Bank of Sharjah P.J.S.C.

Board of Directors' report and consolidated financial statements for the year ended 31 December 2024

Bank of Sharjah P.J.S.C.

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Board of Directors' report

The Board has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2024.

INCORPORATION AND REGISTERED OFFICE

Bank of Sharjah P.J.S.C. (the "Bank") is a Public Joint Stock Company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness the Ruler of Sharjah and was registered in February 1993 under Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced operations under a banking license issued from United Arab Emirates Central Bank dated 26 January 1974.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates.

PRINCIPAL ACTIVITIES

The Bank's principal activities are commercial and investment banking.

RESULTS

The net profit for the year ended 31 December 2024 amounted to AED 385 million (2023: a loss of AED 275 million). The total comprehensive income for the year ended 31 December 2024 amounted to AED 321 million (2023: a loss of AED 711 million).

The total equity as at 31 December 2024 amounted to AED 3,827 million (2023: AED 3,506 million).

The detailed results are set out in the attached consolidated financial statements.

GOING CONCERN BASIS

The Board of Directors is comfortable that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2024.

TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements disclose related party transactions and balances in note 32. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

AUDITORS

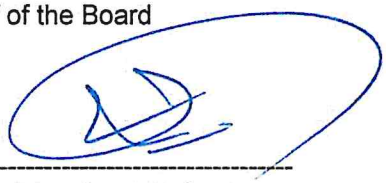
Grant Thornton Audit and Accounting Limited (Dubai Branch) were appointed as external auditors for the Group for the year ended 31 December 2024. A shareholder's resolution is proposed to absolve them of their responsibility for the year ended 31 December 2024.

DIRECTORS

The Directors during the year were:

1. Sheikh Mohammed Bin Saud Al Qasimi (Chairman)
2. Sh. Saif Bin Mohammed Bin Butti Al Hamed (Vice Chairman)
3. Mrs. Arwa Al Owais
4. Mr. Talal Al Midfa
5. Mr. Abdul Aziz Al Hasawi
6. Mr. Mubarak Al Besharah
7. Mr. Salem Al Ghammai
8. Mr. Salah Ahmed Abdalla Al Noman
9. Mr. Abdulla Sherif Al Fahim
10. Mr. Amer Abdulaziz Khansaheb
11. Mr. Waleed Ibrahim AlSayegh

On behalf of the Board



Mohammed Bin Saud Al Qasimi
Chairman

Grant Thornton Audit and Accounting Limited (Dubai Branch)

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bank of Sharjah PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Description of key audit matters	How the matter was addressed in our audit
Measurement of expected credit loss ("ECL") on loans and advances to customers	
As described in note 8 to the financial statements, the Group had loans and advances of AED 24,302 million as at 31 December 2024 representing 55.76% of total assets. The expected credit loss ("ECL") allowance was AED 1,786 million as at this date, which comprises of an allowance of AED 1,389 million against Stage 1 and 2 exposures and an allowance of AED 397 million against exposures classified under Stage 3. The Group applies Expected Credit Losses ("ECL") model on its loans and advances to customers balance measured at amortized cost. The Group exercises significant judgements and makes a number of assumptions which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward-looking information, and exposure at default ("EAD") associated with the underlying financial assets. The Group applies significant judgements and makes a number of assumptions in developing ECL models and applying staging criteria and forward economic adjustments for calculating impairment provisions. ECL models are naturally subject to limitations. These limitations are addressed with management judgmental adjustments on specific credit exposures, the measurement of which is inherently judgmental and subject to a high level of estimation uncertainty, including consideration of regulatory provision requirements. The Group's determination of impairment allowances for loans and advances to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL), this includes manual staging adjustments allowed as per the Group's policies, where appropriate. Note (4.1) of the Group's consolidated financial statements explains the accounting policies applied when determining the ECL and note (35) provides the risk management disclosures relating to ECL.	We have performed the following audit procedures on the measurement of ECL on loans and advances to customers included in the Group's consolidated financial statements for the year ended 31 December 2024: ➢ we have obtained understanding of the control environment associated with the process of estimation of ECL and assessed the design and tested the operating effectiveness of controls in that process; ➢ we have tested the completeness and accuracy of the data used in the calculation of ECL; ➢ for a sample of exposures, we have checked the appropriateness of the Group's application of the staging criteria and staging adjustments; ➢ we have involved our IFRS 9 experts to assess the following areas: • conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) including reasonableness of the assumptions. • the appropriateness of the macro-economic variables, multiple economic scenarios chosen and scenario weightings. • Recomputation of ECL provision for a sample of corporate exposures to assess the mathematical accuracy of the ECL calculation. ➢ for the Stage 3 portfolio we have assessed the appropriateness of the provisioning assumptions for a sample of corporate exposures selected on the basis of risk and the significance of individual exposures. This included assessing, on a sample basis, the appropriateness of consideration of repayments and collateral valuations, by involving our property valuation experts; ➢ we have assessed the appropriateness of the significant assumptions used in certain management judgmental adjustments, including management's consideration of regulatory provision requirements; and ➢ we have inspected the disclosures in the consolidated financial statements to assess their compliance with the requirements of IFRS 7 and IFRS 9.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Description of key audit matters	How the matter was addressed in our audit
Classification and measurement of wholly owned subsidiary namely 'Emirates Lebanon Bank S.A.L.' (the 'Subsidiary') as held for sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'	
The Group has classified its wholly owned Subsidiary, namely Emirates Lebanon Bank S.A.L. (the 'Subsidiary') as held for sale with effect from 1 April 2023. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification in order to meet the condition for classification as held for sale under IFRS 5 (subject to limited exceptions). Additionally, once classified in this category, the group of assets and liabilities for the Subsidiary are measured at the lower of carrying amount and fair value less costs to sell. On classification as held for sale, if the fair value less cost to sell is less than the carrying amount, an impairment loss is recognized in the consolidated financial statements. The determination and subsequent measurement of fair value less cost to sell is an estimate and requires significant judgement. However, due to the current geopolitical conditions in Lebanon, the sale has not been completed within one year from the date of classification. Further, as it was impractical for the Bank to obtain an updated valuation to arrive at the fair value less costs to sell for the Subsidiary as of 31 December 2024. Note (2.1) of the Group's consolidated financial statements explains the accounting policy for the Subsidiary held for sale and the disclosure related to the Subsidiary held for sale.	We have performed the following audit procedures on the classification and measurement of the Subsidiary as held for sale included in the Group's consolidated financial statements for the year ended 31 December 2024: ➢ we have held inquiries with management and those charged with governance regarding the Group's progress in relation to sale of the Subsidiary; ➢ we have assessed management's activity since the date of classification of the Subsidiary and action taken to progress the sale of the Subsidiary, specifically we have performed the following procedures: • we have sighted the decision whereby the board of directors approved the delinking of the Subsidiary. • we have sighted the approval by the regulator to delink the Subsidiary. We sighted supplementary correspondence from the regulator re-affirming their approval for the delinking of the Subsidiary in light of the recent improvement in the geopolitical conditions in the country of the Subsidiary. • we have sighted letter(s) of intent received from potential buyer(s) to acquire the Subsidiary at the offer value(s). We have updated supplementary correspondence from potential buyer(s) confirming their continued intention to acquire the Subsidiary at unchanged offer value(s). • we have sighted documentation that demonstrates the bank is in advanced stages of appointing an exclusive advisor to facilitate the sale of the Subsidiary and provide further necessary transaction related support. ➢ we have held inquiries with the management of the Subsidiary to understand the current banking operations and financial performance of the Subsidiary; ➢ we have assessed the mathematical accuracy of management's calculations and determination of measurement of the Subsidiary on initial recognition and on an on-going basis. We have assessed the appropriateness of the related accounting entries; and ➢ we have reviewed the disclosures in the consolidated financial statements to assess their compliance with the requirements in IFRS 5.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors of the Group are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report and the Management Discussion and Analysis Report are expected to be made available to us after the date of Auditor's report.

Our opinion on the consolidated financial statements does not cover the other information except for the financial information given in the Board of Directors' report, and accordingly 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 Annual Report and the Management Discussion and Analysis 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 Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

From the matters communicated with 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 and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on Other Legal and Regulatory Requirements

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

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 Law No. (32) of 2021;

iii) The Group has maintained proper books of account in accordance with established accounting principles;

iv) The financial information included in the Board of Directors' report is consistent with the books of account of the Group;

v) Note 10 to the consolidated financial statements discloses purchases or investment in shares during the financial year ended 31 December 2024;

vi) Note 32 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) Note 29 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2024; and

viii) 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, during the year ended 31 December 2024, contravened any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

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

GRANT THORNTON UAE

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

13 March 2025

Consolidated statement of financial position
As at 31 December

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Cash and balances with central banks	6	**4,639,575**	4,558,295
Deposits and balances due from banks	7	**595,972**	618,633
Loans and advances, net	8	**24,302,758**	22,067,850
Investment securities, net	9	**10,101,570**	7,727,410
Investment properties	10	**1,157,453**	1,102,753
Assets acquired in settlement of debts	11	**1,070,090**	1,078,084
Other assets	12	**679,832**	1,252,252
Properties and equipment	14	**190,932**	209,613
Subsidiary held for sale	2.1	**844,790**	844,790
Total assets		**43,582,972**	39,459,680
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	15	**29,704,942**	26,342,597
Deposits and balances due to banks	16	**2,822,812**	1,916,341
Repo borrowings	17	**2,420,284**	1,702,312
Other liabilities	18	**1,245,042**	1,987,917
Issued bonds	19	**3,563,070**	4,004,998
Total liabilities		**39,756,150**	35,954,165
Equity			
Capital and reserves			
Share capital	20	**3,000,000**	3,000,000
Statutory reserve	20	**1,088,469**	1,050,000
Impairment reserve	8 (b) & 20	**190,316**	190,316
Investment fair value reserve		**(811,062)**	(754,382)
Currency translation reserve	2	**(386,675)**	(386,675)
Retained earnings		**744,234**	404,932
Equity attributable to equity holders of the Bank		**3,825,282**	3,504,191
Non-controlling interests		**1,540**	1,324
Total equity		**3,826,822**	3,505,515
Total liabilities and equity		**43,582,972**	39,459,680

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group as of, and for the year ended 31 December 2024. The consolidated financial statements of the Group were approved by the Board of Directors and authorised for issue on **13 March 2025**



Mohammed Bin Saud Al Qasimi
Chairman



Mohamed Khadiri
CEO

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss for the year ended 31 December

	Notes	2024 AED'000	2023 AED'000
Interest income	24	**2,085,080**	1,762,319
Interest expense	25	**(1,656,071)**	(1,538,396)
Net interest income		**429,009**	223,923
Net fee and commission income	26	**154,667**	177,044
Exchange profit		**25,771**	15,188
Income/(loss) on investments	27	**11,164**	(52,185)
Net income/(loss) on properties		**104,431**	(97,762)
Other income		**1,474**	4,483
Operating income		**726,516**	270,691
Net impairment (loss)/reversal on financial assets	28& 8 (b)	**(44,384)**	2,189
Net operating income		**682,132**	272,880
Personnel expenses	29	**(136,944)**	(179,616)
Depreciation	14& 29	**(21,068)**	(23,576)
Other expenses	29	**(107,760)**	(127,420)
Impairment of intangible assets		**-**	(18,365)
Net impairment charge on subsidiary held for sale	2.1	**-**	(199,153)
Profit/(loss) before tax		**416,360**	(275,250)
Income tax expense	30	**(31,670)**	-
Net profit/(loss) for the year		**384,690**	(275,250)
Attributable to:			
Equity holders of the Bank		**384,474**	(273,521)
Non-controlling interests		**216**	(1,729)
Net profit/(loss) for the year		**384,690**	(275,250)
Basic and diluted profit/(loss) per share (AED)	21	**0.13**	(0.10)

