The products' ranges offered include everyday banking products plus sophisticated investment solutions, brokerage and securities services. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, relationship managers and through its banking subsidiaries namely FAB Securities.

Head Office ("HO")

The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations and administrative support to all of its business units. As part of the Group's diversified business model, HO also includes share of results of associates and certain subsidiaries partially or fully owned by the Group, providing banking services and other complementary offerings across real estate and property management services. These include FAB Misr, First Gulf Libya, Mismak, FAB Properties, Abu Dhabi National Properties and certain other portfolios.

Geographic segments

The Group is managing its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments which are UAE and International. Balance sheet and income statement information presented within this section is principally the location from which a client relationship exists and is managed, which may differ from where it is financially booked.

44 Segmental information (continued)

	Business Segments							Geographic Segments		
	Investment Banking	Corporate and Commercial Banking	Global Markets-trading	Private Banking	Consumer Banking	Head Office	Total	UAE	International	Total
	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million
For the year ended 31 December 2024										
Net interest income and income from Islamic financing and investing products	7,974	5,502	297	997	3,298	1,544	19,612	15,610	4,002	19,612
Net non interest income	2,899	1,746	2,792	349	1,185	3,042	12,013	8,862	3,151	12,013
Operating income	10,873	7,248	3,089	1,346	4,483	4,586	31,625	24,472	7,153	31,625
General, administration and other operating expenses	1,705	1,013	414	537	2,499	1,619	7,787	5,776	2,011	7,787
Net impairment charge	(163)	2,089	70	19	875	1,034	3,924	3,591	333	3,924
Profit before taxation	9,331	4,146	2,605	790	1,109	1,933	19,914	15,105	4,809	19,914
As at 31 December 2024										
Segment total assets	315,598	171,620	242,105	28,987	69,015	532,578	1,359,903	981,707	317,860	1,299,567
Inter segment balances							(146,656)			(86,320)
Total assets							1,213,247			1,213,247
Segment total liabilities	433,666	168,307	225,044	35,399	79,630	286,982	1,229,028	888,901	279,791	1,168,692
Inter segment balances							(146,656)			(86,320)
Total liabilities							1,082,372			1,082,372

44 Segmental information (continued)

	Business Segments							Geographic Segments		
	Investment Banking	Corporate and Commercial Banking	Global Markets-trading	Private Banking	Consumer Banking	Head Office	Total	UAE	International	Total
	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million	AED million
For the year ended 31 December 2023										
Net interest income and income from Islamic financing and investing products	6,715	5,589	614	856	3,043	1,322	18,139	15,324	2,815	18,139
Net non interest income	2,387	1,319	1,852	309	763	2,702	9,332	6,743	2,589	9,332
Operating income	9,102	6,908	2,466	1,165	3,806	4,024	27,471	22,067	5,404	27,471
Gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	-	-	-	284	284	284	-	284
Total Income including gain on disposal of stake in subsidiary and fair value gain on retained interest	9,102	6,908	2,466	1,165	3,806	4,308	27,755	22,351	5,404	27,755
General, administration and other operating expenses	1,510	870	386	506	2,243	1,610	7,125	5,394	1,731	7,125
Net impairment charge	531	1,289	27	12	778	441	3,078	2,016	1,062	3,078
Profit before taxation	7,061	4,749	2,053	647	785	2,257	17,552	14,941	2,611	17,552
As at 31 December 2023										
Segment total assets	276,182	159,918	224,779	30,912	60,455	525,173	1,277,419	969,349	343,849	1,313,198
Inter segment balances							(108,786)			(144,565)
Total assets							1,168,633			1,168,633
Segment total liabilities	433,660	160,336	207,039	33,517	66,020	251,424	1,151,996	872,815	314,960	1,187,775
Inter segment balances							(108,786)			(144,565)
Total liabilities							1,043,210			1,043,210

45 Earnings per share

Earnings per share is calculated by dividing the net profit for the year after deduction of Interest on Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the year as set out below:

	31 Dec 2024	31 Dec 2023
Basic and diluted earnings per share:		
Net profit for the year (AED million)	**17,055**	16,405
Less: payment on Tier 1 capital notes (AED million)	**(743)**	(653)
Net profit after payment of Tier 1 capital notes (AED million)	**16,312**	15,752
Weighted average number of ordinary shares:		
Weighted average number of ordinary shares (million)	**11,041**	11,041
Basic earnings per share (AED)	**1.48**	1.43

	31 Dec 2024	31 Dec 2023
Diluted earnings per share:		
Net profit for the year for calculating diluted earnings per share (AED million)	**16,312**	15,752
Weighted average number of ordinary shares in issue for diluted earnings per share (million)	**11,041**	11,041
Diluted earnings per share (AED)	**1.48**	1.43

46 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, Board of Directors and key management personnel of the Group. Key management personnel comprise those executive committee members ("EXCO") of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

The Group operates in a market dominated by entities directly or indirectly controlled by the Government of Abu Dhabi through its government authorities, agencies, affiliations and other organizations, collectively referred to as government related entities. The Group has transactions with other government related entities and these transactions are conducted in the ordinary course of its business on terms agreed by the Board.

Details of Board of Directors remuneration and key management personnel remuneration is as follows:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Board of Directors' remuneration paid during the year	**45**	45
Short term benefits	**73**	64
Long term benefits	**4**	5

46 Related parties (continued)

Balances with related parties at the reporting date are shown below:

	Board of Directors AED million	Major shareholders AED million	Senior management AED million	Associates AED million	Total AED million
As of 31 December 2024					
Financial assets					
Investments at fair value through profit or loss	-	**81**	-	-	**81**
Reverse purchase agreements	-	**347**	-	-	**347**
Derivative financial instruments	-	**17**	-	-	**17**
Loans, advances and Islamic financing	**2,652**	**32,218**	**145**	**1,042**	**36,057**
Non trading investment securities	-	**3,515**	-	-	**3,515**
Other assets	**21**	**433**	**7**	**-**	**461**
Financial liabilities					
Derivative financial instruments	-	**267**	-	**4**	**271**
Customer accounts and other deposits	**9,736**	**19,232**	**61**	**636**	**29,665**
Other liabilities	**197**	**191**	**1**	-	**389**
Contingent liabilities					
Derivatives	-	**10,218**	-	**750**	**10,968**
Letter of credit	-	**433**	-	-	**433**
Guarantees	**181**	**2,058**	-	-	**2,239**
For the year ended 31 December 2024					
Interest income	**130**	**1,894**	**6**	**59**	**2,089**
Interest expense	**429**	**537**	**1**	**104**	**1,071**
Fee and commission income	**9**	**159**	-	**44**	**212**
Fee and commission expense	-	-	-	**126**	**126**
Net gain on investments and derivatives	-	**121**	-	**(105)**	**16**

	Board of Directors AED million	Major shareholders AED million	Senior management AED million	Associates AED million	Total AED million
As of 31 December 2023					
Financial assets					
Investments at fair value through profit or loss	-	61	-	-	61
Reverse purchase agreements	-	539	-	-	539
Derivative financial instruments	-	52	-	-	52
Loans, advances and Islamic financing	2,846	30,983	106	862	34,797
Non trading investment securities	-	3,788	-	-	3,788
Other assets	27	568	3	1	599
Financial liabilities					
Derivative financial instruments	-	224	-	-	224
Customer accounts and other deposits	13,038	8,649	47	825	22,559
Other liabilities	194	44	1	-	239
Contingent liabilities					
Derivatives	-	8,287	-	-	8,287
Letter of credit	-	352	-	-	352
Guarantees	29	1,073	-	1	1,103
For the year ended 31 December 2023					
Interest income	153	1,712	3	42	1,910
Interest expense	257	635	1	97	990
Fee and commission income	3	61	-	16	80
Fee and commission expense				132	132
Net gain on investments and derivatives	-	93	-	35	128

As at 31 December 2024, the ECL allowance held against related party balances amounted to AED 33 million (31 December 2023: AED 34 million).

47 Fiduciary activities

The Group held assets under management in trust or in a fiduciary capacity for its customers at 31 December 2024 amounting to AED 39,889 million (31 December 2023: AED 13,827 million). Furthermore, the Group provides custodian services for some of its customers.

The underlying assets held in a custodial or fiduciary capacity are excluded from these consolidated financial statements of the Group.

48 Special purpose entity

The Group has created a Special purpose entity (SPE) with defined objectives to carry on fund management and investment activities on behalf of customers. The equity and investments managed by the SPE are not controlled by the Group and the Group does not obtain benefits from the SPE operations, apart from commissions and fee income. In addition, the Group does not provide any guarantees or assume any liabilities of these entities. Consequently, the SPE assets, liabilities and results of operations are not included in these consolidated financial statements of the Group. The SPE is as follows:

Legal Name	Activities	Country of incorporation	As at 31 Dec 2024	As at 31 Dec 2023
One share PLC	Investment Company	Republic of Ireland	100%	100%

49 Fair value measurement

(a) Valuation framework

The Group has an established control framework for the measurement of fair values. Several control functions support this framework (Valuation Control within Finance and Market Risk Analytics within Risk functions) that are independent of Front Office. Significant valuation issues are reported to the Group Valuation Committee operating under the Board Risk and ESG Committee.

Specific controls include:

- Independent verification of market data and model parameters used in the valuation process and valuation adjustments are applied when significant deviations are observed;
- Review of significant unobservable and stale inputs and significant changes to the fair value measurement of Level 3 instruments;
- Validation and approval process for new models and frequent review of existing models or when changes are performed;
- Profit or loss attribution analysis process for changes in fair value.
- Calibration against observed market transactions.

When third party information, such as broker quotes or pricing services is used to measure fair value, Valuation Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS Accounting Standards. This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using those quotes.

Significant valuation issues are reported to the Group Valuation Committee.

(b) Fair value adjustments

The Group applies the following fair value adjustments to its base valuation procedures to better reflect the individual characteristics of trades that market participants would consider when trading in or setting specific prices for these instruments.

Exit risk adjustments:

These reflect the bid-offer costs that would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position. Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Credit risk adjustments

The credit valuation adjustment ('CVA') is an adjustment to the valuation of over the counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions. The debt valuation adjustment ('DVA') is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Group may default, and that it may not pay the full market value of the transactions.

These adjustments are calculated for both uncollateralised and collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of expected positive and negative exposures respectively, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) financial institutions, corporates, sovereigns and sovereign agencies and supranationals. Expected exposure is generally estimated through the simulation of underlying risk factors through Monte Carlo simulation techniques.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping the counterparty to a sector curve based on the rating, the region and the industry sector.

49 Fair value measurement (continued)

(b) Fair value adjustments (continued)

Model related adjustments

These are applied when either model inputs are overly simplified, the model has limitations deriving the fair value of a position or there is no market wide consensus on the choice of a model. These adjustments are required to correct existing model weaknesses or deficiencies that were highlighted during the model validation process.

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as new market conditions. Such interim adjustments are reflected in the model uncertainty adjustments until the base models are updated.

(c) Valuation inputs

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Model inputs and parameters are based on and calibrated to market observable prices, including broker quotes, current or recent transaction prices and market consensus, where available. In absence of market observable prices, empirical data and/or judgement may be required in model calibration process, which is inherently subjective and can yield range of possible inputs and estimates of fair value. Management uses prudent judgement to select the most appropriate point in the range.

