INVEST BANK P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2024

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Board of Directors' report to the Shareholders

Dear Shareholders,

It is my pleasure to present the Directors' Report, and the audited consolidated financial statements as at and for the year ended 31 December 2024. The year 2024 was another important phase where the Bank has laid a solid foundation to build in the years to come.

As we pass through a challenging 2024, we believe that we are now in a solid position for a better 2025. We begin 2025 with a position of strength, ready to capitalize on opportunities that await us in 2025, and build a sustainable and profitable business for the coming years. The guarantee agreement with the Government of Sharjah which became effective in late 2023 is already bearing fruit as the Bank was able to claim AED 531.5 during 2024 which provides the bank with additional liquidity to do more business.

The Bank's interest income stands at AED 489 million in 2024 an increase of 8.1% compared to AED 452 million in 2023. The improved interest and fee income in the current year coupled higher income earned from managed repossessed properties have positively impacted the operating income, however the operating income has reduced by 11% to AED 211 million compared to previous year, primarily due to valuation loss on repossessed properties. Further, the Bank was able to bring down impairment charge by 89%, reducing it from more than AED 1 billion in 2023 to AED 120 million in 2024. The impairment charge for 2024 includes the impact of the new Credit Management Standards (CRMS) introduced by the Central Bank of the UAE.

Our transformation journey is continuous, and we continue to invest in our people and technology and upgrade them where necessary, to stay abreast and compete with other leading financial institutions in the UAE.

We continue to strengthen our emiratisation initiatives by onboarding new talents and investing in our existing talents, providing them with opportunities and infrastructure as we see them as future leaders of the bank and the country as a whole. The bank is focused and has a target to reach 45% emiratisation by the end of 2026. We are continuously engaging relevant authorities in UAE to exploit their database and identify, onboard and develop them into banking professionals.

The Bank's total assets reached AED 10.8 billion, with net loans and advances of AED 4.5 billion and deposits of AED 8.7 billion. Shareholder's equity was AED 1.5 billon as at the year ended 31 December 2024. The additional provisions taken on loans during 2024 has allowed to almost fully de risk the Banks balance sheet from legacy non-performing loans.

The bank continues to maintain strong liquidity as its ELAR stands at 15.6%, which is above the regulatory requirement. This is a testament that the Bank's ability to meet obligations without dampening its liquidity or hindering its business. The Bank's Capital adequacy stands at a solid 28.7% which translates into a solid base to build and grow the business further.

We intend to keep challenging ourselves with ambitious milestones and targets. With continued support of our majority shareholder, Government of Sharjah (GOS), the Central Bank of UAE (CBUAE) and the effects of the capital increase in 2023, we believe we are ready to achieve more and build a sustainable future which improves profitability and supports shareholder wealth creation.

Board of Directors' report to the Shareholders (continued)

In 2025 and beyond, the Bank will focus on increasing its business both organically an inorganically, while continuing to improvise on its restructuring and recovery capabilities to recover impaired loans. The Bank operating model should help the business achieve its targets but with cautious aggression. The bank shall remain open and vigilant to business opportunities whilst focusing on improving its market share.

Personally, and on behalf of the entire Board, I would like to express our sincere gratitude and appreciation to His Highness Sheikh Dr. Sultan bin Mohammed Al Qasimi, Member of the Supreme Council and Ruler of Sharjah, for his continuous guidance and support to our bank during our challenging phase and in this new era of growth and sustainability.

On your behalf, I would also like to thank the bank's management and staff for their vigorous efforts, dedication, commitment, and we all look forward to their continuous contribution towards building a digitally transformed Invest Bank as envisioned by our visionary leaders.

Sheikh Sultan Bin Ahmed Bin Sultan Al Qasimi
Chairman

Independent auditor's report to the shareholders of Invest bank P.S.C.

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Independent auditor's report to the shareholders of Invest bank P.S.C. (continued)

Emphases of matter

We draw attention to the following matters:

(i) note 2.1 to the consolidated financial statements which states that the Bank has a reimbursement asset of AED 2.1 billion as at 31 December 2024.The realizability of this asset is dependent on the ability of the Group to satisfactorily comply with the eligibility criteria as set out in note 2.1 to enable it to establish an unconditional contractual right to receive amounts due under the reimbursement asset from the Government of Sharjah ("GoS" or the "Guarantor") in accordance with the guarantee agreement entered into with the GoS.

(ii) note 2.2 to the consolidated financial statements which states that the Group continues to focus on a number of initiatives to manage its liquidity and financing requirements in addition to the support provided by the Central Bank of the United Arab Emirates and the GoS.

Our opinion is not modified in respect of the above matters.

Our audit approach

Overview

Key Audit Matters	Management's assessment of the preparation of the consolidated financial statements on a going concern basis. Measurement of Expected Credit Losses ("ECL").