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December

	2024 AED'000	2023 AED'000
Net profit/(loss) for the year	**384,690**	(275,250)
Other comprehensive income/(loss) items		
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value of equity instruments measured at fair value through other comprehensive income	**(67,542)**	(49,008)
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**(2,058)**	-
Expected credit loss on FVOCI bonds (note 28)	**6,217**	-
Translation differences from a subsidiary	**-**	(386,675)
Other comprehensive loss for the year	**(63,383)**	(435,683)
Total comprehensive income/(loss) for the year	**321,307**	(710,933)
Attributable to:		
Equity holders of the Bank	**321,091**	(709,204)
Non-controlling interests	**216**	(1,729)
Total comprehensive income/(loss) for the year	**321,307**	(710,933)

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December

	Share capital AED'000	Statutory reserve AED'000	Contingency reserve AED'000	Impairment reserve AED'000	Investment fair value reserve AED'000	Currency translation reserve AED'000	Retained earnings AED'000	Equity attributable to equity holders of the bank AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance as at 1 January 2023	**2,200,000**	**1,050,000**	**640,000**	**147,624**	**(706,370)**	**(1,911,502)**	**71,551**	**1,491,303**	**3,053**	**1,494,356**
Net loss for the year	-	-	-	-	-	-	(273,521)	(273,521)	(1,729)	(275,250)
Other comprehensive loss for the year	-	-	-	-	(49,008)	(386,675)	-	(435,683)	-	(435,683)
Total comprehensive loss for the year	-	-	-	-	(49,008)	(386,675)	(273,521)	(709,204)	(1,729)	(710,933)
Subsidiary held for sale adjustment (Note 2.1)	-	-	-	-	996	1,911,502	9,594	1,922,092	-	1,922,092
Transfer to share capital	800,000	-	-	-	-	-	-	800,000	-	800,000
Transfer (to)/from retained earnings (Note 8 (b) &20)	-	-	(640,000)	42,692	-	-	597,308	-	-	-
Balance as at 31 December 2023	**3,000,000**	**1,050,000**	**-**	**190,316**	**(754,382)**	**(386,675)**	**404,932**	**3,504,191**	**1,324**	**3,505,515**
Net profit for the year	-	-	-	-	-	-	384,474	384,474	216	384,690
Other comprehensive loss for the year	-	-	-	-	(63,383)	-	-	(63,383)	-	(63,383)
Total comprehensive income for the year	-	-	-	-	(63,383)	-	384,474	321,091	216	321,307
Adjustment on disposal of FVOCI investment	-	-	-	-	6,703	-	(6,703)	-	-	-
Transfer to statutory reserve	-	38,469	-	-	-	-	(38,469)	-	-	-
Balance as at 31 December 2024	**3,000,000**	**1,088,469**	**-**	**190,316**	**(811,062)**	**(386,675)**	**744,234**	**3,825,282**	**1,540**	**3,826,822**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

Consolidated statement of cash flows for the year ended 31 December

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Net profit/ (loss) before tax for the year		**416,360**	(275,250)
Adjustments for:			
Depreciation of property and equipment	14&29	**21,068**	23,576
Gain on sale on property and equipment		**(792)**	(2,619)
Impairment of other intangible assets		**-**	18,365
Amortisation /(discount) on debt		**(6,271)**	(39,166)
Net fair value changes on other financial assets at FVTPL	27	**(5,285)**	22,321
Realised gain on financial assets		**(4,077)**	-
(Gain)/loss on sale of assets acquired in settlement of debts		**(43,832)**	91
Unrealized (gain)/loss on investment properties	10&14	**(54,700)**	55,356
Unrealized (gain)/loss on assets acquired in settlement of debts	11	**(6,060)**	43,428
Net impairment charge/(reversal) on financial assets	28	**44,384**	(2,189)
Net impairment charge on assets held for sale		**-**	199,153
Dividends income	27	**(1,129)**	(13,193)
Operating profit before changes in operating assets and liabilities		**359,666**	29,873
Changes in:			
Deposits and balances due from banks maturing after three months from dates of placements		**206,106**	(534,389)
Statutory deposits with central banks		**250,634**	(226,108)
Loans and advances		**(2,290,106)**	741,059
Other assets		**571,421**	289,399
Customers' deposits		**3,362,344**	(1,430,372)
Other liabilities		**(742,874)**	(73,668)
Cash generated from/ (used in) operations		**1,717,191**	(1,204,206)
Cash flows from investing activities			
Purchase of property and equipment	14	**(7,029)**	(8,894)
Purchase of financial assets		**(2,727,165)**	(120,197)
Proceeds from sale of property and equipment		**5,433**	6,977
Proceeds from sale of assets acquired as settlement of debt		**32,742**	58,005
Proceeds from sale of investments		**297,418**	175,746
Dividends received	27	**1,129**	13,193
Cash (used in)/ generated from investing activities		**(2,397,472)**	124,830
Cash flows from financing activities			
Proceeds from issued bond		**1,818,484**	1,808,732
Proceeds from issuance of shares		**-**	800,000
Proceeds from/ (settlement of) repo borrowings and due to banks		**1,532,375**	(1,598,929)
Settlement of issued bonds		**(2,247,189)**	(852,017)
Cash generated from financing activities		**1,103,670**	157,786
Net increase/ (decrease) in cash and cash equivalents during the year		**423,389**	(921,590)
Cash and cash equivalents at the beginning of the year	6	**2,395,016**	3,316,606
Cash and cash equivalents at the end of the year	6	**2,818,405**	2,395,016

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2024

1 General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through six branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain. The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries (collectively the "Group"), as listed in Note 31.

2. Basis of preparation

2.1 Subsidiary held for sale

The Central Bank of the UAE continues to support the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat of unnecessary volatility. Accordingly, the objective remains to cease the consolidation of the Lebanese Subsidiary's financial statements in the Group's financial statements, as per the Central Bank of the UAE recommendations effective 1st April 2023. This step is necessary to mitigate the accounting anomalies and disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22nd June 2023, the Board approved the de-linking.

When the Group classified the Lebanese subsidiary as an "asset held for sale," all the subsidiary's assets and liabilities were categorized accordingly. Once classified in this category, the group of assets and liabilities is measured at the lower of carrying amount or fair value less costs to sell. If impairment occurs, an impairment loss is recognized in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate remains a significant judgment, determined based on the market offer approach.

The previously heightened geopolitical environment in Lebanon had delayed the sale beyond the 12-month timeframe stipulated by IFRS 5. However, recent political and economic developments clearly indicate a more stable and promising outlook, prompting renewed interest from potential buyers. During the year ended 31 December 2024, the Bank received reconfirmed offers from potential acquirers, reflecting a more positive market sentiment. Discussions are advancing, with buyers demonstrating increased confidence in Lebanon's financial sector recovery. The Bank is currently in the process of obtaining revised offers for the sale of the subsidiary, positioning itself for a final transaction in an improving macroeconomic environment.

While the Bank remains confident in the successful sale of Emirates Lebanon Bank, it acknowledges that delays may still occur due to external factors. Nonetheless, the improving political and financial landscape is expected to facilitate and expedite the completion of the transaction. Additionally, the Bank has received an updated letter from the regulator reaffirming support for the classification of EL Bank as held for sale under IFRS 5, reflecting the improved market conditions and ongoing strategic efforts to finalize the sale.

2. Basis of preparation (continued)

2.1 Subsidiary held for sale (continued)

The breakdown of the Lebanese subsidiary's net assets as at 1 April 2023 is as follows:

	AED'000
ASSETS	
Cash and balances with central bank	2,892,460
Deposits and balances due from banks	10,497
Loans and advances, net	1,090,017
Investments measured at fair value	29,567
Investments measured at amortised cost	43,344
Other intangibles	345
Assets acquired in settlement of debt	79,641
Other assets	17,989
Property and equipment	6,040
Total assets	4,169,900
LIABILITIES	
Customers' deposits	2,318,968
Deposits and balances due to banks	617,261
Other liabilities	189,728
Total liabilities	3,125,957
Net assets	1,043,943
Fair value of net assets	844,790

2.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws of the United Arab Emirates ("UAE"). Group has also complied with provisions of the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") which was issued on 20 September 2021 and came into effect on 2 January 2022.

Basis of measurement - The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values as explained in the accounting policies below.

Functional and presentation currency - The consolidated financial statements are presented in United Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands' dirham, except when otherwise indicated.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

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

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. This includes circumstances in which protective rights (e.g. more from a lending relationship) becomes substantive and lead to the Bank having power over as investee. When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

2. Basis of preparation (continued)

2.2 Basis of preparation (continued)

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Group. When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (IFRS 9 Financial instruments) issued in 2010, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB)

3.1 New and revised IFRS Accounting Standards applied on the consolidated financial statements

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. The application of these revised IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 Presentation of Financial Statements relating to classification of liabilities as current or non-current;
- Amendment to IAS 1 Presentation of Financial Statements in relation to Non-current Liabilities with Covenants;
- Amendments to IFRS 16 Leases relating to lease liability in a sale and leaseback transaction;
- Amendments to IAS 7 and IFRS 7 in relation to Supplier Finance Arrangements.

3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) (continued)

3.2 New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and 7 in relation to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 19 'Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Bank in the period of initial application.

4 Material accounting policies

4.1 Financial instruments

Recognition and Initial Measurement

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in consolidated statement of profit or loss.

Classification of financial assets

Balances with central banks, due from banks and financial institutions, financial assets and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition). IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at amortised cost

The effective interest rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective interest rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition. Income is recognised in the consolidated statement of profit or loss on an effective interest rate basis for financing and investing instruments measured subsequently at amortised cost.

Financial assets measured at FVTPL

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Group designates fair value through other comprehensive income (FVTOCI) at initial recognition. Financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the Group has chosen to designate it as at FVTPL at initial recognition, are measured at FVTPL. Financial assets (other than equity instruments) may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis. Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) designated as at FVTPL at initial recognition is not permitted. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated statement of profit or loss at the end of each reporting period. The net gain or loss recognised in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 37.

Financial assets measured at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial assets measured at FVTOCI (continued)

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not transferred to consolidated statement of profit or loss.

Business model assessment

The Bank assesses 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 Bank 's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank 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 Bank 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 from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessments whether contractual cash flows are solely payments of principal and interest (continued)

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.

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 ECLs 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.

Derecognition

Financial assets

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

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

4 Material accounting policies (continued)
4.1 Financial instruments (continued)

Derecognition (continued)
Financial assets (continued)

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.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan; and
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and whether the Group will benefit from any upside from the underlying assets.

Measurement of ECL

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

- Stage 1 – Where there has not been a 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 in default, 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 in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Measurement of ECL (continued)

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for 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 arising from the weighting of multiple future economic scenarios, discounted at the asset's coupon rate as a proxy for effective interest rate (EIR);

- 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;

However, for unfunded exposures, ECL is measured as follows:

For undrawn loan commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's coupon rate, regardless of whether it is measured on an individual basis or a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD) – PD estimates are estimates at a certain date, which are calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories and sizes of counterparties.

- Exposure at default (EAD) – EAD represents the expected exposure upon default of an obligor. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.
  EAD is calculated as below:
  - For Direct Facilities: Limit or Exposure whichever is higher
  - For Letters of Credit & Acceptances: Limit or Exposure whichever is higher
  - For all types of Guarantees: Exposure

- Loss given default (LGD) – LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from the proceeds from liquidation of any collateral.
  LGD is derived as below:
  - Senior Unsecured: 45%
  - Eligible Securities as per Basel lower LGD, taking into consideration applicable Basel haircuts on collateral as well as LGD floors to certain collateral

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement. The group formulates three economic scenarios: a base case with a 40% weight, upside scenario with a 30% weight and a downside scenario with 30% weight.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking information as economic inputs, such as: GDP (Gross Domestic Product) growth and oil prices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement. The economic scenarios used as at 31 December 2024 included the following key indicators for the years ending 31 December 2025 to 2029.