(d) Valuation techniques

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives, and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates. In cases where inputs are deemed unobservable, additional provision may be required to cater for the higher valuation uncertainty.

49 Fair value measurement (continued)

(d) Valuation techniques (continued)

Fair value estimates obtained from models are adjusted if any significant risk factor is missing in valuation model to the extent that the Group believes that a third party market participant would take them into account in a pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa – e.g. interest rate swaps – fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants would take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value. Management uses judgement to select the most appropriate point in the range.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Equity Instruments

The majority of equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Units held in units are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Private equity

Investments in private equity funds are valued using net asset values ('NAV') received by the external fund manager. Adjustments may be required to the NAV of funds to obtain valuations that considers exit costs observable on the secondary market and to reflect the uncertainty inherent to the nature of the investments held.

Securities

Fair value is determined using quoted prices in active markets when available. When not available, quoted prices in less active markets are used. In the absence of position's specific quoted prices, fair value may be determined through benchmarking from comparable instruments.

Structured notes

These comprise principally credit and equity linked notes issued by the Bank, which provide the counterparty with a return linked to the creditworthiness of specific underlying. Examples of the unobservable parameters include correlations between underlying.

Debt instrument

Debt instruments are fixed or floating rate securities or may with embedded derivative characteristics. The Bank uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value.

49 Fair value measurement (continued)

(e) Fair value of financial instruments

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2024:

	Fair value through profit or loss AED million	FVOCI – with recycle to profit or loss AED million	FVOCI – without recycle to profit or loss AED million	Amortised cost AED million	Carrying amount AED million
Financial assets					
Cash and balances with central banks	-	-	-	214,404	214,404
Investments at fair value through profit or loss	56,028	-	-	-	56,028
Due from banks and financial institutions	-	-	-	23,724	23,724
Reverse repurchase agreements	-	-	-	69,661	69,661
Derivative financial instruments	45,893	-	-	-	45,893
Loans, advances and Islamic financing	-	-	-	528,897	528,897
Non trading investment securities	-	177,922	5,495	4,029	187,446
Other assets	-	-	-	47,257	47,257
	101,921	177,922	5,495	887,972	1,173,310
Financial liabilities					
Due to banks and financial institutions	-	-	-	71,896	71,896
Repurchase agreements	-	-	-	32,329	32,329
Commercial Paper	-	-	-	17,888	17,888
Derivative financial instruments	53,758	-	-	-	53,758
Customer accounts and other deposits	-	-	-	782,379	782,379
Other liabilities[1]	1,211	-	-	47,031	48,242
Term borrowings	682	-	-	64,106	64,788
Subordinated notes	-	-	-	6,861	6,861
	55,651	-	-	1,022,490	1,078,141

[1]Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.
Management considers that the carrying amounts of Group's financial assets and liabilities do not materially differ from their fair values as at the year end.

49 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2023:

	Fair value through profit or loss AED million	FVOCI – with recycle to profit or loss AED million	FVOCI – without recycle to profit or loss AED million	Amortised cost AED million	Carrying amount AED million
Financial Assets					
Cash and balances with central banks	-	-	-	233,390	233,390
Investments at fair value through profit or loss	45,209	-	-	-	45,209
Due from banks and financial institutions	-	-	-	25,266	25,266
Reverse repurchase agreements	-	-	-	78,504	78,504
Derivative financial instruments	46,421	-	-	-	46,421
Loans, advances and Islamic financing	-	-	-	483,954	483,954
Non trading investment securities	-	170,716	4,553	4,374	179,643
Other assets	-	-	-	39,767	39,767
	91,630	170,716	4,553	865,255	1,132,154
Financial Liabilities					
Due to banks and financial institutions	-	-	-	71,528	71,528
Repurchase agreements	-	-	-	26,096	26,096
Commercial Paper	-	-	-	19,659	19,659
Derivative financial instruments	51,002	-	-	-	51,002
Customer accounts and other deposits	-	-	-	759,863	759,863
Other liabilities[1]	972	-	-	44,139	45,111
Term borrowings	513	-	-	63,426	63,939
Subordinated notes	-	-	-	4,191	4,191
	52,487	-	-	988,902	1,041,389

[1]Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.
Management considers that the carrying amounts of Group's financial assets and liabilities do not materially differ from their fair values as at the year end.

49 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

Financial instruments measured at fair value - hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy:

	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
As at 31 December 2024				
Investment at fair value through profit or loss	**12,980**	**38,678**	**4,370**	**56,028**
FVOCI - with recycle to profit or loss	**144,821**	**31,316**	**1,785**	**177,922**
FVOCI - without recycle to profit or loss	**1,184**	**4,094**	**217**	**5,495**
Derivative financial instruments (assets)	**387**	**45,506**	**-**	**45,893**
	159,372	**119,594**	**6,372**	**285,338**
Derivative financial instruments (liabilities)	**133**	**53,530**	**95**	**53,758**
Term borrowings	**-**	**328**	**354**	**682**
	133	**53,858**	**449**	**54,440**

	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
As at 31 December 2023				
Investment at fair value through profit or loss	6,708	35,357	3,144	45,209
FVOCI - with recycle to profit or loss	133,542	36,255	919	170,716
FVOCI - without recycle to profit or loss	1,025	3,321	207	4,553
Derivative financial instruments (assets)	634	45,776	11	46,421
	141,909	120,709	4,281	266,899
Derivative financial instruments (liabilities)	931	50,071	-	51,002
Term borrowings	-	260	253	513
	931	50,331	253	51,515

The following table shows the transfer between the hierarchies:

Investment at fair value through profit or loss	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2024	**6,708**	**35,357**	**3,144**	**45,209**
Transfers:				
Transfer from level 1 to level 2	**(542)**	**542**	**-**	**-**
Transfer from level 2 to level 1	**958**	**(958)**	**-**	**-**
Transfer from level 2 to level 3	**-**	**(18)**	**18**	**-**
	416	**(434)**	**18**	**-**
Net non level movements	**5,856**	**3,755**	**1,208**	**10,819**
Balance as at 31 December 2024	**12,980**	**38,678**	**4,370**	**56,028**

49 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

Non trading investment securities	**Level 1 AED million**	**Level 2 AED million**	**Level 3 AED million**	**Total AED million**
Balance as at 1 January 2024	**134,567**	**39,576**	**1,126**	**175,269**
Transfers:				
Transfer from level 1 to level 2	**(4,130)**	**4,130**	**-**	**-**
Transfer from level 2 to level 1	**872**	**(872)**	**-**	**-**
Transfer from level 2 to level 3	**-**	**(578)**	**578**	**-**
	(3,258)	**2,680**	**578**	**-**
Net non level movements	**14,696**	**(6,846)**	**298**	**8,148**
Balance as at 31 December 2024	**146,005**	**35,410**	**2,002**	**183,417**

Investment at fair value through profit or loss	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2023	3,545	23,020	5,252	31,817
Transfers:				
Transfer from level 1 to level 2	(95)	95	-	-
Transfer from level 1 to level 3	(91)	-	91	-
Transfer from level 2 to level 1	632	(632)	-	-
	446	(537)	91	-
Net non level movements	2,717	12,874	(2,199)	13,392
Balance as at 31 December 2023	6,708	35,357	3,144	45,209

Non trading investment securities	Level 1 AED million	Level 2 AED million	Level 3 AED million	Total AED million
Balance as at 1 January 2023	123,797	39,053	4,812	167,662
Transfers:				
Transfer from level 1 to level 2	(2,830)	2,830	-	-
Transfer from level 1 to level 3	(3)	-	3	-
Transfer from level 2 to level 1	8,179	(8,179)	-	-
Transfer from level 2 to level 3	-	(2)	2	-
Transfer from level 3 to level 1	384	-	(384)	-
Transfer from level 3 to level 2	-	3,630	(3,630)	-
	5,730	(1,721)	(4,009)	-
Net non level movements	5,040	2,244	323	7,607
Balance as at 31 December 2023	134,567	39,576	1,126	175,269

Management considers that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements do not materially differ from their fair values.

49 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The following table shows a reconciliation of instruments measured at fair value (assets) and classified as Level 3:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Balance as at the beginning of year	**4,281**	10,065
Additions / transfers	**3,668**	914
Fair value and other adjustments	**(1,577)**	(6,698)
Balance as at the end of year	**6,372**	4,281

The Level 3 financial instruments includes private equity investments, and their valuations are based on the latest net asset published by the fund manager. The effect of changes in its valuation is covered as part of equity price risk included in note 50(c). The remaining mainly comprise of debt instruments which are priced using last available prices.

Any change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change the fair value significantly.

50 Financial risk management

Risk management framework

Introduction and overview

The primary objective of the Group is to manage risk and provide risk adjusted returns to the shareholders in line with the accepted risk profile. In the course of doing its regular business activities, the Group gets exposed to multiple risks notably (a) credit risk; (b) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (c) liquidity risk; (d) interest rate risk in the banking book; (e) capital risk (f) operational risks (including risk of fraud, legal and compliance risks; information security risk and data privacy, business continuity, technology risks (g) ESG risks (h) model risks and (i) shari'ah compliance risks. A well established risk governance and ownership structure ensure oversight and accountability of the effective management of risk at the Group. The Risk management tone is set right at the top from the Board of Directors ("BOD") and gets implemented through a well defined risk management structure and framework.

Composition of Board

The Board of Directors ("BOD") is responsible for the overall direction, supervision and control of the Group. The BOD has delegated authority to specialist committees who support the Board in execution of its responsibilities. The day to day management of the Group is conducted by the Group Chief Executive Officer ("GCEO") and the Group Executive Committee as delegated by the Board. The BOD has overall responsibility for the Group including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. In accordance with the Bank's Articles of Association, the BOD comprises eleven members. Each Director holds the position for three years, which may then be renewed for a further three year term. The Board of Directors of the Bank's subsidiaries has the same fiduciary responsibilities towards their respective entities as the Bank's Directors have towards the Group.

Corporate Governance Framework

The Group has a comprehensive Corporate Governance Framework that puts in place rules, processes and policies through which BOD and Senior Management manages the Group. The BOD drives the implementation of the corporate governance standards and in accordance with its charter, has oversight responsibility for the Group's corporate governance framework. The Group corporate governance sets the highest standards of professionalism and requires subsidiaries and international locations to setup individual specific governance frameworks, in alignment with the Group governance framework, to govern them. The Head of Corporate Governance is the custodian of the Corporate Governance Framework.

Risk Management Structure

The BOD approves risk management framework for the Bank, its subsidiaries, its associates and international offices including representative offices and overseas branches. Under authority delegated by the BOD, the Board Risk and ESG Committee ("BRESGC"), through its separately convened Group risk management meetings formulates high level Group risk management policies, exercises delegated risk authorities and oversees the implementation of risk management framework and controls. The Group Chief Risk Officer (''GCRO'') functionally reports to this Committee.

Board Management Committee ("BMC")

The BMC approves and oversees execution of the Group's business plan per the strategy approved by the Board and oversees and reviews material aspects of the business of the Group. The Committee meets quarterly or more frequently as deemed necessary.

Board Risk and ESG Committee ("BRESGC")

The BRESGC provides oversight and advice to the BOD in relation to current and potential future risk exposures of the Group, risk strategy, risk appetite and tolerance as well as risk culture of the Group. The committee also oversees and provides guidance to the Board of Directors on ESG matters. The Committee meets quarterly or more frequently as deemed necessary. The Group's risk management function has a direct reporting line to the BRESGC through the Group Chief Risk Officer.