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

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

Key audit matters

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

Independent auditor's report to the shareholders of Invest bank P.S.C. (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Management's assessment of the preparation of the consolidated financial statements on a going concern basis Management and the Board of Directors have assessed the appropriateness of the going concern assumption as a basis for the preparation of the consolidated financial statements. In performing their assessment, management and the Board of Directors have considered the liquidity requirements of the Group, as well as the liquidity support available from the Central Bank of the UAE ('CBUAE'). As a result of their assessment, which requires making significant assumptions and judgements, management and the Board of Directors have determined that it is appropriate for the consolidated financial statements to be prepared on a going concern basis. The going concern basis for the preparation of the consolidated financial statements is considered a key audit matter in view of the significant judgements exercised by management and the assumptions made by it in performing its going concern assessment for the Group. Refer to note 2 of the consolidated financial Statements.	We performed the following procedures in respect of the judgements exercised by the Group in performing its going concern assessment: Confirmed with the CBUAE their ongoing commitment to provide liquidity support for the Bank, as necessary. Assessed the Group's liquidity requirements, deposit concentration and projected deposit attrition. Reviewed the reasonableness of management's assumptions and estimates included in the cash flow projections. Assessed the adequacy of the Group's disclosures in note 2 on management's assessment of the going concern as a basis for the preparation of the consolidated financial statements.
Measurement of expected credit losses ("ECL") The Group applies ECL on all its financial assets measured at amortied cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments and performance guarantees. The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria subject to ECL.	We performed the following audit procedures on the computation and reasonableness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024: We tested the completeness and accuracy of the data used in the calculation of ECL provision. For a sample of loans, we checked the appropriateness of the Group's application of the staging criteria, including the basis for movement between the stages.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Measurement of expected credit losses ("ECL") (continued) For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of collateral. The Group's impairment policy under IFRS 9 is presented in Note 4.3.1 to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgements and makes a number of assumptions in the staging criteria applied to the financial instruments as well as in developing ECL models for calculating its impairment provision.	➢ We involved our internal 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. ● Reasonableness and appropriateness of the methodology and assumptions used in the calculation of various components of ECL modelling including the computation of the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") for the models selected for testing. ● Reasonableness of the key assumptions made in developing the modelling framework including assumptions for Significant Increase in Credit Risk ("SICR") and for estimating forward-looking scenarios. ● For a sample of exposures, we recomputed the ECL provisions for selected portfolios across different stages to assess mathematical integrity of the ECL computation. ➢ We performed an independent credit assessment for a sample of exposures, including stage 3 exposures, by assessing quantitative and qualitative factors, including as necessary, assessment of financial performance of the borrower, source of repayments and its history, credit risk mitigation through discounted cashflows of the borrower including collateral and other relevant risk factors. ➢ We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL provisions as required by IFRS Accounting Standards.

Independent auditor's report to the shareholders of Invest bank P.S.C. (continued)

Other information

The Directors 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) which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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.

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

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

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

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

Independent auditor's report to the shareholders of Invest bank P.S.C. (continued)

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

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

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

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

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

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

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

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

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

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

Independent auditor's report to the shareholders of Invest bank P.S.C. (continued)

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

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

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal-Decree Law No. (32) of 2021;
iii) the Group has maintained proper books of account;
iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;
v) as disclosed in note 8 to the consolidated financial statements the Group has not purchased or invested in shares during the year ended 31 December 2024;
vi) note 24 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal-Decree Law No. (32) of 2021, or in respect of the Group, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
viii) note 20.1 to the financial statements discloses the social contributions made during the year ended 31 December 2024.

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

PricewaterhouseCoopers Limited Partnership (Sharjah Branch)
28 March 2025



Jigesh Ashokkumar Shah
Registered Auditor Number: 5621
Place: Sharjah, United Arab Emirates

INVEST BANK P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Note	2024 AED'000	2023 AED'000
Assets			
Cash and deposits with central banks	6	**1,118,555**	1,192,642
Due from banks	7	**846,915**	610,944
Investment securities	8	**1,274,122**	2,367,839
Loans and advances to customers	9	**4,491,465**	4,252,082
Reimbursement asset	10	**2,068,501**	2,600,000
Assets held for sale	11	**-**	78,352
Other assets	12	**983,516**	930,317
Total assets		**10,783,074**	12,032,176
Liabilities			
Due to banks	13	**258**	375,830
Deposits from customers	14	**8,722,156**	9,561,165
Liabilities held for sale	11	**-**	3,525
Other liabilities	15	**581,942**	422,080
Total liabilities		**9,304,356**	10,362,600
Equity			
Share capital	16	**3,202,493**	3,202,493
Fair value reserve		**(43,722)**	(42,091)
Foreign currency translation reserve		**21,665**	21,665
Accumulated losses		**(1,701,718)**	(1,512,491)
Net equity		**1,478,718**	1,669,576
Total liabilities and equity		**10,783,074**	12,032,176

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 MAR 2025 and signed on its behalf by:

Chief Executive Officer

Chairman

The notes 1 to 31 are an integral part of these consolidated financial statements.

INVEST BANK P.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Operating income			
Interest income	17	**488,510**	452,034
Interest expense	17	**(348,113)**	(281,076)
Net interest income		**140,397**	170,958
Net fees and commission income	18	**73,715**	50,089
Net income from foreign currencies		**7,709**	7,013
Other (loss) / income	19	**(10,436)**	9,982
Total operating income		**211,385**	238,042
Operating expenses			
General and administrative expenses	20	**(280,493)**	(208,965)
Total operating expenses		**(280,493)**	(208,965)
Operating (loss) / income before impairment charge and tax		**(69,108)**	29,077
Net impairment charge	21	**(120,188)**	(1,060,266)
Loss before tax		**(189,296)**	(1,031,189)
Tax expense	30	**-**	-
Loss for the year		**(189,296)**	(1,031,189)
Loss per share (UAE Dirhams)	22	**(0.0007)**	(0.013)

INVEST BANK P.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	2024 AED'000	2023 AED'000
Loss for the year	**(189,296)**	(1,031,189)
Other comprehensive loss:		
Items that will be reclassified to profit or loss:		
Change in fair value of debt securities measured at fair value through other comprehensive income	**(374)**	-
Items that will not be reclassified to profit or loss:		
Change in fair value of equity securities measured at fair value through other comprehensive income	**(1,188)**	(1,212)
Total comprehensive loss for the year	**(190,858)**	(1,032,401)

The notes 1 to 31 are an integral part of these consolidated financial statements.

INVEST BANK P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share Capital AED'000	Share discount AED'000	Foreign currency translation reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2023	**3,180,982**	**(477,857)**	**68,672**	**(40,879)**	**(2,626,661)**	**104,257**
First capital reduction against write off of accumulated losses and share discount Note 16 (a)	(2,578,489)	477,857	-	-	2,100,632	**-**
Increase in capital by rights issue at a discount Note 16 (b)	49,245,219	(46,645,219)	-	-	-	2,600,000
Second capital reduction against write off of share discount Note 16 (c)	(46,645,219)	46,645,219	-	-	-	-
Issuance related costs	-	-	-	-	(2,280)	(2,280)
Impact of capital restructuring plan Note 16	**21,511**	**477,857**	**-**	**-**	**2,098,352**	**2,597,720**
Loss for the year	-	-	-	-	(1,031,189)	(1,031,189)
Other comprehensive loss:						
Change in fair value of financial assets measured at FVTOCI	-	-	-	(1,212)	-	(1,212)
Changes in net assets due to exchange translation and inflation adjustment on foreign operations	-	-	(47,007)	-	47,007	-
Total comprehensive loss for the year	**-**	**-**	**(47,007)**	**(1,212)**	**(984,182)**	**(1,032,401)**
Balance at 31 December 2023	**3,202,493**	**-**	**21,665**	**(42,091)**	**(1,512,491)**	**1,669,576**
Loss for the year	**-**	**-**	**-**	**-**	**(189,296)**	**(189,296)**
Other comprehensive loss:						
Changes in fair value of financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**(1,631)**	**69**	**(1,562)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,631)**	**(189,227)**	**(190,858)**
Balance at 31 December 2024	**3,202,493**	**-**	**21,665**	**(43,722)**	**(1,701,718)**	**1,478,718**

The notes 1 to 31 are an integral part of these consolidated financial statements.