	Macro Variable	Scenario	2025	2026	2027	2028	2029
UAE	Oil Price	Base	(3.25%)	(2.71%)	(1.16%)	0.02%	0.18%
		Upside	3.54%	(4.05%)	(4.75%)	(0.13%)	0.19%
		Downside	(25.74%)	0.49%	17.86%	2.91%	0.55%
	GDP	Base	3.97%	3.62%	3.80%	3.88%	3.90%
		Upside	5.81%	5.09%	3.83%	3.88%	3.90%
		Downside	0.25%	(0.86%)	4.78%	5.56%	4.39%

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1, if certain criteria are met, if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

The group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail. The credit risk may be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management process that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences. As a backstop, the group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to the initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. 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 behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessment of significant increase in credit risk (continued)

The group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD [stage 1] and lifetime PD [stage 2].

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:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators
- a backstop of 30 days past due.

Improvement in credit risk profile

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 returns to being measured as 12-month ECL.

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded stage-wise (one stage at a time) from Stage 3 to Stage 2 and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 instalments (for quarterly instalments) have been made or 12 months (for instalments longer than quarterly) curing period is met.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: (as a deduction from the gross carrying amount of the assets);
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component.
- debt instruments measured at FVOCI: no loss allowance is recognised in the 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 statement of profit or loss.

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. The 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. In the case where the financial asset is derecognised, the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. On derecognition of a financial asset in its entirety, the difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss. Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The Group initially recognises financial liabilities such as deposits and debt securities issued on the date at which they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial liabilities at amortized cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished - that is when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity. The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts.

4.2 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward foreign exchange contracts, interest rate swaps and currency swaps. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Hedge Accounting - The Bank may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Bank continues to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement. For the purpose of hedge accounting, the Group classifies hedges into two categories: (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income. In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.
Fair value hedges - Where a hedging relationship is designated as at fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the consolidated statement of profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated statement of profit or loss category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated statement of profit or loss category as the related hedged item. If the derivative is expired, sold, terminated, exercised, it no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised in the consolidated statement of profit or loss as part of the recalculated effective interest rate over the period to maturity.

4 Material accounting policies (continued)

4.2 Derivative financial instruments (continued)

Cash flow hedges - The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated statement of profit or loss in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument is expired or sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in other comprehensive income remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated statement of profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in other comprehensive income are immediately transferred to the consolidated statement of profit or loss and classified as trading revenue/loss.

Derivatives that do not qualify for hedge accounting - All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-interest revenue/loss. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated statement of profit or loss.

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4.4 Reverse-repo placements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised. The amount paid to the counterparty under these agreements is shown 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 and recognized initially at amortised cost.

4.5 Investment properties

Investment properties are held to earn rental income and/or capital appreciation. Investment properties include cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties are reported at valuation based on fair value at the end of the reporting period. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated statement of profit or loss in the period in which these gains or losses 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4 Material accounting policies (continued)

4.6 Assets acquired in settlement of debt

The Group often acquires real estate and other collateral in settlement of certain loans and advances Properties acquired in settlement of debt are held as inventory and are stated at lower of cost or net realizable value at the date of acquisition. Subsequently, the real estate are measured at lower of carrying amount or fair value, less impairment losses, if any. Gains or losses on disposal and unrealized losses on revaluation are recognized in the consolidated statement of profit or loss. Directly attributable costs incurred in the acquisition of inventory is included as part of cost of the inventory. Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date.

4.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

	Years
Buildings	20 - 40
Furniture and office equipment	2 - 6
Installation, partitions and decorations	3 - 4
Leasehold improvements	5 - 10
Motor vehicles	3

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss statement when incurred. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated statement of profit or loss. Capital work-in-progress is carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

4.8 Impairment of tangible

At the end of each reporting period, the Group reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.9 Customers' deposits

Customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective interest method.

4.10 Acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due.

4 Material accounting policies (continued)

4.10 Acceptances (continued)

After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognized as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognized as a financial asset. Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and continued to be recognized as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities.

4.11 Financial guarantees

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

4.12 Employees' end-of-service benefits

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. 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. Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

4.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

4.14 Leasing

The Group has applied IFRS 16 using the modified retrospective approach. 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.

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. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component. 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, 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.

4 Material accounting policies (continued)

4.14 Leasing (continued)

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 weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 4.23%. 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. 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 statement of financial position.

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.

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 on the basis of 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 the major part of the economic life of the asset.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to the accounting policies on financial assets for more details.

4.15 Revenue and expense recognition

Interest income and expense

Interest income and interest expense are recognised in consolidated statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

4 Material accounting policies (continued)

4.15 Revenue and expense recognition (continued)

The calculation of the effective interest rate includes transactions costs, fees and points paid or received 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 liability.

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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction cost and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

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. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission

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

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

Fee income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in 'Interest income'.

4 Material accounting policies (continued)

4.15 Revenue and expense recognition (continued)

Dividend income

Dividend income is recognized in the consolidated statement of profit or loss when the Group's right to receive such income is established. Usually this is the ex-dividend date for equity securities.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment properties or assets acquired in settlement of debts.

Rental income arising from operating leases on investment properties or assets acquired in settlement of debts is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Presentation

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

- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI;

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

- Financial liabilities measured at amortised cost; and
- The effective portion of fair value changes in qualifying hedging derivatives designated as cash flows hedges of variability in interest cash flows; in the same period as the hedged cash flows affect interest income/ expense

Interest income and expenses on all trading assets and liabilities were considered to be incidental to the Groups trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL.

4.16 Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using rate of exchange at the date of initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Foreign currency differences are generally recognised in the statement of profit or loss.

For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income. For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the consolidated statement of profit or loss.

4 Material accounting policies (continued)

4.17 Foreign operations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates for each month; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transactions is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges). Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss. Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's FCTR. The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. These foreign exchange gains and losses on a hyperinflationary foreign operation are presented in OCI.

4.18 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group's consolidated financial statements as they are not assets of the Group.

4.19 Taxation

The income tax expense represents the sum of current and deferred income tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss 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. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

4 Material accounting policies (continued)

4.19 Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5 Critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

5.1 Subsidiary held for sale

The Central Bank of the UAE supports the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat for even greater unnecessary volatility. Accordingly, the ultimate immediate objective was to cease the consolidation of the Lebanese Subsidiary financial statements in the Group's financial statements as per the Central Bank of the UAE recommendations effective 1 April 2023. This is required in order to avoid the unnecessary accounting anomalies and/or disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22 June 2023, the board approved the de-linking.
When the Group classifies the Lebanese subsidiary as an "asset held for sale" involving loss of control and the sale is highly probable within 12 months, all the assets and liabilities of that subsidiary are classified as held for sale. Once classified in this category, the group of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell. If the group of assets and liabilities becomes impaired, an impairment loss is recognised in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate is a significant judgement and it is determined based on the market offer approach.

5 Critical accounting judgements (continued)

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 35.

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

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

5.3 Valuation of investment properties and assets acquired in settlement of debts

The fair values of investment properties and assets acquired in settlement of debts are determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment properties and assets acquired in settlement of debts are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined and on the basis of price offerings from potential buyers.

In one case, the fair value of the investment properties under development could not be reliably determined because it is situated in an area in which there is considerable political uncertainty and economic instability. Therefore, the circumstances do allow for an expert adjustment to the fair values' estimate; based on certain haircut that is suitable in the market. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in notes 10 and 11.

5.4 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

5.5 Determination of fair value of restructured loans

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification such that the Group rights to the cash flows under the original contract have expired, the old loan is derecognised and a new financial asset is recognised at fair value.
In order to determine the fair value of loans and advances to customers, loans are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions.

These assumptions may include: forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that the Group believes are consistent with those that would be used by market participants in valuing such loans; and new business rates estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

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6 Cash and balances with central banks

(a) The analysis of the Group's cash and balances with central banks is as follows:

	2024 AED'000	2023 AED'000
Cash on hand	**44,843**	45,336
Statutory deposits	**70,022**	320,656
Current accounts	**4,524,710**	4,192,303
	4,639,575	4,558,295

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

Cash and cash equivalents

For the statement of consolidated statement of cash flows, cash and cash equivalents includes:

	2024 AED'000	2023 AED'000
Cash and balances with central bank (Note 6)	**4,639,575**	4,558,295
Deposits and balances due from banks (Note 7)	**728,654**	751,215
Deposits and balances due to banks (Note 16)	**(2,822,812)**	(1,916,341)
Repo borrowings (Note 17) *	**(1,620,284)**	(102,312)
	925,133	3,290,857
Less: Deposits with central banks and balances due from banks – original maturity more than three month	**(369,081)**	(575,185)
Less: Statutory deposits with central banks (Note 6)	**(70,022)**	(320,656)
Add: Deposits and balances due to banks – original maturity more than three month	**1,372,622**	-
Add: Repo borrowings – original maturity more than three month	**959,753**	-
	2,818,405	2,395,016

*Approximately AED 0.8 billion (2023: AED 1.6 billion) of Repo borrowing have not been deducted from cash and cash equivalents as at 31 December 2024. Considering the underlying substance of the borrowing and nature of the underlying collateral, the Group has classified the proceeds/ repayments from the Repo borrowing as a cash inflow/ outflow from financing activities. (Note 17)

7 Deposits and balances due from banks

(a) The analysis of the Group's deposits and balances due from banks is as follows:

	2024 AED'000	2023 AED'000
Demand	**352,848**	176,030
Time	**375,806**	575,185
	728,654	751,215
Expected credit losses (Note 28)	**(132,682)**	(132,582)
	595,972	618,633

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7 Deposits and balances due from banks (continued)

(b) The geographical analysis of the deposits and balances due from banks is as follows:

	2024 AED'000	2023 AED'000
Banks abroad	**697,204**	738,197
Banks in the U.A.E.	**31,450**	13,018
	728,654	751,215
Expected credit losses (Note 28)	**(132,682)**	(132,582)
	595,972	618,633

8 Loans and advances, net

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	2024 AED'000	2023 AED'000
Overdrafts	**6,511,448**	4,663,532
Commercial loans	**16,665,417**	14,715,439
Bills discounted	**1,180,987**	2,085,781
Other advances	**1,731,476**	2,334,467
Gross amount of loans and advances	**26,089,328**	23,799,219
Expected credit losses (Note 28)	**(1,786,570)**	(1,731,369)
Net loans and advances	**24,302,758**	22,067,850

(b) Impairment reserve

The CBUAE issued its IFRS 9 guidance addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE.

Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the credit risk weighted assets as calculated 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.

	2024 AED'000	2023 AED'000
Non-distributable impairment reserve- General		
Minimum provision for stage 1& 2 as per CBUAE requirements*	**384,985**	389,004
Less: Stage 1 and Stage 2 impairment provision taken against income	**194,669**	198,688
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	**190,316**	190,316

*For the purpose of calculation, the movement in impairment reserve provisions under IFRS 9 are determined based on CB UAE classification of loans and advances, only for the purpose of this disclosure.