Board Audit Committee ("BAC")

BAC ensures oversight of the effectiveness of the internal control systems and the quality and integrity of financial statements and financial reporting. In addition, it reviews, approves and oversees the internal and external audit programs and ensures coordination between internal and external auditors. The Group Chief Audit Officer ("GCAO") provides reports to the Committee on internal controls and the Head of Compliance reports directly to the BAC on compliance related matters. The Committee meets quarterly or more frequently as deemed necessary.

50 Financial risk management (continued)

Risk management framework (continued)

Board Level Committees within the Group

Remuneration and Nomination Committee ("REMCO")

The REMCO recommends and oversees the appointment and termination of BOD and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and the Group. The Committee also reviews and recommends to the Board, Group's reward policy framework, approves and oversees reward design and ensures it is appropriate and consistent with the Group's culture, values, business performance and risk strategy. The Committee meets at least twice a year or more frequently as deemed necessary.

Management Level Committees within the Group

There are ten management level committees. The major functions of the ten management committees are listed below:

Group Executive Committee ("EXCO")

The Group Executive Committee ("Group EXCO") is the Group's senior most management level committee and it operates under a delegated authority from the Board. It is responsible for identifying matters required or appropriate for escalation to the BOD or Board Committees. The Group EXCO also supports the Group CEO to determine and implement the Group's strategy as approved by the Board.

The key responsibilities of the Committee include decisions on the Bank's strategy, annual budgets, capital management, risk management and Group's more material policies and procedures. The Group EXCO may delegate certain authorities and powers to management committees and individuals, but the Group EXCO reserves the authority to deal with strategy, annual budget and structure; financial reporting and controls; capital management; risk and internal control; contracts; corporate governance matters; executive remuneration and human resources policies, and Group policies generally; general meeting of shareholders and communication and any other matters in its discretion.

Group Credit Committee ("GCC")

GCC assists in the development and implementation of the Group's credit, investment strategy and the related policies and procedures. The aim of GCC is to have an overall credit oversight of the Group and decide on credit policy and governance related matters.

Group Risk Committee ("GRC")

GRC assists in setting and monitoring Group risk strategy, risk exposures and group risk profile in an effective manner. The primary objective of GRC is to define, develop and periodically monitor the Group's risk appetite, risk frameworks, methodologies and risk policies. GRC reports material risk matters to the EXCO and BRESGC as appropriate.

Group Compliance Committee ("Compliance committee")

Group Compliance Committee assists the Group EXCO and BAC in fulfilling its objective of overseeing the Bank's regulatory responsibilities as well as ensuring the Bank's compliance with the applicable laws and regulations issued by various regulatory authorities across the Group.

Group Asset & Liability Committee ("GALCO")

The G-ALCO is the driving force and key decision maker behind the structure and quality of the balance sheet. It is directly accountable to the BRESGC for ensuring that the risks within the Group's asset and liability position are prudently managed.

Human Resources Steering Committee ("HRSC")

HRSC assists the Group EXCO and the REMCO to implement strategic and operational HR initiatives to deliver the Group's long-term shareholder value. The Committee is the formal sponsor of all material HR initiatives across the Group in line with the Group's Employee Value Proposition ("EVP").

50 Financial risk management (continued)

Risk management framework (continued)

Management Level Committees within the Group (continued)

Group Operational & Fraud Risk Committee ("GO&FRC")

GO&FRC assists the Group EXCO and the Board Risk and ESG Committee ("BRESGC") in fulfilling the Group's Operational and Fraud Risk Management related matters. The key responsibilities of this committee are to define guidelines to identify and manage Operational & Fraud risks in all new products, processes, and activities, defining scope, policy, objectives, assumptions, and roles / responsibilities of the Group's Operational & Fraud Risk Management Policies.

Group Technology Risk and Information Security Committee ("GTRISC")

GTRISC assists the Group EXCO and the BRESGC in overseeing, reviewing and taking decisions on the implementation of Group's security controls and business continuity framework to ensure that information assets of the Bank are adequately protected and to ensure prevention and recovery from potential natural / man made threats. It also serves as an independent and objective governance forum which ensures the adequacy and effectiveness of the Group's information security framework.

Group ESG Committee ("G-ESGC")

G-ESGC assists the Group EXCO and BRESGC in all ESG related matters of the Group. The primary objective of the G-ESGC is to promote and oversee the ESG strategy, culture, and awareness across the Group.

Group Technology Steering Committee ("GTSC")

GTSC assists in fulfilling EXCO's governance and oversight responsibilities of all technology and information systems across the Group and supports the work of the BRESGC in its oversight of the Group IT governance framework. The GTSC ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology.

Group Risk Management Framework

The Group has a centralized Risk Management functions led by the GCRO. The Risk Management function comprises of sub functions such as enterprise risk, credit risk, capital risk, market and interest rate risk, liquidity risk, model risk, operational and fraud risk, legal risk, technology risk, information security and data privacy, business continuity, credit recovery, corporate governance, shariah compliance risk and Group ESG.

The Bank has established the Group risk management framework to support the Group's risk management objectives. The core objective of the Group risk management framework is to provide a reasonable degree of assurance to the Board that the risks affecting the Group's achievement of its core values and purpose are being identified, measured, monitored and controlled through an effective integrated risk management system.

The framework consists of policies covering all material risks across the Group that include enterprise risk management policy, risk appetite policy, reputational risk management policy, strategic risk management policy, ESG related framework and policies, capital management policy, corporate governance related policies and framework, credit risk related policies, market and liquidity risk related policies, operational risk management policy, fraud risk policy, outsourcing risk policy, dormant account policy, compliance risk related policies, information security risk related policies, business continuity management policy, internal capital adequacy assessment process policy, pillar III disclosure policy, new products approval policy, model risk management policy and Shari'ah governance framework. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed.

The Group follows a three lines of defence approach for managing risks. Business units and enabling functions, as the first line of defence, identify and manage risk in their day to day activities by ensuring that activities are within the Group's risk appetite and follow all relevant internal policies and processes. Group Credit, Group Risk, Legal and Group Compliance, as the second line of defence, establishes risk controls comprising of policies and processes while also providing oversight and independent challenge to the first line of defence. The Group Chief Risk Officer ("GCRO") has a direct reporting line to the BRESGC to ensure the independence of Group Risk from Internal audit, as the third line of defence, provides assurance to management and the Board of the effectiveness of risk management practices employed by the first two lines of defence. The Group Chief Audit Officer has a direct reporting line to the Board Audit Committee.

50 Financial risk management (continued)

Risk management framework (continued)

Group Risk Management Framework (continued)

As a part of the Group risk management framework, FAB has established a formal risk appetite after a careful consideration of the risk-return trade off.

Risk monitoring and control is primarily based on limits established by the Group's executive management. These limits reflect the Group's business strategy and the market environment as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This risk profile information is presented to the BRESGC and the Group Risk Committee on a quarterly basis. The information covers group wide risks and is designed to enable the Board and executive management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks, including the use of scenario analysis, credit risk mitigation techniques (collaterals, guarantees, netting, etc.) and risk transfer mechanisms to reduce exposure to risk. Hedging is used to reduce certain interest and currency exchange rate risks. The risk profile of all major transactions is assessed and authorised by appropriate management representatives, before the transactions are concluded. The effectiveness of all risk mitigation measures is closely monitored and updated by the risk management unit. The Group risk management frameworks and strategies are dynamically updated based on regulations and market best practices. The group also regularly conducts training and awareness initiatives for its staff and customers to ensure robust risk culture.

(a) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's loans, advances and Islamic financing, due from banks and financial institutions, reverse repurchase agreements and non trading debt investments, derivative financial instruments and certain other financial assets.

Management of credit risk

Credit risk identification and assessment at the Group is carried out through a comprehensive mechanism comprising three levels of defence. The first level of defence lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defence is with the Group Credit Unit that assesses the risk at the customer and facility level, ensures proper documentation of customer, facility and security documents along with Group Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defence with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Group. The unit also reviews the policy documents on a regular basis.

As part of credit risk monitoring and control framework, regular risk monitoring both at customer and portfolio levels is carried out along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non financial covenants, recovery performance, rating system performance among others.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost, and fair value through other comprehensive income (FVOCI) debt investments without considering collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest in suspense and impairment losses, if any.

The carrying amount of financial assets represents the maximum credit exposure.

As at 31 December 2024	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired[4]		Total	
	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million
Balances with central banks	211,273	26	1,147	118	-	-	-	-	212,420	144
Due from banks and financial institutions	21,493	9	2,281	41	-	-	-	-	23,774	50
Reverse repurchase agreements	69,755	94	-	-	-	-	-	-	69,755	94
Loans, advances and Islamic financing[1]	513,581	2,618	10,528	1,778	22,677	8,943	3,727	450	550,513	13,789
Non trading investment securities										
Amortised cost securities	4,030	1	-	-	-	-	-	-	4,030	1
FVOCI debt securities[2]	177,834	166	-	-	88	4	-	-	177,922	170
Other assets[3]	23,190	224	9	6	122	37	-	-	23,321	267
Unfunded exposures	250,775	300	3,842	154	2,294	607	1	-	256,912	1,061
	1,271,931	3,438	17,807	2,097	25,181	9,591	3,728	450	1,318,647	15,576

[1]The exposure represents gross loans, advances and Islamic financing, including suspended interest of AED 7,827 million primarily on Stage 3 and purchased or originally credit impaired assets (POCI).
[2]The provision against financial instruments classified as FVOCI is included in the fair value reserve under equity.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach.
[4]The Group, from an internal credit quality point of view, considers AED 3,664 million as par to non performing loans, advances and Islamic financing.

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50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

As at 31 December 2023	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired[4]		Total	
	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million	Exposure AED million	Provision AED million
Balances with central banks	230,598	47	1,037	118	-	-	-	-	231,635	165
Due from banks and financial institutions	23,610	17	1,714	41	-	-	-	-	25,324	58
Reverse repurchase agreements	78,591	87	-	-	-	-	-	-	78,591	87
Loans, advances and Islamic financing[1]	464,787	1,626	12,938	1,919	22,924	9,423	3,992	533	504,641	13,501
Non trading investment securities										
Amortised cost securities	4,375	1	-	-	-	-	-	-	4,375	1
FVOCI debt securities[2]	170,587	132	129	8	-	-	-	-	170,716	140
Other assets[3]	18,662	299	11	-	11	2	-	-	18,684	301
Unfunded exposures	237,130	362	4,313	164	1,664	498	5	3	243,112	1,027
	1,228,340	2,571	20,142	2,250	24,599	9,923	3,997	536	1,277,078	15,280

[1]The exposure represents gross loans, advances and Islamic financing including suspended interest of AED 7,186 million primarily on Stage 3 and purchased or originally credit impaired assets (POCI).
[2]The provision against financial instruments classified as FVOCI is included in the fair value reserve under equity.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach.
[4]The Group, from an internal credit quality point of view, considers AED 3,885 million as par to non performing loans, advances and Islamic financing.