INVEST BANK P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Loss for the year		**(189,296)**	(1,031,189)
Adjustments:			
Depreciation		**10,459**	7,753
Net loss / (gain) on investment securities		**6**	(478)
Fair value loss on repossessed properties		**34,075**	251
Impairment loss on other assets		**36,959**	5,401
Net impairment loss		**85,920**	1,056,406
Operating cash flows before changes in operating assets and liabilities		**(21,877)**	38,144
Change in time deposits held with central bank with original maturity of three months or over		**(104,736)**	165,239
Change in reserves held with central bank		**-**	177,821
Change in due from banks with original maturity of three months or over		**(400,382)**	(295,169)
Change in loans and advances to customers		**(324,143)**	(550,619)
Change in other assets		**(45,645)**	(103,508)
Change in reimbursement asset		**531,499**	(297,148)
Change in due to banks		**(572)**	(10,823)
Change in deposits from customers[1]		**164,787**	1,979,164
Change in other liabilities		**120,930**	192,052
Net cash generated from / (used in) operating activities		**(80,139)**	1,295,153
Cash flows from investing activities			
Purchase of property and equipment		**(7,455)**	(13,337)
Purchase of investment securities		**(1,001,915)**	(233,196)
Proceeds from sale of investment securities[1]		**1,091,757**	232
Purchase of repossessed properties		**(512)**	(732)
Proceeds from sale of repossessed properties		**28,883**	23,387
Net cash generated / (used in) investing activities		**110,758**	(223,646)
Cash flow from financing activity			
Net repayments from repo financing		**(375,000)**	(265,000)
Issuance of share capital (net of issuance cost)		**-**	294,868
Net cash generated from / (used in) financing activity		**(375,000)**	29,868
Net change in cash and cash equivalents		**(344,381)**	1,101,375
Cash and cash equivalents at 1 January		**1,474,251**	372,876
Cash and cash equivalents at 31 December	**23**	**1,129,870**	1,474,251

[1] Non-cash transactions
During the year ended 31 December 2024, there was a reduction in investment securities against customer deposits amounting to AED 1 billion upon the maturity of the Government of Sharjah Sukuks. This is considered as a non-cash transaction in the above consolidated statement of cashflows.

1 Legal status and activities

Invest bank P.S.C. ("Invest bank" or “the Bank”) is a public shareholding company with limited liability which was incorporated in 1975 by an Emiri Decree issued by His Highness Dr. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah. The registered address of the Bank is at Al Zahra Street, P.O.Box 1885, Sharjah, United Arab Emirates ("UAE").

Invest bank is licensed by the Central Bank of the UAE (the "CBUAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the Emirate of Sharjah, Dubai and Abu Dhabi. Invest bank also carries out banking activities through its branch ("the branch") in Beirut, Lebanon licensed by the Central Bank of Lebanon (the "CB Lebanon"). As a result of the prevailing financial and economic crisis in Lebanon, management has assessed the situation and is proceeding with the liquidation of the branch after having received the CB Lebanon approval to liquidate the branch.

The Bank's shares are listed on the Abu Dhabi Securities Exchange ("ADX") and are 70.06% (31 December 2023: 88.11%) owned by the Government of Sharjah as at 31 December 2024.

The Bank has two 100% owned subsidiaries Sharjah Expo Hotel L.L.C., a company engaged in the hotel business and Ethraa Real Estate LLC SP (established on 27 June 2024) a real estate management business. The consolidated financial statements for the year ended 31 December 2024 comprise the Bank together with both its subsidiaries (together referred to as "the Group").

2 Recapitalization and liquidity

2.1 Guarantee agreement with GOS

On 10 May 2023, the Bank entered into a guarantee agreement “the guarantee agreement” with the Government of Sharjah the “Guarantor” or “GoS” who is also the ultimate controlling party of the Bank. Pursuant to the terms of the guarantee agreement, the Guarantor has undertaken to protect the Bank against losses in the net book value of specified financial and non-financial assets.

As a condition precedent to the guarantee agreement, once the general assembly approves the increase in share capital through rights issue, the Guarantor shall subscribe to its pro-rata share or all shares offered if not subscribed by other shareholders. The conditions precedent were fulfilled in September 2023 the “effective date” and the guarantee agreement became effective on that date.

The Government of Sharjah subscribed for 230 billion shares and an amount of AED 2.3 billion became payable to the Bank for the participation in the rights issue. The rights issue increased the shareholding of the Government of Sharjah from 50.07% to 88.11%. The Guarantor executed the guarantee agreement as a private act and for commercial purposes at an agreed fee of AED 2.6 billion. The Bank settled the agreed fees payable of AED 2.6 billion by offsetting an amount of AED 2.3 billion against the receivable from the Guarantor arising from the issuance of shares and the remaining amount of AED 0.3 billion was settled through cash paid to Government of Sharjah. The Bank’s fee of AED 2.6 billion inconsideration for the Guarantee which was accounted for as a reimbursement asset (note 10).

As per the agreement, the Government of Sharjah shall compensate Invest Bank on all Defaulted Amounts which are caused by a Credit Event under the covered portfolio. The Credit event is defined as an event that occurs when, the guaranteed asset is written off in accordance with the Bank policies or the Bank sells the guarantee obligation at a price below the initial net book value, or balances related to the Lebanon operations are realised at an amount below the initial net book value. Further, the Government shall compensate the Bank on all value losses arising from the non-financial assets when the non-financial asset is disposed or impaired.