(c) The geographic analysis of the gross loans and advances of the Group is as follows:

	2024 AED'000	2023 AED'000
Loans and advances resident in the U.A.E.	**25,284,183**	23,053,575
Loans and advances non-resident	**805,145**	745,644
	26,089,328	23,799,219

8 Loans and advances, net (continued)

(d) The composition of the loans and advances portfolio by economic sector is as follows:

	2024 AED'000	2023 AED'000
Economic sector		
Services	**8,204,969**	6,371,799
Trading	**3,783,964**	3,659,109
Personal loans	**3,738,521**	4,486,526
Manufacturing	**3,270,766**	2,893,831
Government related entities	**2,762,518**	2,236,096
Financial institutions	**1,685,173**	685,447
Government	**851,433**	713,768
Construction	**542,450**	795,020
Mining and quarrying	**435,817**	939,718
Transport and communication	**178,339**	193,508
Other	**635,378**	824,397
	26,089,328	23,799,219
Expected credit losses (Note 28)	**(1,786,570)**	(1,731,369)
	24,302,758	22,067,850

(e) The composition of the non-performing loans and advances portfolio by economic sector is as follows:

	2024 AED'000	2023 AED'000
Economic sector		
Trading	**1,204,504**	1,192,856
Services	**653,713**	611,018
Manufacturing	**132,815**	129,117
Personal loans	**88,924**	76,883
Construction	**24,337**	6,529
Others	**95**	95
Total non-performing loans and advances	**2,104,388**	2,016,498

9 Investment securities, net

(a) The analysis of the Group's investments measured at fair value is as follows:

	2024 AED'000	2023 AED'000
Investments measured at fair value		
Investments measured at FVTPL		
Quoted equity securities	**-**	134,706
Quoted debt securities	**423,181**	-
	423,181	134,706
Investments measured at FVTOCI		
Quoted equity securities	**215,272**	104,544
Unquoted equity securities	**76,173**	120,222
Quoted debt securities	**1,505,016**	-
	1,796,461	224,766
Total investments measured at fair value	**2,219,642**	359,472
Investments measured at amortised cost		
Quoted debt securities	**262,855**	190,567
Unquoted debt securities	**7,622,124**	7,180,970
Expected credit losses (Note 28)	**(3,051)**	(3,599)
Total investments measured at amortised cost	**7,881,928**	7,367,938
Total investments	**10,101,570**	7,727,410

9 Investment securities, net (continued)

All of the quoted investments are listed on the securities exchanges in the U.A.E. (Abu Dhabi Securities Exchange and Dubai Financial Market). Included in the debt securities measured at amortised cost amounting to AED 2.72 billion are bonds and sukuk with the fair value of AED 2.45 billion (2023: AED 2.11 billion) given as collateral against borrowings under repo agreements (Note 17).

During the year ended 31 December 2024, Nil equity securities were acquired (2023: 185 thousand of equity securities were acquired at an amount of AED 2.7 million).

(b) The composition of investments by geography is as follows:

	2024 AED'000	2023 AED'000
United Arab Emirates	**8,454,142**	7,615,018
Middle East (including G.C.C. countries)	**1,593,071**	96,653
Europe	**57,408**	19,338
	10,104,621	7,731,009
Expected credit losses (Note 28)	**(3,051)**	(3,599)
	10,101,570	7,727,410

Investments measured at FVTOCI are not held to benefit from changes in their fair value and are not held for trading. The management believes therefore that designating these investments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments rather than fair valuing through profit or loss.

During the year ended 31 December 2024, dividends from financial assets measured at FVTOCI amounting to AED 1 million (2023: AED 13 million) have been recognised as investment income in the consolidated statement of profit or loss.

10 Investment properties

Details of investment properties are as follows:

	Plots of land AED'000	**Commercial and residential units AED'000**	**Total AED'000**
Opening balance at 1 January 2023	**278,447**	**879,662**	**1,158,109**
Decrease in fair value during the year	6,277	(61,633)	(55,356)
Balance at 31 December 2023	**284,724**	**818,029**	**1,102,753**
Increase in fair value during the year	**-**	**54,700**	**54,700**
Fair value at 31 December 2024	**284,724**	**872,729**	**1,157,453**

The fair value of the Group's investment properties is estimated using sales comparison, income capitalisation, residual approach and discounted cash flow method, considering the property being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuations, where applicable were carried out by RICS certified professional valuers not related to the Group who hold recognised and relevant professional qualifications and have recent experience in the location and category of the 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. The valuation of investment properties performed by external valuer is based on the information available to them at the time of the valuation and relies on several inputs.

Nature of property	**Country**	**Valuation technique**	**Significant unobservable inputs**
Offices building	UAE	Income capitalisation	Capitalization rate of 7.5% on Term & 8% on Reversion
Residential buildings	UAE	Income capitalisation	Capitalization rate of 8%
Land and office units	UAE	Direct comparison approach	Comparable transactions
Land	Lebanon	Direct comparison approach	Comparable transactions
Residential buildings	Lebanon	Direct comparison approach	Comparable transactions

11 Assets acquired in settlement of debts

	Real estate properties AED'000	Investment securities AED'000	Total AED'000
Balance at 1 January 2023	**1,212,561**	**15,260**	**1,227,821**
Subsidiary held for sale adjustment (note 2.1)	(48,212)	-	(48,212)
Impairment during the year	(33,995)	(9,433)	(43,428)
Disposals during the year	(58,097)	-	(58,097)
Balance at 31 December 2023	**1,072,257**	**5,827**	**1,078,084**
Reversal of impairment during the year	**5,526**	**480**	**6,006**
Disposals during the year	**(14,000)**	**-**	**(14,000)**
Balance at 31 December 2024	**1,063,783**	**6,307**	**1,070,090**

Real estate properties represent properties and plots of lands acquired in settlement of debt. During the year, net realised profit of AED 6 million (2023: net unrealised losses of AED 34 million) are recognised in the consolidated statement of profit or loss on real estate properties. The realisable values of the properties and plots of land were carried out by RICS certified independent valuers having appropriate professional qualifications and are based on recent experience in the location and category of the properties and plots of land being valued. The fair value of these properties and plots of land as at 31 December 2024 amounted to AED 1,245 million (2023: AED 1,188 million), out of which AED 1,064 million (2023: AED 1,072 million) was reflected in the statement of financial position as at year end.

Description of valuation techniques and key inputs used to determine the realisable values of real estate properties acquired in settlement of debt as at 31 December 2024:

Nature of property	Country	Valuation technique	Significant unobservable inputs
Residential buildings	UAE	Income capitalization	Capitalization rate of 7.50% on Term & 8.00% on Reversion
Office buildings	UAE	Income capitalization	Capitalization rate of 7.50% on Term & 8.00% on Reversion
Retail and office units	UAE	Direct comparison approach	Comparable transactions
Retail mall	UAE	Discounted cashflow	Discount rate of 10% and capitalisation rate of 8%
Villas	UAE	Discounted cashflow	Discount rate of 9% and capitalisation rate of 7%
Villas	UAE	Direct comparison approach	Comparable transactions
Land	UAE	Direct comparison approach	Comparable transactions
Land	Cyprus	Direct comparison approach	Comparable transactions

The assessment of realisable values performed by external valuer at 31 October 2024 is based on the information available to them at the time of assessment and relies on several inputs. No material change has been in the market since then.

12 Other assets

	2024 AED'000	2023 AED'000
Acceptances – contra (Note 18)	**349,408**	1,011,401
Interest receivable	**98,793**	67,595
Prepayments	**12,492**	9,085
Others	**247,103**	192,135
	707,796	1,280,216
Expected credit losses (Note 28)	**(27,964)**	(27,964)
Total	**679,832**	1,252,252

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13 Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivatives. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rate, or index. Derivative financial instruments which the Group enters into include forwards and swaps. The Group uses the following derivative financial instruments for both hedging and non-hedging purposes.

Forward currency transactions - Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Swap transactions – Interest rate (IRS) and cross currency interest rate swaps (CCIRS) - are commitments to exchange one set of cash flows for another. CCIRS result in an economic exchange of currency cash flows. Exchange of principal may or may not take place. Under interest rate swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities, and applies cash margining with market counterparties to mitigate the credit risk involved.

Derivative related credit risk - Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The Group enters into derivative contracts with a number of financial institutions of good credit rating.

Derivatives held or issued for hedging purposes - The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates and exchange rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value hedges.

			Notional amounts by term to maturity			
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000
2024						
Currency swaps	**1,144**	**(1,432)**	**4,535,782**	**4,515,128**	**20,654**	**-**
Total	**1,144**	**(1,432)**	**4,535,782**	**4,515,128**	**20,654**	**-**
2023						
Currency swaps	202	-	6,955,811	6,955,811	-	-
Total	202	-	6,955,811	6,955,811	-	-

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14 Properties and equipment

	Land & buildings AED'000	Furniture and office equipment AED'000	Leasehold improvements installation, partitions and decoration AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2023	**400,214**	**84,065**	**57,832**	**2,928**	**545,039**
Subsidiary held for sale adjustment (note 2.1)	(63,976)	(50,012)	(36,870)	(1,110)	(151,968)
Additions	227	6,376	487	1,804	8,894
Disposals	(31,479)	(4)	-	(215)	(31,698)
At 31 December 2023	**304,986**	**40,425**	**21,449**	**3,407**	**370,267**
Additions	**1,505**	**4,278**	**1,153**	**93**	**7,029**
Disposals	**(8,789)**	**(1,623)**	**-**	**(1,148)**	**(11,560)**
At 31 December 2024	**297,702**	**43,080**	**22,602**	**2,352**	**365,736**
Accumulated depreciation					
At 1 January 2023	**154,096**	**80,386**	**30,008**	**2,475**	**266,965**
Subsidiary held for sale adjustment (note 2.1)	(27,159)	(45,154)	(31,743)	(1,111)	(105,167)
Charge for the year	16,586	4,745	1,672	573	23,576
Disposals	(24,505)	-	-	(215)	(24,720)
At 31 December 2023	**119,018**	**39,977**	**(63)**	**1,722**	**160,654**
Charge for the year	**14,718**	**4,338**	**1,376**	**636**	**21,068**
Disposals	**(5,141)**	**(1,357)**	**-**	**(420)**	**(6,918)**
At 31 December 2024	**128,595**	**42,958**	**1,313**	**1,938**	**174,804**
Net book value:					
At 31 December 2024	**169,107**	**122**	**21,289**	**414**	**190,932**
At 31 December 2023	185,968	448	21,512	1,685	209,613

15 Customers' deposits

The analysis of customers' deposits is as follows:

	2024 AED'000	2023 AED'000
Current and other accounts	**6,324,769**	4,586,738
Saving accounts	**95,283**	98,911
Time deposits	**23,284,890**	21,656,948
	29,704,942	26,342,597

16 Deposits and balances due to banks

The analysis of deposits and balances due to banks is as follows:

	2024 AED'000	2023 AED'000
Demand	**1,469**	2,993
Time	**2,821,343**	1,913,348
	2,822,812	1,916,341

16 Deposits and balances due to banks (continued)

Due to banks represent due to:

	2024 AED'000	2023 AED'000
Banks in the U.A.E.	**1,887,387**	537,960
Banks abroad	**935,425**	1,378,381
	2,822,812	1,916,341

17 Repo borrowings

The analysis of the repo borrowing agreements is as follows:

	2024 AED'000	2023 AED'000
Banks in the U.A.E.	**2,420,284**	1,702,312
	2,420,284	1,702,312

The Group entered into repo agreements under which bonds with fair value of AED 2.45 billion (31 December 2023: AED 2.11 billion) were given as collateral against borrowings. The risks and rewards relating to these bonds remain with the Group.

Repo borrowings include an amount of AED 0.8 billion (2023: AED 1.6 billion) which is represented as part of the group's financing activities in the consolidated statement of cashflows. (Note 6)

18 Other liabilities

	2024 AED'000	2023 AED'000
Interest payable	**561,938**	576,165
Acceptances – contra (Note 12)	**349,408**	1,011,401
Lease liabilities	**55,106**	66,456
Unearned income	**53,025**	143,422
Clearing balances	**52,714**	5,266
Provision for employees' end of service benefits (Note 18.1)	**50,165**	62,236
Tax liability	**31,670**	-
Managers' cheques	**31,044**	26,689
ECL on unfunded exposure (Note 28)	**18,104**	30,263
Accrued expenses	**3,755**	12,608
Others	**38,113**	53,411
	1,245,042	1,987,917

18.1 The movement in the provision for employees' end of service benefits is as follows:

	2024 AED'000	2023 AED'000
At 1 January	**62,236**	53,155
Subsidiary held for sale adjustment (note 2.1)	**-**	(358)
Charged during the year	**(1,793)**	13,230
Payments during the year	**(10,278)**	(3,791)
At 31 December	**50,165**	62,236

19 Issued bonds

Issue date	Maturity	Currency	Face value Million	2024 Carrying value AED' 000	2023 Carrying value AED' 000
18 September 2019	Sep 2024	USD	600	-	2,203,530
14 March 2023	Mar 2028	USD	500	**1,809,280**	1,801,468
12 September 2024	Sep 2029	USD	500	**1,753,790**	-
				3,563,070	4,004,998

On 14 March 2023, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 7%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

On 12 September 2024, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 5.25%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the London Stock Exchange's International Securities Market.