50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The movement of gross exposure is as follows:

Loans, advances and Islamic financing	**Stage 1 AED million**	**Stage 2 AED million**	**Stage 3 AED million**	**POCI AED million**	**Total AED million**
Balance as at 1 January 2024	**464,787**	**12,938**	**22,924**	**3,992**	**504,641**
Transfers:					
Transfer from Stage 1 to Stage 2	**(2,920)**	**2,920**	**-**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(1,790)**	**-**	**1,790**	**-**	**-**
Transfer from Stage 2 to Stage 1	**2,200**	**(2,200)**	**-**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(3,458)**	**3,458**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**1,453**	**(1,453)**	**-**	**-**
Transfer from Stage 3 to Stage 1	**114**	**-**	**(114)**	**-**	**-**
	(2,396)	**(1,285)**	**3,681**	**-**	**-**
Net amounts written off	**(69)**	**(350)**	**(3,466)**	**(220)**	**(4,105)**
Net non stage movements	**51,259**	**(775)**	**(462)**	**(45)**	**49,977**
Balance as at 31 December 2024	**513,581**	**10,528**	**22,677**	**3,727**	**550,513**

Unfunded exposure	**Stage 1 AED million**	**Stage 2 AED million**	**Stage 3 AED million**	**POCI AED million**	**Total AED million**
Balance as at 1 January 2024	**237,130**	**4,313**	**1,664**	**5**	**243,112**
Transfers:					
Transfer from Stage 1 to Stage 2	**(1,816)**	**1,816**	**-**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(7)**	**-**	**7**	**-**	**-**
Transfer from Stage 2 to Stage 1	**195**	**(195)**	**-**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(1,079)**	**1,079**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**19**	**(19)**	**-**	**-**
	(1,628)	**561**	**1,067**	**-**	**-**
Net non stage movements	**15,273**	**(1,032)**	**(437)**	**(4)**	**13,800**
Balance as at 31 December 2024	**250,775**	**3,842**	**2,294**	**1**	**256,912**

Loans, advances and Islamic financing	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2023	441,558	13,262	20,898	4,007	479,725
Transfers:					
Transfer from Stage 1 to Stage 2	(4,921)	4,921	-	-	-
Transfer from Stage 1 to Stage 3	(2,940)	-	2,940	-	-
Transfer from Stage 2 to Stage 1	2,078	(2,078)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,334)	3,334	-	-
Transfer from Stage 3 to Stage 2	-	804	(804)	-	-
Transfer from Stage 3 to Stage 1	344	-	(344)	-	-
	(5,439)	313	5,126	-	-
Net amounts written off	(54)	(39)	(3,415)	(88)	(3,596)
Net non stage movements	28,722	(598)	315	73	28,512
Balance as at 31 December 2023	464,787	12,938	22,924	3,992	504,641

50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

Unfunded exposure	Stage 1 AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2023	225,881	4,699	1,341	11	231,932
Transfers:					
Transfer from Stage 1 to Stage 2	(2,498)	2,498	-	-	-
Transfer from Stage 1 to Stage 3	(289)	-	289	-	-
Transfer from Stage 2 to Stage 1	1,273	(1,273)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,256)	1,256	-	-
Transfer from Stage 3 to Stage 2	-	5	(5)	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
	(1,514)	(26)	1,540	-	-
Net non stage movements	12,763	(360)	(1,217)	(6)	11,180
Balance as at 31 December 2023	237,130	4,313	1,664	5	243,112

There were no material movement between stages for other financial assets for the year ended 31 December 2024.

The external ratings for trading securities and non trading investment securities are disclosed below:

	Non trading investment securities		**Investments at fair value through profit or loss**	
	31 Dec 2024 AED million	31 Dec 2023 AED million	**31 Dec 2024 AED million**	31 Dec 2023 AED million
AAA	**26,248**	26,604	**409**	694
AA to A	**127,150**	117,559	**24,523**	24,035
BBB to B	**27,170**	28,885	**24,117**	14,783
CCC and below	**568**	658	**132**	-
Unrated	**6,311**	5,938	**6,847**	5,697
	187,447	179,644	**56,028**	45,209
Less: expected credit loss	**(1)**	(1)	**-**	-
	187,446	179,643	**56,028**	45,209

Unrated investments primarily consist of investments in private equities and investments in equities which don't carry credit risk. Investments at fair value through profit or loss are neither past due nor impaired.

Collateral held and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties.

The Group has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third party guarantees/ insurance. The types of Credit Risk Mitigation ("CRM") include netting agreements, collaterals, guarantees, credit derivatives and Standby Letters of Credits ("SBLC"). The Group ensures that all documentation used in collateralized transactions and for documenting on and off balance sheet netting, guarantees, credit derivatives and collateral is binding on all parties and is legally enforceable in all relevant jurisdictions. The Group also ensures that all the documents are reviewed by the appropriate authority and have appropriate legal opinions to verify and ensure its enforceability. Management monitors the market value of collateral on period basis.

50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The Group holds collateral and other credit enhancements against its certain credit exposures. An estimate of the collateral against loans, advances and Islamic financing is shown below:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Against individually not impaired:		
Real estate	**210,768**	211,957
Shares and bonds	**205,320**	193,131
Cash	**10,179**	13,716
Others	**31,082**	26,267
Total against individually not impaired	**457,349**	445,071
Against individually impaired:		
Real estate	**15,064**	12,483
Shares and bonds	**134**	1,310
Cash	**86**	118
Others	**150**	291
Total against individually impaired	**15,434**	14,202
Total collateral against loans, advances and Islamic financing	**472,783**	459,273

	31 Dec 2024 AED million	31 Dec 2023 AED million
Collateral value cover		
0 – 50%	**11,138**	12,970
51 – 100%	**3,542**	5,031
Above 100%	**3,834**	1,622
Net credit impaired loans, advances and Islamic financing	**18,514**	19,623

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. There has been no significant change in the quality of the collateral during the year ended 31 December 2024 and 31 December 2023.

While the Group has not repossessed significant amount of collateral in 2024 and 2023, maintaining repossession rights assist the Group in the restructuring and settlement of credit impaired loans, advances and Islamic financing.

Derivatives, reverse sale and repurchase agreements and securities borrowing

The Group mitigates the credit risk of derivatives, reverse sale and repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are transacted on exchanges, with central clearing counterparties ("CCPs") or entered into under International Swaps and Derivatives Association ("ISDA") master agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed as per the jurisdiction netting rules and the amount (due or payable) in settlement with the counterparty. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. The Group usually executes a credit support annex in conjunction with the ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The Group's sale and repurchase, and reverse sale and repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

50 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

Loans, advances and Islamic financing

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

Because of the Group's focus on corporate customers' creditworthiness, valuation of property collateral is conducted on periodic basis in line with the regulatory requirements.

Off balance sheet

The Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of commitments to lend, customers and counterparties are subject to the same credit management policies as for loans, advances and Islamic financing. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Refer accounting policy note 6(a)(vii).

Significant increase in credit risk

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

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

- Probability of default at origination adjusted for the loan maturity; and
- Probability of default at current reporting date adjusted for the remaining life of the loan.

The Group identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed bsed on the estimation of probability of default and consideration of quantitative factors, each of which are designed to reflect forard looking information on a indidividual instrument basis.

Similarly, for consumer portfolio, the current and historical performance of the account is used estimate whether a significant increase in credit risk has occurred.

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward looking information.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. These assessments usually reflect in placement of such exposures under certain categories, for example watch list. In these cases, PD gets calculated on lifetime basis.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured based on 12-month PD. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. The Group is also complying with all probation period requirements in relevant jurisdictions stipulated by local central banks.

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

50 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Credit risk rating

Each exposure is allocated to a credit risk rating on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating.

The Group allocates non consumer exposure a credit risk rating based on variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. So, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

For consumer exposure, credit risk assessment is performed through credit risk scoring of borrower's characteristics and past payment behaviour. These scoring factors vary depending on the nature of the exposure and product. Credit risk scores are defined and calibrated such that the risk of default increases exponentially as credit worthiness deteriorates.

Definition of default

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

- A default is considered to have occurred with regard to a particular obligor when the Group considers that the obligor is unlikely to pay its credit obligations to itself in full or a facility or any material credit obligation to the Group is more than 90 days past due. The Group uses internal credit risk grading for corporate customer that reflects its assessment of the probability of default for non consumer segment.

- Some off balance sheet exposures such as bank guarantees, letters of credit etc. are treated as impaired if the Group believes it is likely they will be called upon and the customer will not be able to meet these commitments. Where the off balance sheet exposure is in the form of derivative contracts and there is doubt that all contractual future cash flows will be received from the counterparty, the Group assess the net marked to market exposure to the counterparty taking into account any enforceable netting arrangements in place. The net position (if due from) thus arrived is considered impaired.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes (note 50(e)).

Incorporation of forward looking information

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

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring. These scenarios are consistent for 2024 and 2023. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund and selected private sector and academic forecasters.

The Group has identified and documented key drivers of credit risk and credit loss for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro economic variables and credit risk and credit loss.

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the scenario weights used in the IFRS 9 model were changed. From a sensitivity analysis point of view, if the downturn scenario was changed by +10%/-10%, ECL would have changed by +0.6%/-0.6% respectively. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

50 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Incorporation of forward looking information (continued)

The economic scenarios used as at 31 December 2024 included the following key indicators for the years ending 31 December 2025 to 2029.

Region	Macro Variable[1,2]	Scenario	2025	2026	2027	2028	2029
MENA	Oil Price	Base	-6.29%	-6.08%	-0.70%	-0.16%	0.11%
		Upside	0.31%	-8.44%	-3.30%	-0.26%	0.27%
		Downside	-29.71%	11.73%	8.15%	-0.22%	0.75%
	UAE GDP	Base	4.03%	3.46%	3.81%	3.97%	3.82%
		Upside	6.80%	4.04%	3.81%	3.97%	3.82%
		Downside	-2.16%	1.35%	5.70%	5.27%	3.94%
	UAE Housing Price Index	Base	5.59%	4.13%	5.58%	6.24%	5.11%
		Upside	8.95%	5.74%	5.68%	5.89%	5.09%
		Downside	-11.82%	-2.41%	6.12%	7.97%	5.87%
	Egypt GDP	Base	4.95%	5.43%	5.55%	5.42%	5.08%
		Upside	7.54%	5.49%	5.55%	5.42%	5.08%
		Downside	-0.16%	5.50%	6.47%	6.16%	5.57%
	Egypt Equity Index	Base	1.70%	1.81%	3.76%	1.91%	1.72%
		Upside	14.24%	-1.96%	1.08%	0.03%	1.52%
		Downside	-37.61%	22.97%	19.86%	8.26%	3.32%
UK	UK GDP	Base	1.21%	1.28%	1.52%	1.62%	1.70%
		Upside	4.74%	1.53%	1.47%	1.65%	1.91%
		Downside	-4.55%	1.61%	2.77%	1.62%	1.62%
	UK Equity Index	Base	1.52%	2.76%	3.88%	3.14%	2.26%
		Upside	11.82%	0.09%	1.16%	1.36%	2.55%
		Downside	-18.20%	11.70%	10.16%	5.02%	1.54%

[1]Represents the average annualized increase / decrease over the period.
[2]There are additional macro variables factors used for other regions which are relevant to their market.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 6(a)(iv).

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

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

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's credit policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and non consumer loans are subject to the credit policy. The Group Credit Committee regularly reviews reports on forbearance activities.

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit impaired (note 6(a)(vii)). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit impaired/in default.