2 Recapitalization and liquidity

2.1 Guarantee agreement with GOS (continued)

The guarantee agreement is for a period of 5 years from the effective date. The maximum amount that could be claimed over the term of the guarantee is AED 3 billion with a maximum cap of AED 800 million per calendar year. If and to the extent the maximum compensation under the guarantee has not been exhausted at the end of the term of the guarantee, the Bank and the guarantor shall determine the final cash payment by the guarantor to the Bank. Subsequent to any payment notice under the agreement, the guarantor has the right of review to ensure payment notices are in line with the internal policies in all materials respects.

2.2 Capital and liquidity

The shareholders of the Bank in General Assembly Meeting held on 27 April 2023 approved the proposed Capital Restructuring Plan (the "Plan"). The relevant regulatory approvals for the Plan had already been obtained prior to the date of Board of Directors meeting held on 25 January 2023. Key features of the Plan are summarised in the following:

- A guarantee agreement was entered in to with Government of Sharjah "GoS" which is explained above.
- The Bank shall through the rights issue increase its paid-up share capital by AED 2.6 billion (the "Rights issue) which is to be applied to the settlement of the Guarantee fee.
- The impact of the capital restructuring plan on the share capital and equity of the Bank is explained in the statement of changes in equity.

The Bank continues to focus on a number of initiatives to manage its liquidity and financing requirements in addition to the support if required from the CBUAE and GoS. The Board and management believe that the Bank will have the ability to meet its financial obligations as and when they fall due.

Accordingly, these consolidated financial statements have been prepared on a going concern basis.

3 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and the applicable provisions of UAE Federal Law No. (32) of 2021 which was issued on 20 September 2021 and came into effect on 2 January 2022. IFRS accounting standards comprise accounting standards issued by IASB and interpretations issued by the International Financial Reporting Standards Interpretation Committee ("IFRS IC").

In line with article 309 of Federal Law (32) of 2021, the board of directors shall call a meeting of the General assembly to take a decision on the continuation of the Bank within thirty days of the issuance of these financial statements.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the measurement of repossessed properties, financial assets carried at fair value through profit or loss or through other comprehensive income as these are measured at fair value.

(c) Functional and presentation currency

This consolidated financial information has been presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand unless indicated otherwise.

4 Basis of preparation (continued)

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial information are described as follows:

(i) Classification of financial assets

In accordance with IFRS 9, the Group classifies its financial assets based on the assessments of the business models in which the assets are held at a portfolio level and whether cash flows generated by assets constitute solely payments of principal and interest ("SPPI"). This requires significant judgement in evaluating how the Group manages its business model and on whether or not a contractual clause in all debt instruments of a certain type breaches SPPI and results in a material portfolio being recorded at fair value through profit or loss ("FVTPL").

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("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).

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

(iii) Fair value of unquoted securities

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values, these are tested before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatility and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

3 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(iv) Repossessed properties

The fair value of repossessed properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's repossessed properties portfolio annually.

(v) Reimbursement asset

The Bank's management has considered the following estimates and judgements while developing an appropriate policy for reimbursement asset:

- The Bank has paid a fee of AED 2.6 billion and the maximum coverage from the guarantee is AED 3 billion.
- Majority of the loans covered by the guarantee are in stage 3 and the total expected payouts up to the date of signing of the guarantee is substantially equivalent to the fees paid for the guarantee.
- It is virtually certain that the guarantor will pay the Group on the occurrence of the credit event.

Management is confident that it will be able to meet the eligibility criteria of the guarantee agreement that will establish a contractual right to receive the amounts due as reimbursement asset and that it will be able to fully collect the receivables from the Government of Sharjah in line with the agreement.

4 Material accounting policies

The following new and revised applicable IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, has not had any material impact on the amounts reported for the current and prior years.

4.1 New and revised IFRSs applied on the consolidated financial statements

New and revised IFRS adopted in the condensed consolidated interim financial statements	*Effective for annual periods beginning on or after*
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024
Amendments to IAS 1 - Presentation of financial statements' on classification of liabilities Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2024
Amendments to IAS 1 – Noncurrent Liabilities with Covenants Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.	1 January 2024

4.2 New and revised IFRSs not yet effective and not early adopted

The Group is currently assessing the impact of the below new standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become mandatorily effective.

4 Material accounting policies *(continued)*

4.2 New and revised IFRSs not yet effective and not early adopted

New and revised IFRS in issue but not yet effective and not early adopted by the Group	*Effective for annual periods beginning on or after*
Lack of Exchangeability – Amendments to IAS 21 In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary.	1 January 2025
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 On 30 May 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).	1 January 2026
Presentation and Disclosure in Financial Statements - IFRS 18 This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: • the structure of the statement of profit or loss with defined subtotals; • requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss • required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general	1 January 2027
Subsidiaries without Public Accountability: Disclosures - IFRS 19 This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability, and it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027

4 Material accounting policies (continued)

4.3 Accounting policies

(a) Financial assets and liabilities

1. Measurement

1.1. Amortised cost and effective interest rate

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

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

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

1.2. Interest income

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

1.3. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fee and commissions. Transactions costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and at FVTOCI, which results in accounting loss being recognised in the consolidated statement of profit or loss when an asset is newly originated.

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

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

- In all other cases, the difference is deferred, and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(a) Financial assets and liabilities (continued)

2. Financial assets

Debt instruments:

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans and advances and investments in debt securities.

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the assets; and
- the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through other comprehensive income (FVTOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVTOCI).

- Movements in carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of income and recognised in 'Other income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

(i) Classification and subsequent measurement

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of income within 'Other income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

4 **Material accounting policies** (continued)

4.3 **Accounting policies** (continued)

(a) **Financial assets and liabilities** (continued)

2. ***Financial assets (continued)***

(i) Classification and subsequent measurement (continued)

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

- SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies investment in debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(a) Financial assets and liabilities (continued)

2. Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, balances with central banks, amounts due from other banks and deposits from other banks that are held for the purpose of meeting short term cash commitments.