During the year, the Group has fully repaid the below notes:

- Senior Unsecured Fixed Rate Notes, totalling USD 600 million (equivalent to AED 2,204 million) issued on 18 September 2019 with a five-year maturity.

The fair value and the change in that fair value that can be ascribed to changes in underlying credit risk are set out below:

	31 December 2024 AED'000	31 December 2023 AED'000
Fair value of issued bonds	**3,686,719**	4,068,946
Difference between carrying amount and amount contractually required to be paid at maturity	**(109,930)**	(35,302)

The Group estimates changes in fair value due to credit risk by estimating the amount of change in fair value that is not due to changes in market conditions that give rise to market risk.

20 Capital and reserves

Issued and paid-up capital

	2024		2023	
	Number of shares	**AED'000**	Number of shares	AED'000
Issued capital	**3,000,000,000**	**3,000,000**	3,000,000,000	3,000,000
	3,000,000,000	**3,000,000**	3,000,000,000	3,000,000

Statutory reserve - In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable statutory reserve until such time as this reserve equals 50% of the Bank's issued capital. As at 31 December 2024, AED 38.5 million were transferred from retained earnings to statutory reserve.

Impairment reserve - In accordance with CBUAE circular, in case where provision under CBUAE guidance exceeds provision under IFRS 9 (stage 1 and 2), the excess is required to be transferred to impairment reserve until the year ended 31 December 2023.

21 Profit/ (Loss) per share

Profit/ (loss) per share are computed by dividing the profit/ (loss) for the year by the average number of shares outstanding during the year as follows:

Basic and diluted profit/ (loss) per share	**2024**	2023
Profit/ (loss) attributable to owners of the Bank for the year (AED'000)	**384,474**	(273,521)
Weighted average number of ordinary shares:		
Ordinary shares at the beginning of the year (in thousands shares)	**3,000,000**	2,200,000
Weighted average number of shares outstanding during the year (in thousands shares)	**3,000,000**	2,616,438
Basic and diluted profit/ (loss) per share (AED)	**0.13**	(0.10)

As at the reporting date, the diluted profit/ (loss) per share is equal to the basic profit/ (loss) per share as the Group has not issued any financial instruments that should be taken into consideration when the diluted profit/ (loss) per share is calculated.

22 Commitments and contingent liabilities

	2024	2023
	AED'000	AED'000
Financial guarantees for loans	**207,829**	207,829
Other guarantees	**1,540,525**	1,311,368
Letters of credit	**292,343**	459,086
	2,040,697	1,978,283
Irrevocable commitments to extend credit	**545,953**	476,117
	2,586,650	2,454,400

These contingent liabilities have off-balance sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash-flows.

Credit-related commitments include commitments to extend credit, standby letters of credit, and guarantees which are designed to meet the requirements of the Group's customers. Commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. The bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. While there is inherent difficulty in predicting the outcome of these proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or the results of operations of the bank.

23 Fiduciary assets

The Group holds investments amounting to AED 284 million (31 December 2023: AED 214 million) which are held on behalf of customers and not treated as assets in the consolidated statement of financial position.

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24 Interest income

	2024 AED'000	2023 AED'000
Loans and advances to customers	**1,455,747**	1,286,190
Investment securities	**478,204**	358,142
Loans and advances to banks	**151,129**	117,987
	2,085,080	1,762,319

25 Interest expense

	2024 AED'000	2023 AED'000
Deposits from customers	**1,222,734**	1,118,240
Borrowings from banks	**207,202**	217,658
Issued bonds	**226,135**	202,498
	1,656,071	1,538,396

26 Net fee and commission income

	2024 AED'000	2023 AED'000
Management & commitment fees	**75,689**	115,881
Trade finance activities	**15,923**	30,018
Letters of guarantee	**19,448**	16,953
Corporate banking credit related fees	**41,957**	12,622
Others	**1,650**	1,570
	154,667	177,044

27 Income/(loss) on investments

	2024 AED'000	2023 AED'000
Dividends	**1,129**	13,193
Net trading gain	**9,555**	1,086
Realized and unrealized gain/ (loss) on investments	**480**	(31,754)
Impairment on investments measured at amortised cost	**-**	(34,710)
	11,164	(52,185)

28 Net impairment loss on financial assets

31 December 2024	Opening balance AED'000	Net charge/ (reversal) during the year AED'000	Write off during the year AED'000	Closing balance AED'000
Deposits and balances due from banks	**132,582**	**100**	**-**	**132,682**
Loans and advances	**1,731,369**	**55,239**	**(38)**	**1,786,570**
Investments	**3,599**	**(548)**	**-**	**3,051**
Unfunded exposure	**30,263**	**(12,159)**	**-**	**18,104**
Other assets	**27,964**	**-**	**-**	**27,964**
Total	**1,925,777**	**42,632**	**(38)**	**1,968,371**
Charge on FVOCI Bonds		**6,217**		
Other adjustments		**(4,465)**		
Net impairment loss on financial assets		**44,384**		

28 Net impairment loss on financial assets (continued)

31 December 2023	Opening balance AED'000	Subsidiary held for sale adjustment AED'000	Net charge/ (reversal) during the year AED'000	Write off during the year AED'000	Closing balance AED'000
Cash and balances with central banks	153,148	(20,936)	(132,212)	-	-
Deposits and balances due from banks	1,683	(7)	130,906	-	132,582
Loans and advances	1,775,177	(10,576)	(9,506)	(23,726)	1,731,369
Investments	10,720	(6,936)	(185)	-	3,599
Unfunded exposure	33,164	(45)	(2,856)	-	30,263
Other assets	27,964	-	-	-	27,964
Total	**2,001,856**	**(38,500)**	**(13,853)**	**(23,726)**	**1,925,777**
Other adjustments			11,664		
Net impairment reversal on financial assets			**(2,189)**		

29 General and administrative expenses

	2024 AED'000	2023 AED'000
Personnel expenses	**136,944**	179,616
Depreciation (Note 14)	**21,068**	23,576
Other expenses*	**107,760**	127,420
	265,772	330,612

*Other expenses include an amount of AED 2.3 million (2023: AED 9.3 million) representing social contributions made during the year ended 31 December 2024.

30 Taxation

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 ('CT Law') to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

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

Income tax expense / (benefit) relating to Profit and Loss

Income tax expense / (benefit) recorded in the statement of profit or loss comprises of the following:

	2024 AED'000	2023 AED'000
Current Tax		
Current tax on profits for the year	32,934	-
Adjustments for current tax of prior periods	-	-
Total current tax expense	**32,934**	**-**
Deferred income tax		
Increase in deferred tax assets	(1,264)	-
(Decrease)/increase in deferred tax liabilities	-	-
Total deferred tax expense/(benefit)	**(1,264)**	**-**
Income Tax	**31,670**	**-**

30 Taxation (continued)

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate for 2024 and 2023

The income tax applicable to the entity's 2024 income is 9% (2023: 0%). A reconciliation between the expected and the actual taxation charge is provided below:

	2024 AED'000	2023 AED'000
Net Profit/(Loss) for the year before income tax expense	**416,360**	(275,250)
Tax at the company domestic rate of 9% (FY 2023: 0%)	**37,473**	-
Tax effect of income not taxable in determining taxable profit	**(102)**	-
Tax effect on OCI that will not be reclassified subsequently to consolidated statement of profit or loss	**(6,134)**	-
Tax effect of expenses that are not deductible in determining taxable profit	**467**	-
Other adjustments	**(34)**	-
Tax expense for the year	**31,670**	-
Effective Tax Rate	**7.61%**	0%

31 Subsidiaries

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

Name of Subsidiary	Proportion of ownership interest 2024	2023	Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L.	**100%**	100%	1965	2008	Lebanon	Financial institution
EI Capital FZC	**100%**	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	**100%**	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	**100%**	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	**100%**	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	**100%**	100%	2010	2010	U.A.E.	Investment & Real estate development activities
Muwaileh Capital FZC	**90%**	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Funding Limited	**100%**	100%	2015	2015	Cayman Islands	Financing activities
BOS Repos Limited	**100%**	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	**100%**	100%	2018	2018	Cayman Islands	Financing activities
GTW Holding LTD	**100%**	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
GDLR Holding LTD	**100%**	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
BOS Real Estate Egypt	**100%**	100%	2023	2023	Egypt	Real estate development activities

32 Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties. Transactions within the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related parties' balances included in the consolidated statement of financial position and the significant transactions with related parties are as follows:

Balances at the end of the reporting year	**2024 AED'000**	2023 AED'000
Loans and advances	**1,637,929**	957,407
Letters of credit, guarantee and acceptances	**213,565**	225,649
Total	**1,851,494**	1,183,056
Collateral deposits	**(172,239)**	(104)
Expected Credit Losses	**(3,422)**	(2,066)
Net exposure	**1,675,833**	1,180,886
Other deposits	**7,090,609**	5,738,669
Investment in Government of Sharjah bonds	**7,000,000**	7,000,000

Transactions during the reporting year	**2024 AED'000**	2023 AED'000
Interest income	**491,459**	405,561
Interest expense	**480,412**	229,050
Rent expense *	**8,500**	8,500

Compensation of Directors, advisors and key management personnel

	2024 AED'000	2023 AED'000
Short term benefits	**15,904**	34,736
End of service benefits	**244**	3,850
Total compensation as at 31 December	**16,148**	38,586

No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

32.1 Transactions with owners and directors of the Group

Bank of Sharjah

Dividends - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2023, held on 30 April 2024, the shareholders approved no cash dividends distribution (2022: no cash dividend distribution).

Directors' remuneration - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2023, held on 30 April 2024, the shareholders of the Bank approved no Directors' remuneration (2022: no Directors' remuneration).

Charity donations - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2023, held on 30 April 2024, the shareholders approved no charitable donations (2022: no charitable donations).
Transfer from reserves - at the Annual General Meeting of the shareholders held on 30 April 2024, the shareholders approved no transfer from reserves (2022: no transfer from reserves).

33 Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Group. For operating purposes, the Group is organised into two major business segments:

(i) Commercial, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
(ii) Investment and treasury, which involves the management of the Group's investment portfolio.