50 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made material concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. The Group determines the twelve month period to commence from the date of signing of the agreement for restructuring. As at the reporting date, the Group has renegotiated the following exposures:

	31 Dec 2024 AED million	31 Dec 2023 AED million
Loans with renegotiated terms		
Gross carrying amount	**11,172**	10,301
Impaired amount	**4,458**	5,124
Allowance for impairment	**3,313**	3,357

The impact of modification loss on the Group's consolidated financial statements is not material.

Measurement of ECL

The key inputs into the measurement of ECL (note 6 a(vii)):

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

The lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the loans.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated at a point in time. The calculation is based on statistical models tailored to the various categories of counterparties and exposures. These statistical models are based on internal data comprising both quantitative and qualitative factors and market data (where available). PDs are estimated considering the contractual maturities of exposures and estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on current collateral, counterparty industry, country of risk and recovery costs that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios incorporating the impact of change in macro economic parameters. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Amounts arising from ECL

EAD represents the expected exposure at the time of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contractual obligations. For undrawn commitments and unfunded facilities such as letter of credit and guarantees, EAD represents the amount of exposure when the facility becomes payable and the funded conversion is based on factors provided by Basel.

However, for credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over the period it is exposed to credit risk and EAD is computed using internal model. Though the Group can cancel the limits with immediate effect but this contractual right is not enforced in the normal day to day management, but only when the Group becomes aware of an increase in credit risk at the facility level.

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

- instrument type;
- historical performance;
- industry; and
- geographic location of the borrower.

50 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

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

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in the Group's accounting policy; refer note 6(a)(vii).

	Stage 1[1] AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2024	**2,571**	**2,250**	**9,923**	**536**	**15,280**
Transfers:					
Transfer from Stage 1 to Stage 2	**(118)**	**118**	**-**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(44)**	**-**	**44**	**-**	**-**
Transfer from Stage 2 to Stage 1	**135**	**(135)**		**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(458)**	**458**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**130**	**(130)**	**-**	**-**
Transfer from Stage 3 to Stage 1	**42**	**-**	**(42)**	**-**	**-**
	15	**(345)**	**330**	**-**	**-**
Impact of change in provision	**946**	**603**	**2,743**	**177**	**4,469**
Write offs and other adjustments	**(94)**	**(411)**	**(3,405)**	**(263)**	**(4,173)**
Balance as at 31 December 2024	**3,438**	**2,097**	**9,591**	**450**	**15,576**

[1]On certain assets included as part of other assets, ECL is computed based on simplified approach.

	Stage 1[1] AED million	Stage 2 AED million	Stage 3 AED million	POCI AED million	Total AED million
Balance as at 1 January 2023	2,295	2,988	9,584	755	15,622
Transfers:					
Transfer from Stage 1 to Stage 2	(41)	41	-	-	-
Transfer from Stage 1 to Stage 3	(41)	-	41	-	-
Transfer from Stage 2 to Stage 1	109	(109)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,279)	1,279	-	-
Transfer from Stage 3 to Stage 2	-	173	(173)	-	-
Transfer from Stage 3 to Stage 1	58	-	(58)	-	-
	85	(1,174)	1,089	-	-
Impact of change in provision	270	558	2,576	(87)	3,317
Write offs and other adjustments	(79)	(122)	(3,326)	(132)	(3,659)
Balance as at 31 December 2023	2,571	2,250	9,923	536	15,280

[1]On certain assets included as part of other assets, ECL is computed based on simplified approach.

50 Financial risk management (continued)

(a) Credit risk (continued)

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

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

	Note	Gross maximum exposure 31 Dec 2024 AED million	Gross maximum exposure 31 Dec 2023 AED million
Balances with Central Bank	8	**212,420**	231,635
Investments at fair value through profit or loss	9	**50,200**	40,496
Due from banks and financial institutions	10	**23,774**	25,324
Reverse repurchase agreements	11	**69,755**	78,591
Loans, advances and Islamic financing	12	**550,513**	504,641
Non trading investment securities	13	**181,952**	175,091
Other assets excluding prepayments		**47,524**	40,068
Total		**1,136,138**	1,095,846
Derivatives held for trading	43	**39,658**	40,151
Derivatives held for hedging	43	**6,235**	6,270
Total		**45,893**	46,421
Contingent liabilities	42	**177,950**	165,269
Commitment	42	**78,962**	77,843
Total		**256,912**	243,112
Total credit risk exposure		**1,438,943**	1,385,379

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

50 Financial risk management (continued)

(a) Credit risk (continued)

The Group monitors concentrations of credit risk by industry sector, counterparty and geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by industry sector

	Loans, advances and Islamic financing		Investments[1]		Reverse repurchase agreements		Undrawn loan Commitments	
	31 Dec 2024 AED million	31 Dec 2023 AED million	31 Dec 2024 AED million	31 Dec 2023 AED million	31 Dec 2024 AED million	31 Dec 2023 AED million	31 Dec 2024 AED million	31 Dec 2023 AED million
Agriculture	3,301	3,562	-	-	-	-	-	116
Energy	40,848	36,218	6,769	4,409	-	-	25,792	17,262
Manufacturing	28,641	26,399	3,177	1,096	-	-	5,257	4,208
Construction	11,033	10,764	753	839	-	-	1,258	743
Real estate	94,408	85,806	960	1,215	-	-	7,855	5,418
Trading	24,936	22,177	137	89	-	-	3,563	2,965
Transport and communication	40,600	37,885	4,172	3,857	-	-	6,450	14,399
Banks	17,993	12,607	26,415	28,317	49,944	60,943	40	-
Other financial institutions	84,157	83,956	29,961	19,054	11,547	9,927	19,413	17,727
Services	47,358	42,470	5,458	5,637	-	-	4,121	9,465
Government	72,830	61,310	165,673	160,340	8,264	7,721	5,212	5,506
Personal loans and credit cards	49,472	50,440	-	-	-	-	-	34
Personal - retail mortgage	34,936	31,047	-	-	-	-	1	-
	550,513	504,641	243,475	224,853	69,755	78,591	78,962	77,843

The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any.
Included within investments are equity instruments where the credit risk is not applicable.
[1]Includes investments at fair value through profit or loss and non trading investment securities.

50 Financial risk management (continued)

(a) Credit risk (continued)

Concentration by location

	UAE AED million	Europe AED million	Arab countries AED million	Americas AED million	Asia AED million	Others AED million	Total AED million
As at 31 December 2024							
Cash and balances with central banks	**80,870**	**1,259**	**19,684**	**112,482**	**253**	**-**	**214,548**
Investments at fair value through profit or loss	**17,361**	**3,133**	**24,173**	**3,512**	**7,622**	**227**	**56,028**
Due from banks and financial institutions	**971**	**14,883**	**4,330**	**335**	**3,227**	**28**	**23,774**
Reverse repurchase agreements	**10,769**	**13,629**	**40,078**	**-**	**2,249**	**3,030**	**69,755**
Derivative financial instruments	**1,122**	**41,511**	**1,049**	**46**	**2,077**	**88**	**45,893**
Loans, advances and Islamic financing	**390,181**	**51,843**	**53,509**	**28,505**	**17,958**	**8,517**	**550,513**
Non trading investment securities	**37,150**	**43,120**	**29,086**	**46,184**	**30,588**	**1,319**	**187,447**
	538,424	**169,378**	**171,909**	**191,064**	**63,974**	**13,209**	**1,147,958**
As at 31 December 2023							
Cash and balances with central banks	63,849	343	20,992	148,209	162	-	233,555
Investments at fair value through profit or loss	20,022	2,058	15,087	3,104	4,931	7	45,209
Due from banks and financial institutions	891	15,079	6,147	364	2,564	279	25,324
Reverse repurchase agreements	8,320	23,735	39,103	-	2,700	4,733	78,591
Derivative financial instruments	1,558	42,188	1,369	51	1,193	62	46,421
Loans, advances and Islamic financing	364,817	39,278	50,526	26,994	16,291	6,735	504,641
Non trading investment securities	32,257	38,085	28,439	41,745	37,472	1,646	179,644
	491,714	160,766	161,663	220,467	65,313	13,462	1,113,385

Concentration by location for investments is measured based on the location of the issuer of the security.
Concentration by location for all others is measured based on the residential status of the borrower.
The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any.
Concentration by location for undrawn commitments is stated in note 42 of these consolidated financial statements.

50 Financial risk management (continued)

(a) Credit risk (continued)

Classification of investments as per their counterparties:

	Non trading investments securities		Investments at fair value through profit or loss	
	31 Dec 2024 AED million	31 Dec 2023 AED million	**31 Dec 2024 AED million**	31 Dec 2023 AED million
Government sector	**120,846**	122,786	**43,736**	36,557
Supranational	**1,072**	995	**19**	2
Public sector	**14,014**	13,494	**999**	678
Banking sector	**23,683**	26,685	**2,732**	1,632
Corporate / private sector	**27,832**	15,684	**8,542**	6,340
	187,447	179,644	**56,028**	45,209
Less: expected credit loss on amortised cost securities	**(1)**	(1)	**-**	-
Total non trading investment securities and investments at fair value through profit or loss	**187,446**	179,643	**56,028**	45,209

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities or other assets as contractually agreed. Any delay in settlement is rare and monitored.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it will cost to replace transactions at prevailing market rates if a counterparty defaults. The majority of the Group's derivative contracts are entered into with other banks and financial institutions.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. Funding risk arises when the Bank does not maintain a diversified and stable funding base, while minimising its cost.

Liquidity risk arises from cash flows generated by assets and liabilities, including derivatives and other off balance sheet commitments, not being matched in currency, size, and term. The Group ensures that all liabilities can be met as they fall due under both businesses as usual and stress conditions without incurring undue cost.

Management of liquidity risk

The Group has defined the liquidity risk appetite at a level so as to ensure that the Group has a controlled liquidity risk position with adequate cash or cash equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs, for a rolling period of three months. The risk appetite is supported by a comprehensive risk management framework that includes Group ALCO approved limits for key funding and liquidity metrics, stress testing and a contingency funding plan.

The liquidity risk appetite is also defined at a level to ensure continued compliance with current and proposed liquidity regulation from both domestic and international regulators and aligned to support the Group's external credit rating objectives.

One of the critical means to measure adequacy of liquidity as per extant global regulation is through Liquidity Coverage Ratio ("LCR"). The Group has been complying with UAE regulation on Basel III LCR and has been reporting the same for a considerable period of time. Accordingly, the Group has invested heavily in ensuring systems and controls framework is in place to comply with all the qualitative and quantitative aspects of Basel III. The Group also continues to measure and report Eligible Liquid Assets ratio (ELAR) in line with CBUAE stipulation on banking returns.

50 Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity limits are defined at the Group level and are cascaded down throughout the organisation to ensure that the Group complies with the defined Group Liquidity Risk appetite. Similarly International limits are cascaded to ensure compliance with any additional local regulatory requirements on liquidity management. All liquidity policies and procedures are subject to review and approval by G-ALCO.

Exposure to liquidity risk

The contractual asset and liability maturity mismatch report without considering the Group's retention history is detailed below.