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

Loans and advances to customers

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

Loans and advances are initially measured at fair value plus incremental direct transaction costs. Subsequent to the initial recognition loans and advances are measured at amortised cost using the effective interest method, except when the Group recognises the loans and advances at fair value through profit or loss.

Investment securities

Investment securities are initially measured at fair value plus in case of investment securities not at fair value through profit or loss, incremental direct transaction cost. Subsequent to initial recognition investment securities are accounted for depending upon their classification as either amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Investment securities are measured at amortised cost using the effective interest method, if:

- they are held within a business model with an objective to hold assets in order to collect contractual cash flow and the contractual terms of financial assets give rise, on specific dates, to cash flows that are solely payments of principal and interest; and

- they have not been designated previously as measured at fair value through profit or loss.

The Group elects to present changes in fair value of certain investments in equity and debt instruments held for strategic purpose in other comprehensive income. The election is irrevocable and is made on an instrument-by-instrument basis at initial recognition.

Gains and losses on such equity instruments are not reclassified to consolidated statement of profit or loss and no impairment is recognised in the consolidated statement of profit or loss.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(a) Financial assets and liabilities (continued)

2. Financial assets (continued)

(ii) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

(iii) Modification of loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the statement of income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecogntion, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the statement of income.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(a) Financial assets and liabilities (continued)

2. Financial assets (continued)

(iv) Derecognition other than on a modification

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

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

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

3. Financial liabilities

(i) Classification and subsequent measurement

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (eg. Short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(a) Financial assets and liabilities (continued)

3. Financial liabilities (continued)

(ii) Derecognition

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

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in the covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

4. Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

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

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

5. Loan commitments

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not made any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(b) Basis of Consolidation

1. Subsidiary

A subsidiary is an investee controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

***2.* Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but to the extent that there is no evidence of impairment.

***3.* Subsidiary held for sale**

Subsidiary acquired exclusively with a view to resale has a choice of accounting at the acquisition date and at subsequent balance sheet dates. Th Bank can choose to perform a full consolidation of the individual assets and liabilities, or it can perform a short-cut method given in the IFRS 5 implementation guidance. The Bank has chosen to adopt the shortcut method under IFRS 5.

The short-cut method allows the subsidiary to effectively be treated as a single investment asset. The Bank recognizes and measures the subsidiary at fair value less costs to sell at each reporting date. Under the short-cut method, there is no requirement to fair value all of the entity's individual assets and liabilities acquired with a view to resale. The Bank statement of financial position shall be presented with the entity's identifiable liabilities measured at fair value and adding it to the fair value (less costs to sell and impairment) to ascertain the value of the assets to be disclosed in the consolidated financial statements.

At each subsequent reporting date, the subsidiary is remeasured to the lower of the initial carrying amount and the fair value less costs to sell. The net change in the subsidiary's carrying value is the single figure result that is reported in discontinued operations. An increase in fair value less costs to sell cannot exceed the amount at which the subsidiary was originally stated, hence, it will be recognised only to the extent of reversal of a previous impairment recognised.

(c) Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee incomes are 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'. These are generally recognised when the related service obligations are provided or based on the applicable service contracts, usually on a time proportionate basis. When a loan commitment is not expected to result in the draw-down of a loan, commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expenses are expensed as the related services are received.

(d) Dividend income

Dividend income is recognised 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.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(e) Offsetting

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

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

(f) Fair value measurement principles

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 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of 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.

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

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(g) Derivative financial instruments - Other non-trading derivatives

The Group enters into derivative financial instruments primarily to meet its customer requirements. Derivatives held for internal risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value through profit or loss in the consolidated statement of financial position.

(h) Foreign currency

(i) Foreign currency transactions

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

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

Foreign currency differences arising from translation are generally recognised in consolidated statement of profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into UAE Dirhams at spot exchange rate on the reporting date. The income and expenses of foreign operations are translated to UAE Dirhams at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to non-controlling interest ("NCI").

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

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI and accumulated in the translation reserve within equity.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their useful lives and is generally recognised in consolidated statement of profit or loss. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

	Years
Buildings	20 to 30
Office installations and improvements	10
Office furniture and equipment	2 to 5
Right of use assets	Up to 4

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss.

(j) Repossessed properties

The Group holds repossessed properties acquired through the enforcement of security over loans and advances. Repossessed property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the consolidated statement of profit or loss. The Group determines fair value on the basis of valuations provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the repossessed property being valued. The Bank earns rental income from leasing the properties until the properties have been disposed.

(k) Staff terminal benefits

The Group provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

The Group contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligation exists to pay the future benefits.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(l) Provisions

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

(m) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

(n) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

(o) Dividend on ordinary shares

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the Bank's shareholders.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(q) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of a non-financial asset is the greater of its value in use and its fair value less cost to sell. The reduction in value is recognised in the consolidated statement of profit or loss.

An impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

4 Material accounting policies (continued)

4.3 Accounting policies (continued)

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the management of the Group to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Reimbursement asset (Purchased Financial Guarantee premium)

Purchased financial guarantees are irrevocable contracts that require the issuer to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees which are purchased sometime later after the origination of the financial assets are not an integral part of the financial assets and are not considered when computing the expected credit loss of the guaranteed financial asset.

The financial guarantee held by the holder is not an integral part of the financial asset and hence is outside the scope of IFRS 9- Financial Instruments, IFRS 17- Insurance contracts. Hence, in line with the requirements of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors, the Bank has accounted for the financial guarantee under IAS 37. Having considered the above facts, the premium paid for the guarantee has been recognised as a reimbursement asset. Subsequently, the reimbursement asset will be measured with reference to the expected payouts and credit losses. In assessing the expected payouts and credit losses, the Group considers various scenarios of forecast recoveries and expected cash flows from claims under the guarantee, which are then discounted to arrive at the present value of these future cash flows in comparison to the reimbursement asset held at the period end. When the Credit Event has occurred and the Group has a contractual right to receive compensation, the reimbursement right is derecognised and receivable from the Government is recognised at fair value.