The following table presents information regarding the Group's operating segments for the year ended 31 December 2024:

	Commercial AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	**176,938**	**252,071**	**-**	**429,009**
- Net fee and commission income	**154,667**	**-**	**-**	**154,667**
- Exchange profit	**25,771**	**-**	**-**	**25,771**
- Income on investments	**-**	**11,164**	**-**	**11,164**
- Net income on properties	**-**	**104,431**	**-**	**104,431**
- Other income	**1,474**	**-**	**-**	**1,474**
Total operating income	**358,850**	**367,666**	**-**	**726,516**
Other material non-cash items				
- Net impairment charge on financial assets	**(43,836)**	**(548)**	**-**	**(44,384)**
- Depreciation	**-**	**-**	**(21,068)**	**(21,068)**
- General and administrative expenses	**(208,000)**	**(36,704)**	**-**	**(244,704)**
- Income tax expense	**-**	**-**	**(31,670)**	**(31,670)**
Net profit/(loss) for the year	**107,014**	**330,414**	**(52,738)**	**384,690**
Segment assets	**29,887,713**	**12,103,812**	**1,591,447**	**43,582,972**
Segment liabilities	**35,297,446**	**3,563,070**	**895,634**	**39,756,150**

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33 Segmental information (continued)

The following table presents information regarding the Group's operating segments for the year ended 31 December 2023:

	Commercial AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	68,280	155,643	-	223,923
- Net fee and commission income	177,044	-	-	177,044
- Exchange profit	15,188	-	-	15,188
- Loss on investments	-	(52,185)	-	(52,185)
- Net loss on properties	-	(97,762)	-	(97,762)
- Other income	3,806	677	-	4,483
Total operating income	**264,318**	**6,373**	**-**	**270,691**
Other material non-cash items				
- Net impairment charge on financial assets	2,616	(427)	-	2,189
- Depreciation	-	-	(23,576)	(23,576)
- General and administrative expenses	(260,981)	(46,055)	-	(307,036)
- Impairment of intangible assets	-	-	(18,365)	(18,365)
- Net impairment charge on subsidiary held for sale	-	(199,153)	-	(199,153)
Net profit/(loss) for the year	**5,953**	**(239,262)**	**(41,941)**	**(275,250)**
Segment assets	**28,256,179**	**9,674,953**	**1,528,548**	**39,459,680**
Segment liabilities	**30,972,647**	**4,004,998**	**976,520**	**35,954,165**

** Unallocated items comprise mainly head office expenses and tax assets.*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2023: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for resource allocation purpose. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, goodwill and other intangibles and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

33.1 Geographical information

The Group currently operates in one principal geographical area – United Arab Emirates. The Group's operating income and information about its non-current assets by geographical location are detailed below:

2024	Country of domicile AED'000	Foreign AED'000	Total AED'000
Operating income	**726,516**	**-**	**726,516**
Non-Current Assets	**1,013,914**	**373,367**	**1,387,281**
2023			
Operating income	267,444	3,247	270,691
Non-Current Assets	972,537	373,367	1,345,904

34 Classification of financial assets and financial liabilities

(a) 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:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	**4,639,575**	**4,639,575**
Deposits and balances due from banks	-	-	**595,972**	**595,972**
Loans and advances, net	-	-	**24,302,758**	**24,302,758**
Investment securities, net	**423,181**	**1,796,461**	**7,881,928**	**10,101,570**
Other assets and derivatives	**1,144**	-	**666,196**	**667,340**
Total	**424,325**	**1,796,461**	**38,086,429**	**40,307,215**
Financial liabilities:				
Customers' deposits	-	-	**29,704,942**	**29,704,942**
Deposits and balances due to banks	-	-	**2,822,812**	**2,822,812**
Repo borrowings	-	-	**2,420,284**	**2,420,284**
Other liabilities	-	-	**1,141,852**	**1,141,852**
Issued Bonds	-	-	**3,563,070**	**3,563,070**
Total	-	-	**39,652,960**	**39,652,960**

(b) 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:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	4,558,295	**4,558,295**
Deposits and balances due from banks	-	-	618,633	**618,633**
Loans and advances, net	-	-	22,067,850	**22,067,850**
Investments measured at fair value	134,706	224,766	-	**359,472**
Investments measured at amortised cost	-	-	7,367,938	**7,367,938**
Other assets and derivatives	6,029	-	1,242,965	**1,248,994**
Total	**140,735**	**224,766**	**35,855,681**	**36,221,182**
Financial liabilities:				
Customers' deposits	-	-	26,342,597	**26,342,597**
Deposits and balances due to banks	-	-	1,916,341	**1,916,341**
Repo borrowings	-	-	1,702,312	**1,702,312**
Other liabilities	-	-	1,782,265	**1,782,265**
Issued Bonds	-	-	4,004,998	**4,004,998**
Total	-	-	**35,748,513**	**35,748,513**

35 Financial risk management

The Group has Senior Management committees to oversee the risk management. The Board Executive Committee and the Board Risk Committee, under delegation from the Board of Directors defines policies, processes, and systems to manage and monitor credit risk. It also sets policies, system and limits for interest rate risk, foreign exchange risk, and liquidity risk. The Group also has a Credit Risk function which independently reviews adherence to all risk management policies and processes. The Group's internal audit function, which is part of risk review, primarily evaluates the effectiveness of the controls addressing operational risk.

35 Financial risk management (continued)

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counter-parties to mitigate credit risk. Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Policies relating to credit are reviewed and approved by the Group's Executive Committee. All credit lines are approved in accordance with the Group's credit policy set out in the Credit Policy Manual. Credit and marketing functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Group further limits risk through diversification of its assets by economic and industry sectors. All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Risk and facilities are risk graded based on criterion established in the Credit Policy Manual. Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Group's Executive Committee and are monitored by the Senior Management on a daily basis. The Executive Committee is responsible for setting credit policy of the Group. It also establishes industry caps, approves policy exceptions, and conducts periodic portfolio reviews to ascertain portfolio quality.

Commercial/Institutional lending underwriting - All credit applications for Commercial and Institutional lending are subject to the Group's credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Group does not lend to companies operating in industries that are considered by the Group inherently risky and where industry knowledge specialisation is required. In addition, the Group sets credit limits for all customers based on their creditworthiness. All credit facilities extended by the Group are made subject to prior approval pursuant to a delegated signature authority system under the ultimate authority of the Executive Committee or the Group's Executive Director and General Manager under the supervision of the Board. At least two signatures are required to approve any commercial or institutional credit application.

Credit review procedures and loan classification - The Group's Credit Risk department subjects the Group's risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the Central Bank of the U.A.E. and the Group's internal policies in order to assist in the early identification of accrual and potential performance problems. The Credit Risk department validates the risk ratings of all commercial clients, provides an assessment of portfolio risk by product and industry and monitors observance of all approved credit policies, guidelines and operating procedures across the Group. All commercial/institutional loan facilities of the Group are assigned one of ten risk ratings (1-10) where 1 is being excellent and 10 being loss with no reimbursement capacity and total provisioning. If a Loan is impaired, interest will be suspended and not be credited to the consolidated statement of profit or loss. Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets. The Group also measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

35 Financial Risk management (continued)

Credit risk management (continued)

Expected credit loss allowance

As of 31 December 2024	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central banks	4,639,575	-	-	-	-	-	4,639,575	-
Due from banks and financial institutions	111,303	461	679	9	616,672	132,212	728,654	132,682
Loans and advances	12,534,991	59,087	11,449,949	1,330,250	2,104,388	397,233	26,089,328	1,786,570
Investments measured at FVOCI	1,796,461	6,217	-	-	-	-	1,796,461	6,217
Investments measured at amortised cost	7,884,979	3,051	-	-	-	-	7,884,979	3,051
Other assets	707,796	27,964	-	-	-	-	707,796	27,964
Unfunded exposure	1,365,725	71	88,676	18,033	-	-	1,454,401	18,104
	29,040,830	96,851	11,539,304	1,348,292	2,721,060	529,445	43,301,194	1,974,588

As of 31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central banks	4,558,295	-	-	-	-	-	4,558,295	-
Due from banks and financial institutions	199,294	357	971	13	550,950	132,212	751,215	132,582
Loans and advances	10,568,103	42,570	11,214,618	1,292,551	2,016,498	396,248	23,799,219	1,731,369
Investments measured at FVOCI	224,766	-	-	-	-	-	224,766	-
Investments measured at amortised cost	7,371,537	3,599	-	-	-	-	7,371,537	3,599
Other assets	1,280,216	27,964	-	-	-	-	1,280,216	27,964
Unfunded exposure	1,599,850	537	526,568	29,720	56,327	6	2,182,745	30,263
	25,802,061	75,027	11,742,157	1,322,284	2,623,775	528,466	40,167,993	1,925,777

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2024

35 Financial Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2024	2,696,205	1,084	31,346	38	21,938	197	2,749,489	1,319
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-	-
Transfers from stage 2 to stage 1	306	-	(306)	-	-	-	-	-
Transfers from 1&2 to stage 3	(107)	-	(26)	-	133	-	-	-
Transfers from stage 3	-	-	120	-	(120)	-	-	-
Change in exposure	206,739	(418)	(1,267)	128	1,227	129	206,699	(161)
As of 31 December 2024	2,903,143	666	29,867	166	23,178	326	2,956,188	1,158
Wholesale banking loans								
As of 1 January 2024	7,871,898	41,486	11,183,272	1,292,513	1,994,560	396,051	21,049,730	1,730,050
Transfers from stage 1 to stage 2	(113,278)	(3,607)	113,278	3,607	-	-	-	-
Transfers from stage 2 to stage 1	827,992	101	(827,992)	(101)	-	-	-	-
Transfers from 1&2 to stage 3	(4,728)	(16)	-	-	4,728	16	-	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Change in exposure	1,049,964	20,457	951,524	34,065	81,922	840	2,083,410	55,362
As of 31 December 2024	9,631,848	58,421	11,420,082	1,330,084	2,081,210	396,907	23,133,140	1,785,412
Total	12,534,991	59,087	11,449,949	1,330,250	2,104,388	397,233	26,089,328	1,786,570

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements for the year ended 31 December 2024

35 Financial Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances (continued)

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2023	**1,860,764**	**7,752**	**4,276**	**46**	**22,223**	**371**	**1,887,263**	**8,169**
Subsidiary held for sale adjustment (note 2.1)	(390)	(50)	-	(1)	(162)	(146)	(552)	(197)
Transfers from stage 1 to stage 2	(5,316)	-	5,316	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-	-	-	-
Transfers from 1&2 to stage 3	(61)	-	(165)	-	226	-	-	-
Transfers from stage 3	17	-	-	-	(17)	-	-	-
Change in exposure	841,191	(6,618)	21,919	(7)	(332)	(28)	862,778	(6,653)
As of 31 December 2023	**2,696,205**	**1,084**	**31,346**	**38**	**21,938**	**197**	**2,749,489**	**1,319**
Wholesale banking loans								
As of 1 January 2023	**10,223,096**	**73,019**	**10,007,034**	**1,297,568**	**1,281,051**	**396,421**	**21,511,181**	**1,767,008**
Subsidiary held for sale adjustment (note 2.1)	(33,173)	(103)	(11,437)	(1,683)	(14,482)	(8,594)	(59,092)	(10,380)
Transfers from stage 1 to stage 2	(1,206,360)	(31,118)	1,206,360	31,118	-	-	-	-
Transfers from stage 2 to stage 1	134,817	3,173	(134,817)	(3,173)	-	-	-	-
Transfers from 1&2 to stage 3	(92,180)	(215)	(212,064)	(7,123)	304,244	7,338	-	-
Transfers from stage 3	-	-	3,229	988	(3,229)	(988)	-	-
Change in exposure	(1,154,302)	(3,270)	324,967	(25,182)	426,976	1,874	(402,359)	(26,578)
As of 31 December 2023	**7,871,898**	**41,486**	**11,183,272**	**1,292,513**	**1,994,560**	**396,051**	**21,049,730**	**1,730,050**
Total	**10,568,103**	**42,570**	**11,214,618**	**1,292,551**	**2,016,498**	**396,248**	**23,799,219**	**1,731,369**

35 Financial Risk management (continued)

Credit risk management (continued)

ECL change/(flow) of loans and advances

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2024	**1,084**	**38**	**197**	**1,319**
Others	**(418)**	**128**	**129**	**(161)**
ECL allowance as of 31 December 2024	**666**	**166**	**326**	**1,158**
Wholesale banking loans:				
ECL allowance as of 1 January 2024	**41,486**	**1,292,513**	**396,051**	**1,730,050**
Emirates governments	**(152)**	**-**	**-**	**(152)**
GREs (Gov ownership >50%)	**337**	**-**	**-**	**337**
Other corporates	**8,627**	**36,213**	**64**	**44,904**
High net worth individuals	**(75)**	**363**	**17**	**305**
SMEs	**335**	**995**	**775**	**2,105**
Banks	**7,863**	**-**	**-**	**7,863**
ECL allowance as of 31 December 2024	**58,421**	**1,330,084**	**396,907**	**1,785,412**
Total	**59,087**	**1,330,250**	**397,233**	**1,786,570**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2023	7,752	46	371	**8,169**
Subsidiary held for sale adjustment (note 2.1)	(50)	(1)	(146)	**(197)**
Others	(6,618)	(7)	(28)	**(6,653)**
ECL allowance as of 31 December 2023	**1,084**	**38**	**197**	**1,319**
Wholesale banking loans:				
ECL allowance as of 1 January 2023	73,019	1,297,568	396,421	**1,767,008**
Subsidiary held for sale adjustment (note 2.1)	(103)	(1,683)	(8,594)	**(10,380)**
Emirates governments	376	-	-	**376**
GREs (Gov ownership >50%)	4,742	-	-	**4,742**
Other corporates	(31,491)	79,308	2,543	**50,360**
High net worth individuals	(147)	(85,902)	8,487	**(77,562)**
SMEs	(4,910)	3,222	(2,806)	**(4,494)**
ECL allowance as of 31 December 2023	**41,486**	**1,292,513**	**396,051**	**1,730,050**
Total	**42,570**	**1,292,551**	**396,248**	**1,731,369**