Notes to the consolidated financial statements

For the year ended 31 December 2024

50 Financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of the assets and liabilities as at 31 December 2024.

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Unspecified maturity AED million
Assets							
Cash and balances with central banks	214,404	214,368	36	-	-	-	-
Investments at fair value through profit or loss	56,028	20,300	20,225	7,227	590	1,858	5,828
Due from banks and financial institutions	23,724	23,568	-	-	-	156	-
Reverse repurchase agreements	69,661	23,901	24,610	20,065	1,085	-	-
Derivative financial instruments[1]	45,893	3,335	4,083	8,586	7,906	21,983	-
Loans, advances and Islamic financing	528,897	89,107	80,779	137,654	95,478	125,879	-
Non trading investment securities	187,446	27,113	17,398	39,971	27,905	69,564	5,495
Other assets	49,440	37,080	12,360	-	-	-	-
Investment in associates	4,963	-	-	-	-	-	4,963
Investment properties	8,169	-	-	-	-	-	8,169
Property and equipment	4,683	-	-	-	-	-	4,683
Intangibles	19,939	-	-	-	-	-	19,939
	1,213,247	438,772	159,491	213,503	132,964	219,440	49,077
Liabilities and equity							
Due to banks and financial institutions	71,896	43,362	10,059	77	18,398	-	-
Repurchase agreements	32,329	13,714	-	18,615	-	-	-
Commercial paper	17,888	13,517	4,371	-	-	-	-
Derivative financial instruments[1]	53,758	4,178	4,154	8,893	7,664	28,869	-
Customer accounts and other deposits	782,379	653,953	120,932	6,287	896	311	-
Other liabilities	52,473	39,355	13,118	-	-	-	-
Term borrowings	64,788	4,351	7,790	23,889	21,270	7,488	-
Subordinated notes	6,861	-	-	399	-	6,462	-
Equity	130,875	-	-	-	-	-	130,875
	1,213,247	772,430	160,424	58,160	48,228	43,130	130,875
Undrawn commitments to extend credit	78,962	34,282	44,181	43	183	273	-
Trade contingencies[1]	177,950	98,774	13,923	29,004	21,199	15,050	-

[1]These are as per contractual terms. However, in the event of default by the contractual party, may be payable on demand and therefore are current in nature.

50 Financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of the assets and liabilities as at 31 December 2023:

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Unspecified maturity AED million
Assets							
Cash and balances with central banks	233,390	233,390	-	-	-	-	-
Investments at fair value through profit or loss	45,209	15,258	21,010	3,195	457	577	4,712
Due from banks and financial institutions	25,266	25,266	-	-	-	-	-
Reverse repurchase agreements	78,504	25,667	33,158	16,513	3,166	-	-
Derivative financial instruments[1]	46,421	2,695	3,455	9,573	8,166	22,532	-
Loans, advances and Islamic financing	483,954	74,349	76,375	116,860	81,270	135,100	-
Non trading investments securities	179,643	36,966	20,982	33,275	30,904	52,963	4,553
Other assets	41,332	30,999	10,333	-	-	-	-
Investment in associates	1,501	-	-	-	-	-	1,501
Investment properties	8,162	-	-	-	-	-	8,162
Property and equipment	5,115	-	-	-	-	-	5,115
Intangibles	20,136	-	-	-	-	-	20,136
	1,168,633	444,590	165,313	179,416	123,963	211,172	44,179
Liabilities and equity							
Due to banks and financial institutions	71,528	63,504	4,351	3,673	-	-	-
Repurchase agreements	26,096	12,936	6,269	6,891	-	-	-
Commercial paper	19,659	13,827	5,832	-	-	-	-
Derivative financial instruments[1]	51,002	3,502	2,891	9,699	7,862	27,048	-
Customer accounts and other deposits	759,863	625,503	127,953	5,463	721	223	-
Other liabilities	46,932	35,199	11,733	-	-	-	-
Term borrowings	63,939	5,255	7,846	25,070	17,233	8,535	-
Subordinated notes	4,191	-	-	-	385	3,806	-
Equity	125,423	-	-	-	-	-	125,423
	1,168,633	759,726	166,875	50,796	26,201	39,612	125,423
Undrawn commitments to extend credit	77,843	6,979	66,879	1,697	2,119	169	-
Trade contingencies[1]	165,269	83,807	12,874	23,338	26,361	18,889	-

[1]These are as per contractual terms. However, in the event of default by the contractual party, may be payable on demand and therefore are current in nature.

50 Financial risk management (continued)

(b) Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Total AED million	Gross nominal cash flows AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million
As at 31 December 2024							
Due to banks and financial institutions	**71,896**	**72,277**	**43,503**	**10,294**	**82**	**18,398**	**-**
Repurchase agreements	**32,329**	**34,336**	**13,864**	**-**	**20,472**	**-**	**-**
Commercial Paper	**17,888**	**18,055**	**13,456**	**4,599**	**-**	**-**	**-**
Customer accounts and other deposits	**782,379**	**804,895**	**670,888**	**125,446**	**7,007**	**1,083**	**471**
Term borrowings[1]	**64,788**	**82,998**	**7,030**	**9,459**	**29,270**	**23,229**	**14,010**
Subordinated notes	**6,861**	**8,625**	**80**	**332**	**1,234**	**774**	**6,205**
	976,141	**1,021,186**	**748,821**	**150,130**	**58,065**	**43,484**	**20,686**
Undrawn commitments to extend credit[2]	**78,962**	**78,962**	**34,282**	**44,181**	**43**	**183**	**273**
Trade contingencies	**177,950**	**177,950**	**98,774**	**13,923**	**29,004**	**21,199**	**15,050**
As at 31 December 2023							
Due to banks and financial institutions	71,528	72,311	63,882	4,680	3,749	-	-
Repurchase agreements	26,096	27,615	13,006	6,591	8,018	-	-
Commercial Paper	19,659	22,243	14,126	8,117	-	-	-
Customer accounts and other deposits	759,863	783,338	642,682	133,342	6,141	857	316
Term borrowings[1]	63,939	92,133	5,882	9,546	29,221	18,494	28,990
Subordinated notes	4,191	6,488	-	251	502	883	4,852
	945,276	1,004,128	739,578	162,527	47,631	20,234	34,158
Undrawn commitments to extend credit[2]	77,843	77,843	6,979	66,879	1,697	2,119	169
Trade contingencies	165,269	165,269	83,806	12,874	23,338	26,361	18,890

[1]Includes borrowings with callable feature for which the undiscounted contractual cash flows based on final contractual maturity are presented above without consideration of the call option.
[2]Calculated as per the contractual maturity profile.

50 Financial risk management (continued)

(c) Market risk

Market risk is the risk that the Group's income or capital will fluctuate on account of changes in the value of a financial instrument because of movements in market factors such as interest rates, credit spreads, foreign exchange rates and market prices of equity and commodity.

Management of market risk

The Group separates its exposure to market risk between trading, investment and non trading portfolios. Trading and investment portfolios are managed on a fair value basis.

Investment Management Committee ("IMCO") is responsible for oversight and guidance to Global Markets' trading and investment activities. It ensures effective management of market risks in accordance with the principles laid down in the market risk management policy. IMCO acts as a sub committee of Group Asset and Liabilities ("G-ALCO") which has the overall authority and responsibility to manage market risks.

Market Risk Group is responsible for the development and implementation of detailed market risk appetite, risk management methodologies and policies including the control framework that is reviewed by IMCO and submitted to G-ALCO and BRESGC for approval.

Exposure to market risks – trading portfolios

The Bank uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data. The principal analytical tool used to measure and control market risk exposure within the Group's trading portfolios which comprise of investments at fair value through profit or loss and trading derivatives is Value at Risk ("VaR"). The VaR models are designed to measure market risk in a normal market environment. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

The VaR model uses historical simulation based on a 99% confidence level and assumes a 1-day holding period. Using market data from the previous twelve months, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The historical market rates and prices cover the risk factors associated with the following asset classes: foreign exchange, interest rates, credit, commodities and public equity. The Group has established VaR limits covering all trading desks. The overall structure of Trading VaR limits is subject to review and approval by the IMCO and then ratified at G-ALCO. VaR limits are then cascaded down to trading desks.

VaR is driven by actual historical observations and hence, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the VaR is further supplemented with other sensitivity limit structures and risk measures including stressed VaR (sVaR) and Expected Shortfall (ES) to address potential concentration risks within each trading portfolio. Moreover the trading activity at Group and desk level is subject to Management Action Triggers ("MAT") that are limits on maximum losses that trigger actions from management. The VaR is as follows:

	31 Dec 2024			
	AED million As at	**AED million Average**	**AED million Max**	**AED million Min**
VaR – Trading Book				
All	**33**	**45**	**114**	**23**
Interest rate	**40**	**46**	**146**	**16**
Credit	**9**	**17**	**39**	**9**
Foreign exchange	**48**	**31**	**72**	**10**
Equity	**3**	**4**	**29**	**1**
Commodity	**11**	**2**	**11**	**-**
Diversification benefit	**(78)**	**(55)**	**(183)**	**(13)**

	31 Dec 2023			
	AED million As at	AED million Average	AED million Max	AED million Min
VaR – Trading Book				
All	93	81	135	51
Interest rate	139	85	167	24
Credit	17	18	28	11
Foreign exchange	10	14	29	5
Equity	3	4	14	1
Commodity	-	1	9	-
Diversification benefit	(76)	(41)	(112)	10

50 Financial risk management (continued)

(c) Market risk (continued)

Exposure to market risk – banking portfolios

Exposure to market risk in the banking portfolios which comprise of non trading investments securities, reverse repurchase agreements and certain derivative instruments which are designated as hedging instruments arise primarily from the investment portfolios, interest rate gaps in the banking book, and the Group's overall FX positions.

The principal analytical tool used to measure and control the trading and investments risk exposure within the Group is Value at Risk ("VaR"). The VaR model is the same as the one used for the trading portfolios. The Group uses VaR limits for controlling the overall investment risk, including all risk factors such as foreign exchange, interest rate, equities and credit spreads. The overall structure of banking VaR limits is subject to review and approval by IMCO and then ratified by G-ALCO. VaR limits are then cascaded to different Investment desks. The VaR is as follows:

	31 Dec 2024			
	AED million As at	AED million Average	AED million Max	AED million Min
VaR – Banking Book				
All	**193**	**276**	**419**	**190**
Interest rate	**124**	**97**	**146**	**58**
Credit	**221**	**277**	**423**	**221**
Foreign exchange	**9**	**39**	**201**	**6**
Equity	**20**	**20**	**26**	**16**
Diversification benefit	**(181)**	**(157)**	**(377)**	**(111)**

	31 Dec 2023			
	AED million	AED million	AED million	AED million
VaR – Banking Book	As at	Average	Max	Min
All	385	358	413	272
Interest rate	100	111	176	60
Credit	402	355	417	252
Foreign exchange	134	82	161	14
Equity	18	17	19	15
Diversification benefit	(269)	(207)	(360)	(69)

Foreign exchange risk

Foreign exchange 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 Group's functional currency is the UAE Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. The Group had the following significant net exposures denominated in foreign currencies:

As at 31 December 2024	Net spot position (short)/long AED million	Forward position (short)/long AED million	Total (short)/long AED million
Currency			
US Dollar	**(104,069)**	**66,388**	**(37,681)**
Bahraini Dinar	**13,452**	**(10,473)**	**2,979**
Saudi Riyal	**614**	**140**	**754**
Kuwaiti Dinar	**304**	**(1,035)**	**(731)**
Omani Riyal	**113**	**(833)**	**(720)**
Egyptian Pound	**4,853**	**(4,181)**	**672**
Indian Rupees	**1,250**	**(711)**	**539**
Libyan Dinar	**173**	**-**	**173**
Chinese Yuan	**(1,590)**	**1,748**	**158**
Japanese Yen	**3,049**	**(2,901)**	**148**
Singapore Dollar	**5,581**	**(5,470)**	**111**
Others	**14,739**	**(14,571)**	**168**

50 Financial risk management (continued)

(c) Market risk (continued)

As at 31 December 2023	Net spot position (short)/long AED million	Forward position (short)/long AED million	Total (short)/long AED million
Currency			
US Dollar	4,830	61,707	66,537
Bahraini Dinar	9,974	(5,931)	4,043
Saudi Riyal	1,621	(4,037)	(2,416)
Kuwaiti Dinar	164	(222)	(58)
Omani Riyal	293	(716)	(423)
Egyptian Pound	11,638	(10,697)	941
Indian Rupees	1,230	(169)	1,061
Libyan Dinar	189	-	189
Chinese Yuan	(5,582)	6,165	583
Japanese Yen	4,692	(4,696)	(4)
Singapore Dollar	12,875	(12,734)	141
Others	8,041	(8,822)	(781)

As AED, SAR and BHD are pegged against US Dollar, the Group's risk exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2024 and 2023 on its monetary assets, liabilities and net derivatives forward position. The analysis estimates the effect of a reasonably possible movement of AED against other currencies, with all other variables held constant on the consolidated statement of profit or loss.