5 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

At 31 December 2024	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
Financial assets				
Cash and deposits with central banks	**-**	**-**	**1,118,555**	**1,118,555**
Due from banks	**-**	**-**	**846,915**	**846,915**
Investment securities	**-**	**51,526**	**1,222,596**	**1,274,122**
Loans and advances to customers	**-**	**-**	**4,491,465**	**4,491,465**
Customers' indebtedness for acceptances	**-**	**-**	**161,529**	**161,529**
Other financial assets	**3,165**	**-**	**77,300**	**80,465**
	3,165	**51,526**	**7,918,360**	**7,973,051**
Financial liabilities				
Due to banks	**-**	**-**	**258**	**258**
Deposits from customers	**-**	**-**	**8,722,156**	**8,722,156**
Liabilities under acceptances	**-**	**-**	**161,529**	**161,529**
Other financial liabilities	**410**	**-**	**420,003**	**420,413**
	410	**-**	**9,303,946**	**9,304,356**
At 31 December 2023				
Financial assets				
Cash and deposits with central banks	-	-	1,192,642	1,192,642
Due from banks	-	-	610,944	610,944
Investment securities	3,240	7,150	2,357,449	2,367,839
Loans and advances to Customers	-	-	4,252,082	4,252,082
Customers' indebtedness for acceptances	-	-	111,196	111,196
Other financial assets	350	-	90,968	91,318
	3,590	7,150	8,615,281	8,626,021
Financial liabilities				
Due to banks	-	-	375,830	375,830
Deposits from customers	-	-	9,561,165	9,561,165
Liabilities under acceptances	-	-	111,196	111,196
Other financial liabilities	996	-	313,413	314,409
	996	-	10,361,604	10,362,600

6 Cash and deposits with central banks

	2024 AED'000	2023 AED'000
Cash in hand	**22,478**	19,514
Deposits with central banks	**892,087**	950,425
Reserve requirements with the central banks [6.1]	**355,199**	248,324
Less: allowance for impairment [6.2]	**(151,209)**	(25,621)
	1,118,555	1,192,642

6.1 Statutory reserve deposits are required to be maintained as per regulations of the Central Bank of the UAE and the Central Bank of Lebanon. However, as per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE Central Bank reserve account, while ensuring that they meet the reserve requirements over 14 days period. Therefore, the balances have been included in cash and cash equivalent (Note 23).

6.2 A +/-5% change in the allowance rate would result in a AED +/- 7.6 million change in ECL (2023: AED +/-1.3 million change).

7 Due from banks

	2024 AED'000	2023 AED'000
Money market placements	**39,667**	55,379
Term loans	**711,659**	196,506
Balances with other banks	**96,735**	359,687
Less: allowance for impairment	**(1,146)**	(628)
	846,915	610,944
The geographical concentration is as follows:		
-Within the U.A.E.	**68,952**	74,604
-Outside the U.A.E.	**779,109**	536,968
	848,061	611,572
Less: allowance for impairment	**(1,146)**	(628)
	846,915	610,944

8 Investment securities

The Group's investments are all based in UAE and are as follows:

	2024 AED'000	2023 AED'000
Financial assets measured at fair value through profit or loss (FVTPL):		
Investments in quoted equity securities[8.1]	-	3,240
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Investments in equity securities[8.1]	**8,735**	7,150
Investments in debt securities	**42,791**	-
Financial assets at amortised cost:		
Investments in debt securities [8.2,]	**1,225,481**	2,358,027
	1,277,007	2,368,417
Less: allowance for impairment	**(2,885)**	(578)
	1,274,122	2,367,839

8.1 The Group has not purchased any equity investments during the year ended 31 December 2024 (31 December 2023: Nil).

8.2 As at 31 December 2024, AED Nil (31 December 2023: AED 0.5 billion) of investments in debt securities were pledged under repo agreement. Moreover, the Government of Sharjah sukuks of AED 2 billion matured on 22 March 2024 at which date, the Bank invested AED 500 million in Government of Sharjah sukuks with a 2-year maturity.

9 Loans and advances to customers

	2024 AED'000	2023 AED'000
Overdrafts[1]	**5,275,178**	**5,363,758**
Bills discounted	**136,951**	**140,224**
Trust receipts	**558,771**	**613,886**
Term loans	**6,394,714**	**6,136,564**
	12,365,614	**12,254,432**
Allowances for impairment [9.2]	**(7,874,149)**	**(8,002,350)**
Net loans and advances to customers	**4,491,465**	**4,252,082**

[1] Includes credit card balances.

9 Loans and advances to customers (continued)

9.1 The stage wise product balances are as follows:

Stage wise analysis of products **Products**	**2024** **Stage 1** **AED'000**	**Stage 2** **AED'000**	**Stage 3** **AED'000**	**Total** **AED'000**
Overdraft	**839,924**	**5,385**	**4,429,869**	**5,275,178**
Bills discounted	**57,014**	**732**	**79,205**	**136,951**
Trust receipts	**132,620**	**-**	**426,151**	**558,771**
Term loans	**3,299,582**	**296,215**	**2,798,917**	**6,394,714**
	4,329,140	**302,332**	**7,734,142**	**12,365,614**

	2023 Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Overdraft	794,252	13,519	4,555,987	5,363,758
Bills discounted	50,579	310	89,335	140,224
Trust receipts	159,174	13,508	441,204	613,886
Term loans	2,806,002	287,186	3,043,376	6,136,564
	3,810,007	314,523	8,129,902	12,254,432

Refer to note 24 for the disclosure of loans and advances to related parties.