35 Financial Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk

2024

Loans and advances	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Grade 1	-	-	-	-
Grade 2	-	-	-	-
Grade 3	621,551	45,641	-	667,192
Grade 4	3,965,720	514,571	-	4,480,291
Grade 5	6,197,154	157,532	-	6,354,686
Grade 6	1,651,855	5,936,091	-	7,587,946
Grade 7	98,711	4,796,114	-	4,894,825
Default grades 8-10	-	-	2,104,388	2,104,388
Total gross carrying amount	12,534,991	11,449,949	2,104,388	26,089,328
Allowance for impairment losses	(59,087)	(1,330,250)	(397,233)	(1,786,570)
Net carrying amount	12,475,904	10,119,699	1,707,155	24,302,758

2023

Loans and advances	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Grade 1	-	-	-	-
Grade 2	-	-	-	-
Grade 3	1,229,077	73,566	66	1,302,709
Grade 4	4,725,802	454,336	9,084	5,189,222
Grade 5	4,229,475	19,518	7,760	4,256,753
Grade 6	133,175	5,792,935	-	5,926,110
Grade 7	250,526	2,259,776	239,046	2,749,348
Default grades 8-10	48	2,614,487	1,760,542	4,375,077
Total gross carrying amount	10,568,103	11,214,618	2,016,498	23,799,219
Allowance for impairment losses	(42,570)	(1,292,551)	(396,248)	(1,731,369)
Net carrying amount	10,525,533	9,922,067	1,620,250	22,067,850

35 Financial Risk management (continued)

Credit risk management (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

	Notes	2024 AED'000	2023 AED'000
Balances with Central Banks	6	**4,594,732**	4,512,959
Deposits and balances due from banks	7	**595,972**	618,633
Loans and advances, net	8	**24,302,758**	22,067,850
Investments measured at amortised cost	9	**7,881,928**	7,367,938
Other assets *(excluding prepayments & other non-financial assets)*	33	**667,340**	1,248,994
Total		**38,042,730**	**35,816,374**
Letters of credit	22	**292,343**	459,086
Guarantees	22	**1,748,354**	1,519,197
Undrawn loan commitments	22	**545,953**	476,117
Total		**2,586,650**	**2,454,400**
Total credit risk exposure		**40,629,830**	**38,270,774**

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.

Impaired loans

Impaired loans are loans for which the Group determines that it is likely the collectability of all principal and interest due according to the contractual terms of the loan/securities agreement(s) would be doubtful. These loans are graded 8 to 10 in the Group's internal credit risk grading system.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when the Group determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Group holds collateral against loans and advances in the form of mortgage interests over properties, vehicles and machineries, cash margins, fixed deposits, guarantees and others. The Group accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational corporate and high net worth private individuals. Management has estimated the fair value of collateral to be AED 12.5 billion (2023: AED 13.6 billion) out of which AED 662 million is collateral held against stage 3 loans and advances (2023: AED 645 million). The fair value of the collateral includes cash deposits which are not under lien and the Group has right to set-off against the outstanding facilities. Concentration risk arises when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group measure its exposure to credit risk by reference to gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any. Concentration of credit risk by industrial sector for loans and advances are presented in notes 8(d) and 8(e). Concentration of credit risk by geographical distribution of loans and advances and financial investments is set out in note 8(c).

35 Financial Risk management (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Executive Committee (EC) & Board Risk Committee (BRC) - In addition to its credit related activity, the Executive Committee along with the Board Risk Committee have a broad range of authority delegated by the Board of Directors to manage the Group's asset and liability structure and funding strategy. The EC and BRC review liquidity ratios; asset and liability structure; interest rate and foreign exchange exposures; internal and statutory ratio requirements; funding gaps; and general domestic and international economic and financial market conditions. The EC & BRC formulate liquidity risk management guidelines for the Group's operation on the basis of such review.

The Group's Senior Management monitors the liquidity on a daily basis and uses an interest rate simulation model to measure and monitor interest rate sensitivity and varying interest rate scenarios. The EC members comprise of the Chairman, four Board Members, in addition to the General Manager. The EC meets once or more every 45 days, as circumstances dictate. The quorum requires all members to be present at the meeting and decisions taken to be unanimous. The Group manages its liquidity in accordance with U.A.E. Central Bank requirements and the Group's internal guidelines. The U.A.E. Central Bank sets cash ratio reserve requirements on overall deposits ranging between 1.0 percent for time deposits and 14.0 percent for demand deposits, according to the tenor of the deposits. In addition, the U.A.E. Central Bank requires that banks regulated under the Eligible Liquid Asset Ratio (ELAR) regime maintain a stock of High-Quality Liquid Assets (HQLA), as a buffer against unexpected deposit outflows, of a minimum of 10% (reduced during the Covid-19 pandemic to 7%) of all deposits. The Group complies with this regulation at all times, and applies a higher standard in its internal guidelines. The U.A.E. Central Bank also imposes a mandatory 1:1 utilisation ratio, whereby; loans and advances (combined with inter-bank placements having a remaining term of 'greater than three months') should not exceed stable funds as defined by the U.A.E. Central Bank. Stable funds are defined by the U.A.E. Central Bank to mean free-own funds, inter-bank deposits with a remaining term of more than six months, and stable customer deposits. To guard against liquidity risk, the Group diversifies its funding sources and manages its assets with liquidity in mind, seeking to maintain a preferable proportion between cash, cash equivalent, and readily marketable securities. The Board Risk Committee sets and monitors liquidity ratios and regularly revises and updates the Group's liquidity management policies to ensure that the Group would be in a position to meet its obligations as they fall due. Management of liquidity risk within the parameters prescribed by the Board Risk Committee has been delegated to an Asset and Liability Committee (ALCO) comprising the General Manager (operations) and senior executives from treasury, finance, risk, corporate credit, operations, and investment departments.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or potential damage to the Group's reputation.

The Treasury department communicates with other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury maintains a portfolio of liquid assets to ensure liquidity is maintained within the Group's operations as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is performed under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board. The Daily Position sheet, which reports the liquidity and exchange positions of the Group is reviewed by Senior Management. A summary report, including any exceptions and remedial action taken, is submitted to the Board Risk Committee.

Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk is the advances to stable resources ratio (regulatory ratio) which is 84.2% as at 31 December 2024 (2023: is 79.6%). In addition, the Group also uses the following ratios/information on a continuous basis for measuring liquidity risk:

- Liquid assets to total assets ratio;
- Net loans to deposits ratio (LDR);
- Basel III ratios (including ASRR, ELAR, etc.) are also monitored internally and shared with the Board on quarterly basis.

35 Financial Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2024 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central banks	4,594,732	-	-	44,843	4,639,575
Deposits and balances due from banks	228,672	183,650	183,650	-	595,972
Loans and advances, net	11,399,216	3,371,281	9,532,261	-	24,302,758
Investment securities, net	473,310	7,415,912	1,920,903	291,445	10,101,570
Investment properties	-	-	-	1,157,453	1,157,453
Assets acquired in settlement of debt	-	-	-	1,070,090	1,070,090
Other assets	679,832	-	-	-	679,832
Property and equipment	-	-	-	190,932	190,932
Subsidiary held for sale	-	844,790	-	-	844,790
Total assets	17,375,762	11,815,633	11,636,814	2,754,763	43,582,972
Liabilities					
Customers' deposits	16,708,089	12,696,448	300,405	-	29,704,942
Deposits and balances due to banks	2,583,224	239,588	-	-	2,822,812
Repo-borrowing	1,631,776	788,508	-	-	2,420,284
Other liabilities	1,245,042	-	-	-	1,245,042
Issued Bonds	-	-	3,563,070	-	3,563,070
Total liabilities	22,168,131	13,724,544	3,863,475	-	39,756,150
Net liquidity gap	(4,792,369)	(1,908,911)	7,773,339	2,754,763	3,826,822

35 Financial Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2023 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central banks	4,512,959	-	-	45,336	**4,558,295**
Deposits and balances due from banks	55,664	195,669	367,300	-	**618,633**
Loans and advances, net	6,231,351	2,700,308	13,136,191	-	**22,067,850**
Investment securities, net	178,774	6,998,413	190,751	359,472	**7,727,410**
Investment properties	-	-	-	1,102,753	**1,102,753**
Assets acquired in settlement of debt	-	-	-	1,078,084	**1,078,084**
Other assets	1,252,252	-	-	-	**1,252,252**
Property and equipment	-	-	-	209,613	**209,613**
Subsidiary held for sale	-	844,790	-	-	**844,790**
Total assets	**12,231,000**	**10,739,180**	**13,694,242**	**2,795,258**	**39,459,680**
Liabilities					
Customers' deposits	12,945,957	12,778,800	617,840	-	**26,342,597**
Deposits and balances due to banks	1,916,341	-	-	-	**1,916,341**
Repo-borrowing	1,702,312	-	-	-	**1,702,312**
Other liabilities	1,987,917	-	-	-	**1,987,917**
Issued Bonds	-	2,203,530	1,801,468	-	**4,004,998**
Total liabilities	**18,552,527**	**14,982,330**	**2,419,308**	**-**	**35,954,165**
Net liquidity gap	**(6,321,527)**	**(4,243,150)**	**11,274,934**	**2,795,258**	**3,505,515**

35 Financial Risk management (continued)

Market risk management

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading, or non-trading /banking book.

a) Market risk - trading book

The Executive Committee has set limits for acceptable level of risks in managing the trading book. The Group maintains a well-diversified portfolio. In order to manage the market risk in the trading book, the Group carries a limited amount of market risk based on the policy preference and this is continuously monitored by Senior Management. The Group's trading book mainly comprises of equity instruments in companies listed on the U.A.E. exchanges. As such, the market risk in the trading book is limited to equity price risk. Equity price risk refers to the risk of an increase/ (decrease) in the fair values of equities in the Group's trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's equity investments held in the trading book due to a reasonable possible change in U.A.E. equity indices, with all other variables held constant is as follows:

	31 December 2024		31 December 2023	
Market indices	**Change in equity price %**	**Effect on income AED'000**	Change in equity price %	Effect on income AED'000
Global Stock markets	**+1%**	**-**	+1%	1,347
Global Stock markets	**-1%**	**-**	-1%	(1,347)

b) Market risk - non-trading or banking book

Market risk on non-trading or banking positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities. The Group uses simulation-modelling tools to periodically measure and monitor interest rate sensitivity. The results are monitored and analysed by the Senior Management. Since most of the Group's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Group's assets and liabilities will be re-priced within one year or less, thereby further limiting interest rate risk.