Currency	BHD	SAR	KWD	OMR	EGP
Assumed change in exchange rates	**1%**	**1%**	**1%**	**1%**	**1%**
Impact on net income in exchange rate:					
31 Dec 2024 (AED million)	**± 30**	**± 8**	**± 7**	**± 7**	**± 7**
31 Dec 2023 (AED million)	± 40	± 24	± 1	± 4	± 9

At 31 December 2024 and 2023, the effect of the assumed changes in exchange rates on equity is insignificant.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Group is exposed to equity price risk on equity investments, either through holding of equities of another entity or through equity derivatives such as forward contracts, options or swaps. The fair value of these instruments will fluctuate due changes in the market price of the underlying equity instruments. The Group manages this risk through setting Equity Delta, Vega and Gamma limits. The Group also enforces diversification of investments in terms of geographical distribution and industry concentration.

The following table estimates the sensitivity to a possible change in equity markets on the Group's income statement. The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through the income statement.

	Assumed level of change %	**Impact on net income 31 Dec 2024 AED million**	Impact on net income 31 Dec 2023 AED million
Investments at fair value through profit or loss			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	**101**	73
Dubai Financial Market Index	5%	**1**	1
Net asset value of managed funds and private equities	5%	**162**	157
Other equity exchanges	5%	**21**	4
Unquoted	5%	**7**	-
		292	235

50 Financial risk management (continued)

(c) Market risk (continued)

The effect on equity as a result of a change in the fair value of equity instruments held as FVOCI at 31 December 2024 and 2023, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change %	Impact on net Income 31 Dec 2024 AED million	Impact on net Income 31 Dec 2023 AED million
Non trading investments securities			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	**3**	12
Dubai Financial Market Index	5%	**2**	-
Managed funds	5%	**-**	-
Other equity exchanges	5%	**54**	40
Unquoted	5%	**216**	176
		275	228

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the re pricing profile of assets and liabilities. Overall interest rate risk positions are managed by using derivative instruments to manage overall position arising from the Group's interest bearing financial instruments. The use of derivatives to manage interest rate risk is described in note 43.

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Group assumes a fluctuation in interest rates of 50 basis points (31 December 2023: 50 basis points) and uses its internal models / management view to estimates the following impact on the net profit for the year and equity at that date:

	Net profit for the year		Equity	
	31 Dec 2024 AED million	31 Dec 2023 AED million	**31 Dec 2024 AED million**	31 Dec 2023 AED million
50 bps up move	**311**	449	**250**	560
50 bps down move	**(362)**	(493)	**(222)**	(538)

As on 31 December 2024, interest bearing assets amount to AED 749,864 million (31 December 2023: AED 747,851 million) and interest bearing liabilities amount to AED 724,353 million (31 December 2023: AED 716,184 million). Interest bearing assets/liabilities re pricing less than one year, are used for assessing the impact on net profit. The impact on equity as given in the table above is based on the sensitivity of interest bearing assets and liabilities for the banking book. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

50 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements as at 31 December 2024 was as follows:

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Non-interest bearing AED million
Assets							
Cash and balances with central banks	214,404	164,098	36	-	-	-	50,270
Investments at fair value through profit or loss	56,028	19,529	21,037	7,190	586	1,858	5,828
Due from banks and financial institutions	23,724	17,268	3,493	-	472	-	2,491
Reverse repurchase agreements	69,661	23,978	24,610	19,988	1,085	-	-
Derivative financial instruments	45,893	-	-	-	-	-	45,893
Loans, advances and Islamic financing	528,897	392,418	68,062	44,500	17,984	5,933	-
Non trading investments securities	187,446	38,624	17,277	38,754	27,573	59,723	5,495
Other assets	49,440	-	-	-	-	-	49,440
Investment in associates	4,963	-	-	-	-	-	4,963
Investment properties	8,169	-	-	-	-	-	8,169
Property and equipment	4,683	-	-	-	-	-	4,683
Intangible assets	19,939	-	-	-	-	-	19,939
	1,213,247	655,915	134,515	110,432	47,700	67,514	197,171
Liabilities and equity							
Due to banks and financial institutions	71,896	40,649	6,382	77	18,403	-	6,385
Repurchase agreements	32,329	13,714	-	18,615	-	-	-
Commercial paper	17,888	13,517	4,371	-	-	-	-
Derivative financial instruments	53,758	-	-	-	-	-	53,758
Customer accounts and other deposits	782,379	495,965	127,655	14,819	143,790	150	-
Other liabilities	52,473	-	-	-	-	-	52,473
Term borrowings	64,788	16,142	5,926	18,133	12,085	12,502	-
Subordinated notes	6,861	32	-	-	6,829	-	-
Equity	130,875	-	-	-	-	-	130,875
	1,213,247	580,019	144,334	51,644	181,107	12,652	243,491
On statement of financial position gap		75,896	(9,819)	58,788	(133,407)	54,862	(46,320)
Off statement of financial position gap		(29,856)	39,320	8,630	22,584	(40,678)	-
Total interest rate sensitivity gap		46,040	29,501	67,418	(110,823)	14,184	(46,320)
Cumulative interest rate sensitivity		46,040	75,541	142,959	32,136	46,320	-

T

50 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements as at 31 December 2023 was as follows:

	Total AED million	Up to 3 months AED million	3 months to 1 year AED million	1 to 3 years AED million	3 to 5 years AED million	Over 5 years AED million	Non-interest bearing AED million
Assets							
Cash and balances with central banks	233,390	194,898	143	-	-	-	38,349
Investments at fair value through profit or loss	45,209	15,259	22,149	2,054	457	577	4,713
Due from banks and financial institutions	25,266	20,871	96	-	104	-	4,195
Reverse repurchase agreements	78,504	25,746	33,158	16,434	3,166	-	-
Derivative financial instruments	46,421	-	-	-	-	-	46,421
Loans, advances and Islamic financing	483,954	349,717	58,748	43,342	26,794	5,353	-
Non trading investments securities	179,643	43,715	20,759	33,386	30,585	46,645	4,553
Other assets	41,332	-	-	-	-	-	41,332
Investment in associates	1,501	-	-	-	-	-	1,501
Investment properties	8,162	-	-	-	-	-	8,162
Property and equipment	5,115	-	-	-	-	-	5,115
Intangible assets	20,136	-	-	-	-	-	20,136
	1,168,633	650,206	135,053	95,216	61,106	52,575	174,477
Liabilities and equity							
Due to banks and financial institutions	71,528	59,822	4,351	-	213	-	7,142
Repurchase agreements	26,096	12,936	6,269	6,891	-	-	-
Commercial paper	19,659	13,826	5,833	-	-	-	-
Derivative financial instruments	51,002	-	-	-	-	-	51,002
Customer accounts and other deposits	759,863	462,430	132,775	19,033	145,525	100	-
Other liabilities	46,932	-	-	-	-	-	46,932
Term borrowings	63,939	14,239	3,703	20,275	13,485	12,237	-
Subordinated notes	4,191	-	-	-	4,191	-	-
Equity	125,423	-	-	-	-	-	125,423
	1,168,633	563,253	152,931	46,199	163,414	12,337	230,499
On statement of financial position gap		86,953	(17,878)	49,017	(102,308)	40,238	(56,022)
Off statement of financial position gap		22,911	15,643	4,303	(13,770)	(29,087)	-
Total interest rate sensitivity gap		109,864	(2,235)	53,320	(116,078)	11,151	(56,022)
Cumulative interest rate sensitivity		109,864	107,629	160,949	44,871	56,022	-

50 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest Rate Benchmark Reform

All loans, bonds and other balance sheet exposure in GBP, EURO, JPY and CHF have already transitioned to alternative risk-free rates ("ARRS") at 31 December 2024. For loans, bonds and other balance sheet exposures in USD, a small volume of transactions referencing synthetic USD dollar LIBOR remain, and will either mature, or transition, before the next repricing date after 31 December 2024.

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed processes, people and systems or from external events.

FAB has implemented an effective operational risk management cycle to ensure robust risk oversight in line with its operational risk management policy, procedures, guidelines and governance framework. This cycle includes the identification, assessment, mitigation, control, and monitoring of Operational risks. Initially, operational risks are identified and categorized by business owners through Operational Risk Matrices, aligned with the Basel Accord. This assessment evaluates associated risks across all products, services, processes, projects, product channels, systems, and the bank's own or outsourced activities. This comprehensive approach enables proactive management and oversight of operational risks throughout the organization.

FAB operates under a 'three lines of defence' model for managing risk, forming the cornerstone of its risk management framework.

- The business units/support functions act as the first line of defence, owning and managing risks in day to day operations. By managing risks at the source, the first line of defence ensures that risks are controlled at the operational level and remain within the bank's risk appetite.
- The Risk management, compliance and oversight functions act as the second line of defence, providing framework, governance, advisory and independent layer of oversight, ensuring that the risks are managed within the risk appetite and in compliance with the applicable regulations.
- The independent internal audit function constitutes the third line of defence, providing assurance to the Board of Directors and senior management on the effectiveness of the bank's risk management, control, and governance processes.

By adopting the three lines of defence model, FAB ensures a robust and well governed risk management structure, providing clear accountability and transparency in managing the full spectrum of risks across the organization. This framework supports regulatory compliance and promotes a culture of risk awareness and ownership at all levels.

The Group has an established Operational Risk framework consisting of policies and procedures covering risk identification, assessment, treatment, monitoring and reporting. The Operational Risk framework also provides the interrelation with other risk categories. The Operational Risk Incident Management Framework is designed to ensure that all operational risk incidents including near misses, are identified, reported, analyzed, and remediated in a timely and structured manner. The framework ensures consistent treatment of incidents across all business units while promoting a proactive risk management culture.