9.2 The movement during the year in the impairment provision is as follows:

	2024 **Provision** **AED'000**	**Interest in suspense** **AED'000**	**Total** **AED'000**	2023 Provision AED'000	Interest in suspense AED'000	Total AED'000
At 1 January	**5,776,973**	**2,225,377**	**8,002,350**	4,803,983	1,965,342	6,769,325
Net impairment charge *(Note 21)*	**84,760**	**-**	**84,760**	1,050,147	-	1,050,147
Net movement in interest in suspense	**-**	**454,427**	**454,427**	-	427,665	427,665
Amounts written off	**(488,085)**	**(240,990)**	**(729,075)**	(88,019)	(173,345)	(261,364)
Effect of exchange difference	**41,930**	**19,757**	**61,687**	10,862	5,715	16,577
	5,415,578	**2,458,571**	**7,874,149**	5,776,973	2,225,377	8,002,350

10 Reimbursement asset

A guarantee agreement was entered into with Government of Sharjah "GoS" whereby, the Government of Sharjah shall compensate Invest Bank on all Defaulted Amounts which are caused by a Credit Event as explained in note 2.1 of the consolidated financial statements. During 2023, the Bank paid a fee of AED 2.6 billion in consideration for the Guarantee. During the year, the Bank collected AED 531.5 million from the Government of Sharjah in line with the settlement period under the agreement reducing the outstanding balance to AED 2.1billion as at 31 December 2024 (31 December 2023: AED 2.6 billion). Subsequent to the statement of financial position date, the Bank submitted payment notices amounting to AED 153.3 million to the Government of Sharjah for reimbursement which were received in line with the settlement period under the agreement.

11 Subsidiary held for sale

As at 31 December 2023, additional assets pertaining to Sharjah Expo Hotel L.L.C., fully owned subsidiary of the bank that was acquired as a settlement of debt, totaling to AED 78 million, qualified for held for sale classification under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and are measured at the lower of their respective carrying amounts and fair value less costs to sell.

According to IFRS 5, the classification as asset held for sale condition is considered as met only when the sale is highly probable, and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Due to the market conditions, management was not able to sell the asset during the 12 month period, hence the asset ceased to be classified as held for sale as of 31 December 2024.

12 Other assets

	2024 AED'000	2023 AED'000
Interest receivable	**19,812**	37,312
Repossessed properties[12.1]	**661,305**	648,281
Property and equipment[12.2]	**67,537**	70,541
Prepayments and other assets	**73,333**	62,987
Customer acceptances	**161,529**	111,196
	983,516	930,317

[12.1] Repossessed properties were acquired in settlement of loans and advances and have been explained further in note 28(a).

12 Other assets *(continued)*

12.2 Property and equipment

	Land and building AED'000	Office Installation and improvements AED'000	Office furniture and equipment AED'000	Motor vehicle AED'000	Capital work in progress AED'000	Right of use Assets AED'000	Total AED'000
At 31 December 2024							
Cost	**103,349**	**57,056**	**113,777**	**395**	**17**	**4,680**	**279,274**
Accumulated depreciation [12.21]	**(52,830)**	**(49,061)**	**(108,438)**	**(374)**	**-**	**(1,034)**	**(211,737)**
Net book value	**50,519**	**7,995**	**5,339**	**21**	**17**	**3,646**	**67,537**
At 31 December 2023							
Cost	103,349	53,865	112,748	395	2,111	4,680	277,148
Accumulated depreciation [12.21]	(50,972)	(48,828)	(106,565)	(242)	-	-	(206,607)
Net book value	52,377	5,037	6,183	153	2,111	4,680	70,541

[12.21] Depreciation charges for the year ended 31 December 2024 amounts to AED 10.5 million (2023: AED 7.8 million) and has been included in other general and administrative expenses (note 20).

13 Due to banks

	2024 AED'000	2023 AED'000
Balances due to other banks	**258**	830
Repo against fixed income securities Note 8.2	**-**	375,000
	258	375,830

14 Deposits from customers

	2024 AED'000	2023 AED'000
Time deposits	**6,401,234**	6,481,075
Savings accounts	**96,947**	124,751
Current and other accounts	**2,223,975**	2,955,339
	8,722,156	9,561,165
Customer deposits by geographical area are as follows:		
Within the UAE	**7,902,348**	9,137,305
Others	**819,808**	423,860
	8,722,156	9,561,165

Refer to Note 24 for the disclosure of deposits from related parties.

15 Other liabilities

	2024 AED'000	2023 AED'000
Interest payable	**127,679**	152,423
Unearned income	**20,378**	25,920
Staff benefits payable	**16,521**	14,520
Accrued expenses	**148,398**	71,161
Manager's cheques	**22,642**	2,816
Lease liabilities	**3,646**	4,680
Customer acceptances	**161,529**	111,196
Others	**81,149**	39,364
	581,942	422,080

16 Share capital

16.1 Share capital

	2024 AED'000	2023 AED'000
Issued and paid-up capital		
263,180,982 thousand shares of AED 0.012168406 each as at 31 December 2024 and 31 December 2023	**3,202,493**	3,202,493

16 Share capital

16.1 Share capital (continued)

At the General Assembly ("GA") meeting held on 27 April 2023 the proposed Capital Restructuring Plan (the "Plan") was approved. The relevant regulatory approvals for the plan had already been obtained prior to the date of Board of Directors meeting held on 25 January 2023.

The shareholders resolved during the GA Meeting and following receipt of all necessary regulatory approvals to approve the three-step Capital Restructuring Plan which consists of the following measures:

a. reduction of the share capital of AED 3,180,982,143 by AED2,578,489,214 by writing off Invest Bank's accumulated losses of AED 2,100,632,071 and the existing share discount amount of AED 477,857,143,which shall be effected through reducing the nominal value of each share from AED1 to AED0.1894046876, resulting in a total share capital of AED 602,492,929 (the "First Reduction");

b. after effecting the First Reduction, increasing the share capital of Invest Bank by AED 49,245,218,776 (the"Capital Increase"); by issuing 260,000,000,000 shares (the "New Shares") at an Issue Price of AED 0.01(1 Fils) (the "Issue Price"), implying a discount of AED 0.1794046876 on the Subscription Price of each share. This would result in a share discount amount on the shareholders' equity of AED 46,645,218,776. The total share capital of the Bank will become AED 49,847,711,705 distributed over 263,180,982,143 shares; and

c. after effecting the First Reduction and the Capital Increase, a further reduction in the share capital of InvestBank by writing off an amount equal to the share discount of AED 46,645,218,776 referred to in paragraph(b), resulting in a share capital after the Capital Restructuring Plan of AED 3,202,492,929 at a nominalvalue of AED 0.012168406 (the "Second Reduction").

16.2 Share discount
During 2023, share discount amounting AED 477.9 million was written off against the share capital as part of the "First Reduction" (Step 1) of the Capital Restructuring Plan. A further discount on the second increase in capital of AED 46.645 billion has also been written off against the increase in capital of AED 49.245 billion.