35 Financial Risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2024 was as follows:

	Weighted average effective rate	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	4.40%	-	-	-	4,639,575	4,639,575
Deposits and balances due from banks		228,672	183,650	183,650	-	595,972
Loans and advances, net	6.88%	20,735,221	1,507,660	2,059,877	-	24,302,758
Investments measured at fair value	1.10%	155,275	241,606	1,531,315	291,446	2,219,642
Investments measured at amortised cost	5.32%	420,808	7,196,865	264,255	-	7,881,928
Investment properties		-	-	-	1,157,453	1,157,453
Assets acquired in settlement of debt		-	-	-	1,070,090	1,070,090
Other assets		-	-	-	679,832	679,832
Property and equipment		-	-	-	190,932	190,932
Subsidiary held for sale		-	-	-	844,790	844,790
Total assets		21,539,976	9,129,781	4,039,097	8,874,118	43,582,972
Liabilities and equity						
Customers' deposits	4.03%	16,708,089	12,696,448	300,405	-	29,704,942
Deposits and balances due to banks	5.08%	2,583,224	239,588	-	-	2,822,812
Repo-borrowing	5.11%	1,631,776	788,508	-	-	2,420,284
Other liabilities		-	-	-	1,245,042	1,245,042
Issued Bonds	6.13%	-	3,563,070	-	-	3,563,070
Equity		-	-	-	3,826,822	3,826,822
Total liabilities and equity		20,923,089	17,287,614	300,405	5,071,864	43,582,972
On statement of financial position gap		616,887	(8,157,833)	3,738,692	3,802,254	-
Cumulative interest rate sensitivity gap		616,887	(7,540,946)	(3,802,254)	-	-

35 Financial Risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2023 was as follows:

	Weighted average effective rate	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	5.40%	-	-	-	4,558,295	**4,558,295**
Deposits and balances due from banks		55,664	12,019	-	550,950	**618,633**
Loans and advances, net	7.01%	15,702,395	3,323,738	3,041,717	-	**22,067,850**
Investments measured at fair value		-	-	-	359,472	**359,472**
Investments measured at amortised cost	5.89%	-	7,366,210	-	1,728	**7,367,938**
Investment properties		-	-	-	1,102,753	**1,102,753**
Assets acquired in settlement of debt		-	-	-	1,078,084	**1,078,084**
Other assets		-	-	-	1,252,252	**1,252,252**
Property and equipment		-	-	-	209,613	**209,613**
Subsidiary held for sale		-	-	-	844,790	**844,790**
Total assets		**15,758,059**	**10,701,967**	**3,041,717**	**9,957,937**	**39,459,680**
Liabilities and equity						
Customers' deposits	4.67%	12,945,957	12,778,800	617,840	-	**26,342,597**
Deposits and balances due to banks	5.29%	1,916,341	-	-	-	**1,916,341**
Repo-borrowing	5.91%	1,702,312	-	-	-	**1,702,312**
Other liabilities		-	-	-	1,987,917	**1,987,917**
Issued Bonds	5.36%	-	4,004,998	-	-	**4,004,998**
Equity		-	-	-	3,505,515	**3,505,515**
Total liabilities and equity		**16,564,610**	**16,783,798**	**617,840**	**5,493,432**	**39,459,680**
On statement of financial position gap		**(806,551)**	**(6,081,831)**	**2,423,877**	**4,464,505**	**-**
Cumulative interest rate sensitivity gap		**(806,551)**	**(6,888,382)**	**(4,464,505)**	**-**	**-**

35 Financial Risk management (continued)

Market risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument, excluding non-interest-bearing items. The rate is a historical rate for a fixed rate instrument carried at amortised cost and the current market rate for a floating rate instrument or for an instrument carried at fair value. The following table depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Group's consolidated statement of profit or loss or equity. The sensitivity of the income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2024, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate, including the effect of any associated hedges as at 31 December 2024 for the effect of assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in AED thousands.

As at 31 December 2024	**Increase in basis**	**Sensitivity of interest income**	**Sensitivity of equity**
Rates Up	**200 bps**	**(74,185)**	**(74,185)**
Rates Down	**200 bps**	**74,185**	**74,185**

As at 31 December 2023	Increase in basis	Sensitivity of interest income	Sensitivity of equity
Rates Up	200 bps	(81,103)	(81,103)
Rates Down	200 bps	81,103	81,103

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging instruments are also used to ensure that positions are maintained within the limits. The Group's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, in the normal course of business the Group provides foreign currency exposures to finance its client's activities. The Executive Committee sets the limits on the level of exposure by currency for both overnight and intra-day positions, which are closely monitored by Senior Management. As at 31 December 2024 and 2023, the Group's net currency position was not material, and all the positions were within limits approved by the Executive Committee. As the UAE Dirham and other GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. The table below shows the foreign currencies to which the Group has a significant exposure to:

	2024 AED'000 equivalent short	2023 AED'000 equivalent short
EURO	**(8,489)**	(745)
GBP	**(1,021)**	(390)
CHF	**-**	(217)
AUD	**-**	(22)

35 Financial Risk management (continued)

Market risk management (continued)

b) Market risk - non-trading or banking book (continued)

ii) Currency risk (continued)

The analysis below calculates the effect of a possible movement of the currency rate against AED, with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of profit or loss or equity; whereas a negative effect shows a potential decrease in consolidated statement of profit or loss or equity.

		(AED'000)	
Currency exposure as at 31 December 2024	**Change in currency rate in %**	**Change on net profit**	**Change on Equity**
EURO	**+5%**	**(424)**	**(424)**
EURO	**-5%**	**424**	**424**
GBP	**+5%**	**(51)**	**(51)**
GBP	**-5%**	**51**	**51**

		(AED'000)	
Currency exposure as at 31 December 2023	**Change in currency rate in %**	**Change on net profit**	**Change on Equity**
EURO	**+5%**	(37)	(37)
EURO	**-5%**	37	37
GBP	**+5%**	(20)	(20)
GBP	**-5%**	20	20
CHF	**+5%**	(11)	(11)
CHF	**-5%**	11	11
AUD	**+5%**	(1)	(1)
AUD	**-5%**	1	1

iii) Equity price risk

Equity price risk refers to the risk of a decrease in the fair value of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's quoted equity investments held as financial assets at FVTOCI due to reasonable possible change in equity prices, with all other variables held constant is as follows:

	31 December 2024		31 December 2023	
Market indices	**Change in equity price %**	**Effect on equity AED'000**	Change in equity price %	Effect on equity AED'000
Global stock markets	**+1%**	**2,153**	+1%	1,045
Global stock markets	**-1%**	**(2,153)**	-1%	(1,045)

35 Financial Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, and may have legal or regulatory implications, or lead to financial losses. The Group would not be able to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group could minimise the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

36 Capital adequacy and capital management

Capital management process

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial positions, are:

- To comply with the capital requirements set by the Central Bank of United Arab Emirates;
- To safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the authority on a quarterly basis. The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Group's regulatory capital is analysed into two tiers:

- Common equity tier 1 (CET 1) capital, which includes ordinary share capital, legal reserve, general reserve and retained earnings; fair value reserves, after deductions for intangibles, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under "CBUAE" guidelines.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The minimum capital adequacy requirements as set out by the Central Bank are as follows:

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

In addition to CET 1 ratio of 7% of RWAs, a capital conservation buffer (CCB) of 2.5% of RWAs shall be maintained in the form of CET 1. Further, counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB to be notified by 'the Central Bank'. There is no CCyB requirement during the current year. The Group has complied with all the externally imposed capital requirements and has prepared the capital adequacy ratios excluding the currency translation resulting from the Lebanese operations.

36 Capital adequacy and capital management (continued)

Capital management process (continued)

Basel III

	31 December 2024 AED'000	31 December 2023 AED'000
Capital base		
Common Equity Tier 1	**3,865,227**	3,700,274
Additional Tier 1 capital	**-**	-
Tier 1 capital	**3,865,227**	3,700,274
Tier 2 capital	**320,821**	324,171
Total capital base	**4,186,048**	4,024,445
Risk-weighted assets:		
Credit risk	**25,665,669**	25,933,669
Market risk	**587,802**	272,735
Operational risk	**1,185,911**	1,231,102
Total risk-weighted assets	**27,439,382**	27,437,506
Capital ratios		
Common equity Tier 1 capital ratio	**14.1%**	13.5%
Tier 1 capital ratio	**14.1%**	13.5%
Total capital ratio	**15.3%**	14.7%

37 Fair value of financial instruments

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 or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair value of an 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 valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction. The best evidence of the fair value of a financial instrument on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. The fair value of a financial liability with a demand feature (e.g. a 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.

37 Fair value of financial instruments (continued)

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Investments held at fair value through profit and loss
Investments held for trading or designated at fair value through profit and loss represent investment securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Including in these investments listed equity securities for which the fair values are based on quoted prices at close of business as of 31 December 2024, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supposed by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income
The consolidated financial statements include holdings in unquoted securities amounting to AED 76 million (2023: AED 120 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on comparable ratios backed by discounted cash flow analysis depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

For investments valued using comparable ratios, share prices of comparable companies represent significant inputs to the valuation model. If the share prices of the comparable companies were 5% higher/lower while all other variables were held constant, then the fair value of the securities would increase/decrease by AED 4 million (2023: AED 6 million). The impact of the change in fair valuation from previously existing carrying amounts have been recognised as a part of cumulative changes in fair value in equity.

Fair value of financial instruments carried at amortised cost
Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

31 December 2024

	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	262,488	7,619,440	-	**7,881,928**	**7,873,959**
- Loans and advances	-	-	24,302,758	**24,302,758**	**24,302,758**
Financial liabilities					
- Customers' deposits	-	-	29,704,942	**29,704,942**	**29,704,942**
- Issued Bonds	3,563,070	-	-	**3,563,070**	**3,686,719**

37 Fair value of financial instruments (continued)

31 December 2023

	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	-	7,367,938	-	**7,367,938**	**7,363,519**
- Loans and advances	-	-	22,067,850	**22,067,850**	**22,067,850**
Financial liabilities					
- Customers' deposits	-	-	26,342,597	**26,342,597**	**26,342,597**
- Issued Bonds	4,004,998	-	-	**4,004,998**	**4,068,946**

The fair value for other financial assets measured at amortised cost is based on market prices.

Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of financial instruments that are measured at fair value. They are banked into levels 1 to 3 based on the degree to which the fair value is observable.

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

There were no transfers between Level 1 and Level 2 during the current year.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2024				
Investments measured at fair value				
Investment measured at FVTPL				
Quoted debt securities	**423,181**	**-**	**-**	**423,181**
Investments carried at FVTOCI				
Quoted equity securities	**215,272**	**-**	**-**	**215,272**
Unquoted equity securities	**-**	**-**	**76,173**	**76,173**
Quoted debt securities	**1,505,016**	**-**	**-**	**1,505,016**
Total	**2,143,469**	**-**	**76,173**	**2,219,642**
Other assets				
Positive fair value of derivatives	**-**	**1,144**	**-**	**1,144**
Negative fair value of derivatives	**-**	**(1,432)**	**-**	**(1,432)**
At 31 December 2023				
Investments measured at fair value				
Investment measured at FVTPL				
Quoted equity securities	134,706	-	-	134,706
Investments carried at FVTOCI				
Quoted equity securities	104,544	-	-	104,544
Unquoted equity securities	-	-	120,222	120,222
Total	239,250	-	120,222	359,472
Other assets				
Positive fair value of derivatives	-	202	-	202

37 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of other financial assets measured at FVTOCI:

	2024 AED'000	2023 AED'000
Opening balance	**120,222**	157,058
Subsidiary held for sale adjustment (Note 2.1)	**-**	(66)
Loss recognised in other comprehensive income	**(44,049)**	(36,770)
Closing balance	**76,173**	120,222

Unobservable inputs used in measuring fair value

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, 10% change in the underlying value of these investments would have the following effects.

	Effect on OCI	
31 December 2024 (AED'000)	**Favourable**	**Unfavourable**
	7,617	**(7,617)**
	Effect on OCI	
31 December 2023 (AED'000)	Favourable	Unfavourable
	12,022	(12,022)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

Financial Instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with Central Banks, due from banks and financial institutions, loans and advances, net, other assets (excluding prepayments), due to banks, customers' deposits and other liabilities that are categorised as level 2 based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values. The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit and maturity. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

38. Subsequent events

There are no material subsequent events that have occurred that require adjustment to, or disclosure in, the consolidated financial statements.