The Board of Directors holds ultimate accountability for the bank's risk management framework, ensuring that FAB operates within the approved risk appetite. The Board delegates specific oversight responsibilities to the Board Risk & ESG Committee (BRESGC) and other specialized committees as part of the governance structure. The Group Operational and Fraud Risk Committee (GOFRC) oversees operational risk, including fraud risks, across the FAB Group. The GOFRC ensures that operational and fraud risks are appropriately managed and controlled throughout the bank.

50 Financial risk management (continued)

(e) Capital management

CBUAE regulations govern regulatory capital requirements for the Group; in addition, the overseas branches and subsidiaries may be directly supervised by their local regulators. The capital management process for the Group is linked to the overall business strategy to ensure that capital is adequate to the level of inherent risk in the business and within the firm's capital risk appetite The Group conducts capital planning in conjunction with the financial budgeting exercise.

The Board and top management define the long term strategic direction for the Group. This provides the framework for the development of a bottom-up plan based on the projections from individual business units. The bottom up plan is an input to the annual budgeting process and is conducted at a business unit and country level. These are consolidated for each business division and finally, for the entire Group. Business units, within each division, develop forecasted balance sheet and income statements for the next year, by considering the following key parameters:

- the short term (one year) goals
- risk appetite and strategy
- target growth rates
- target returns

The Group's capital management policies aim to ensure that it has sufficient capital to cover the risks associated with its activities and the allocation of capital across the Group. The assessment of the various risks across the Group and their likely impact is carried out in conjunction with the ICAAP undertaken annually. As part of the ICAAP process, Group Risk function identifies the various risks the Group is exposed to as part of its day to day operations. Next, the Group assesses these risks against the existing policies and procedures, frameworks and methodologies, contingency plans and other processes to measure, manage and mitigate the impact of such risks. Finally, the Group determines the capital requirements for the material risk exposures. The key objectives of the Group's capital management process are:

- Maintain sufficient capital to meet minimum capital requirement set by the CBUAE.
- Maintain sufficient capital to support Group's Risk Appetite and strategic objectives as per long term strategic plan.
- Maintain adequate capital to withstand stress scenarios including increased capital requirements determined through ICAAP.
- To support the Group's credit rating.

The Group conducts regular stress test exercises to assess the resilience of the group to adverse market developments under stress scenarios. The risk factors are shocked using the assumptions made under the respective scenarios and the corresponding impact on the capital adequacy is determined. The Group uses various macroeconomic and idiosyncratic stress tests in order to project capital need and capital levels under various stress scenarios. The stress testing is perceived as an important tool in internal capital planning. The stress test result during 2023 shows that the Group has adequate capital even under adverse scenarios.

As part of the gradual introduction of Basel III in the UAE, and the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSD/N/2020/4980, FAB is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 15.0 per cent. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, FAB, as a domestically systemic important bank ("D-SIB"), is required, effective from May 2024 to maintain a D-SIB buffer of 2.0 per cent of Common Equity Tier 1. A capital conservation buffer of 2.5 per cent. of Common Equity Tier 1 is also included within this minimum total capital adequacy ratio of 15.0 per cent. In addition to this minimum capital adequacy ratio, a counter-cyclical buffer is applicable to FAB, which is determined on the basis of the geographical distribution of credit exposures and the counter-cyclical capital buffer applicable in such jurisdictions.

In addition, the Central Bank of the UAE vide Notice no. CBUAE/BSD/N/2020/2016 dated 22 April 2020 allows banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 (Stages 1 and 2 only) compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five-year period until 31 December 2024. As per the CBUAE standards regarding the capital definition, the expected / proposed dividends are to be deducted from CET1. Consequently, the Capital Adequacy ratio as computed below takes into account the impact of proposed dividend.

50 Financial risk management (continued)

(e) Capital management (continued)

	31 Dec 2024 AED million	31 Dec 2023 AED million
Tier 1 capital		
Ordinary share capital	**11,048**	11,048
Share premium	**53,583**	53,558
Retained earnings	**46,171**	36,393
Statutory and special reserve	**13,084**	14,099
General reserve and share option scheme	**527**	478
Fair value reserve	**(2,299)**	(1,185)
Non-controlling Interests	**123**	110
Foreign currency translation reserve	**(4,844)**	(2,925)
Less: Proposed dividend[1]	**(8,286)**	(7,844)
Eligible Tier 1 capital (a)	**109,107**	103,732
Deductions:		
Treasury shares	**-**	(7)
Deferred tax assets	**(423)**	(238)
Goodwill and Intangible assets	**(20,996)**	(21,986)
Other deductions	**(166)**	(270)
Total deductions	**(21,585)**	(22,501)
	87,522	81,231
Additional Tier 1		
Tier 1 capital notes	**10,755**	10,755
	98,277	91,986
Tier 2 capital		
Qualifying subordinated liabilities	**6,510**	3,899
Allowance for collective impairment	**6,966**	6,414
	13,476	10,313
Total regulatory capital base	**111,753**	102,299
Risk weighted assets:		
Credit risk	**557,331**	513,147
Market risk	**35,614**	36,310
Operational risk	**46,629**	37,992
Risk weighted assets	**639,574**	587,449
Ratios with transition impact:		
CET 1 ratio	**13.7%**	13.8%
Tier 1 capital ratio	**15.4%**	15.7%
Capital adequacy ratio	**17.5%**	17.4%

The Group and its overseas branches and subsidiaries have complied with all externally imposed capital requirements for all periods presented.

[1]The above capital adequacy ratios have been calculated in line with Basel guidelines and proposed dividends are subject to share holders' approval at the Annual General Meeting.

50 Financial risk management (continued)

(f) Country risk

Country risk is the likelihood of economic, social and political events in a foreign country negatively influencing the willingness or ability of state owned and/or privately owned customers in that country to pay their debts on time.

The Group undertakes a detailed qualitative analysis pertaining to country risk as a part of the business decision process. These factors include economic, stress testing of concentrated portfolios; various limits by country; country risk management committee, social and political stability in each country, the monetary policy, the foreign exchange control measure, the transparency of information, the financial and market structure, banking regulations and supervision, the legal system and the accounting standards among others. Country risks are monitored and controlled using country limits set by the Group; these limits are in accordance with overall business strategy, capital adequacy and provisions for potential risks, risk rating of each country, acceptable level of risk and business opportunities in each country.

(g) Strategic risk

Strategic risk refers to the risk of current or prospective impact on the Group's earnings, capital, reputation or standing arising from changes in the environment the Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes. It is a function of compatibility of Group's strategic goals, strategies developed to achieve those goals, resources deployed to meet those goals and the quality of implementation.

The Group uses several factors to identify and assess impact of strategic risk on its books, including level of integration of risk management policies and practices in the strategic planning process, aggressiveness of strategic goals and compatibility with developed business strategies, capital support for the strategic initiatives to take care of earnings volatility, effectiveness of communication and consistency of application of strategic goals, objectives, corporate culture, and behaviour throughout the Group.

Strategic risks are monitored and controlled as part of the strategic planning process wherein the Group reviews the progress on strategic initiatives vis-à-vis the plan and considers whether the progress is in line with the plan and the external business environment. The strategic plan is periodically reviewed and updated subject to an approval process which is also a part of the strategic planning process.

(h) Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanction, material financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self regulatory organisation standards, or codes of conduct applicable to its banking activities.

Compliance risk is managed in accordance with a compliance risk management framework and within a defined risk appetite. The primary responsibility for managing compliance risk rests with the Group's first line businesses and enablement functions in accordance with the Group's three lines of defence risk and control model. The Group compliance function is a second line function and is responsible for overseeing the management of compliance risk and for the development of internal compliance risk frameworks and policies. Group compliance works in partnership with the risk management and legal functions and is overseen by Group Internal Audit.

(i) Reputational risk

Reputational risk is the risk to earnings or capital arising from negative public opinion. This can be due to external or internal events.

The Group identifies and assesses reputational risk by clearly defining types of risks to be captured, establishing key sources of reputational risk it may be exposed to, based on individual circumstances, describing the risks identified in terms of the nature of risk and the potential consequences that the risks may bring to its reputation. The Group also refers to other relevant information for risk identification purposes. Such information may be sourced from media reports, stakeholder analysis reports, internal audit and compliance reports, management exception reports or other early warning indicators.

For reputational risks, apart from the regular monitoring of external and internal events that can result in possible reputational risks, the Group also has processes to track risks that may affect its reputation. These processes allow the BOD and senior management to take prompt corrective actions to address any anticipated reputational event in advance.

In order to manage reputational risks, the Group has set in place a mechanism that entails drawing up action plans to identify reputational risk events and facilitate subsequent monitoring of the progress made; for those risks that may be very difficult or too costly to eliminate entirely the mechanism requires development of contingency plans as response actions.

50 Financial risk management (continued)

(j) Environmental, Social and Governance (ESG) risk

FAB is committed to embedding sustainability within the bank's organisational structure and conducting business in a responsible way. The bank's sustainability objectives and commitments are outlined in the Group's ESG Frameworks and Policies, which include the E&S Risk Framework, Sustainable Finance Framework, ESG Policy and E&S Risk Policy. FAB Group's E&S Risk Policy (ESRP) is aligned with the Enterprise Risk Management Framework. As part of its policies, FAB commits to identify, evaluate and manage environmental, social and governance (ESG) risks and opportunities in its lending portfolio. Also, key ESG risk metrics have been integrated within the bank's Risk Appetite Framework (for example: credit concentration to counterparties in high ESG risk sectors) and is monitored and presented to the relevant ESG Committees. To address the growing attention on climate risk, a standalone Climate Risk Framework and Policy were developed in 2024 to define FAB's approach, governance structure, and methodology to effectively manage climate risks in line with regulatory guidance.

(k) Climate related risk

The Bank and its customers may face significant climate related risks in the future. These risks include the threat of financial loss and adverse non financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in customer demands and supply chains. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

51 Comparative figures

In the previous year, the Group classified gains and losses from certain hedging instruments under interest income or interest expense depending on whether the net impact was a gain or loss. In addition, for certain hedging instruments, the gains and losses were presented on a gross basis within interest income and interest expense respectively. Accordingly, the below amounts have been reclassified to reflect the nature of the hedging relationship. The effective portion of gains or losses on hedging instruments that hedge financial assets is presented in interest income and those that hedge financial liabilities is presented in interest expense.

Interest income from derivatives, previously classified under interest income from banks and financial institutions (year ended 31 December 2023: AED 3,864 million), has been offset with interest expense to banks and financial institutions (year ended 31 December 2023: AED 3,864 million) in the consolidated statement of profit or loss.

Interest income from derivatives, previously classified under interest income from banks and financial institutions (year ended 31 December 2023: AED 3,502 million), has been reclassified to interest income from non trading investment securities (AED 2,699 million), loans and advances (excluding Islamic financing) (AED 657 million) and reverse repurchase agreements (AED 146 million) in the consolidated statement of profit or loss.

Interest expense on derivatives, previously classified under banks and financial institutions (year ended 31 December 2023: AED 3,020 million) has been reclassified to interest expense to term borrowings (AED 2,050 million), customer accounts and other deposits (excluding Islamic customers' deposits) (AED 941 million), subordinated notes (AED 27 million) and commercial paper (AED 2 million) in the consolidated statement of profit or loss.

These presentation changes have no impact on the consolidated statements of financial position, other comprehensive income, changes in equity, or cash flows.

52 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2024.