16.3 Impairment reserve – general
As per the new credit risk management standards (CRMS) issued by CBUAE, banks must ensure that the total provision corresponding to all stage 1 and stage 2 exposures is not less than 1.50% of the credit risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for banks) when computing the regulatory capital.

The computation of non-distributable impairment reserve - general created during the year is as follows:

	AED'000
Minimum provision for stage 1 and stage 2 as per CBUAE requirements	**75,368**
Stage 1 and stage 2 impairment provision taken against income	**147,987**
Shortfall in stage 1 and stage 2 provision to meet minimum CBUAE requirements	**-**
Balance of impairment reserve - general as at 31 December 2024	**-**

17 Net interest income

	2024 AED'000	2023 AED'000
Interest income:		
Deposits with banks	**50,929**	27,862
Debt securities	**87,719**	109,943
Loans and advances to customers	**349,862**	314,229
	488,510	452,034
Interest expense:		
Due to banks	**(1,935)**	(15,176)
Time deposits	**(341,138)**	(261,408)
Call deposits	**(1,546)**	(1,537)
Savings accounts and others	**(3,494)**	(2,955)
	(348,113)	(281,076)
Net interest income	**140,397**	170,958

18 Net fees and commission income

	2024 AED'000	2023 AED'000
Fees and commission income:		
Letters of credit fee	**8,086**	4,923
Letters of guarantee fee	**33,464**	27,305
Retail and corporate lending fees	**29,051**	13,045
Commission on transfers / services	**4,846**	7,245
Others	**705**	307
	76,152	52,825
Fees and commission expenses:		
Service charges and other expense	**(2,437)**	(2,736)
Net fee and commission income	**73,715**	50,089

19 Other (loss) / income

	2024 AED'000	2023 AED'000
Dividend on investment securities	**227**	87
Net rental income from properties	**22,520**	10,676
Net fair value (loss) / gains on investments	**(6)**	478
Fair value loss on repossessed properties	**(34,075)**	(251)
Other operating income / (loss)	**898**	(1,008)
	(10,436)	9,982

20 General and administrative expenses

	2024 AED'000	2023 AED'000
Personnel and related costs	**155,716**	124,815
Premises and related expenses	**9,932**	10,134
Professional expenses [20.2]	**18,610**	12,786
Depreciation and other expenses [20.1]	**96,235**	61,230
	280,493	208,965

20.1 Includes social contributions made during the year, which amounts to AED 390 thousand (2023: AED 634 thousand).

20.2 Professional expenses for the year ended 31 December 2024 include fee for audit and other audit related services for the Group amounting to AED 2.5 million and AED 0.2 million respectively (31 December 2023: AED 1.2 million and AED 0.2 million respectively)

21 Net impairment charge

	2024 AED'000	2023 AED'000
Net impairment charge on		
- loans and advances	**84,760**	1,050,147
- cash and balances with Central banks	**(1,665)**	5,444
- debt securities	**2,307**	475
- due from banks	**518**	340
- other assets (including non-financial assets)	**36,959**	5,401
Recoveries from loans previously written off	**(2,691)**	(1,541)
	120,188	1,060,266

22 Loss per share

Basic earnings per share is based on the loss attributable to ordinary shareholders of the Bank and weighted average number of ordinary shares.

	2024 AED'000	2023 AED'000
Loss attributable to ordinary shareholders	**(189,296)**	(1,031,189)
Weighted average number of shares outstanding at 31 December	**263,180,982**	80,112,489
Loss per share (UAE Dirhams)	**(0.0007)**	(0.013)

At the reporting date, the Group does not have any instrument resulting in dilution of basic earnings per share.

23 Cash and cash equivalents

	2024 AED'000	2023 AED'000
Cash in hand	**22,478**	19,514
Balances with central banks[23.1]	**992,008**	1,175,460
Due from banks[23.2]	**115,384**	279,277
	1,129,870	1,474,251

[23.1] includes reserve requirements with the Central bank of UAE
[23.2] maturing within three months excluding allowance for impairment (refer note 7)

24 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including Board of directors, their related companies and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties. The volume of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows:

	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000	Total AED'000
31 December 2024					
Loans and advances with customers	**459,110**	**743,515**	**-**	**50,122**	**1,252,747**
Reimbursement asset	**2,068,501**	**-**	**-**	**-**	**2,068,501**
Deposits with customers	**212,722**	**622,541**	**7,473**	**89,268**	**932,004**
Outstanding letters of credit and guarantees	**-**	**46,351**	**12,000**	**33,622**	**91,973**
31 December 2023					
Loans and advances with customers	499,825	220,233	-	338,088	1,058,146
Reimbursement asset	2,600,000	-	-	-	2,600,000
Deposits with customers	2,144,251	768,862	13,795	523,834	3,450,742
Outstanding letters of credit and guarantees	-	42,802	-	34,376	77,178

24 Related party transactions (continued)

Other transactions with the Government of Sharjah

Refer to note 8 for transaction related to investment in Government of Sharjah sukuks.

None of the loans granted to related parties are classified as impaired as at 31 December 2024 (31 December 2023: Nil).

The loans extended to directors during the year are repayable over 1 year and bear interest at rates ranging from 5.25% to 8.25% per annum (2023: 4.75% to 9% per annum). As at 31 December 2024, outstanding loans and advances from related parties secured by deposits under lien amount to AED 78.1 million (2023: AED 22.5 million).

	Government of Sharjah	Sharjah Government related entities	Board of directors	Other Balances	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2024					
Interest income	**68,895**	**51,725**	**-**	**13,510**	**134,130**
Interest expense	**23,314**	**37,817**	**-**	**1,327**	**62,458**
31 December 2023					
Interest income	124,964	17,270	-	12,952	155,186
Interest expense	52,763	30,948	252	24,727	108,690

Key management compensation

	2024 AED'000	2023 AED'000
Salaries and other short-term benefits	**15,762**	16,567
Termination benefits	**2,118**	2,303
Directors' sitting fees	**6,000**	5,763
	23,880	24,633

25 Commitments and contingent liabilities

At any time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loan facilities. Outstanding loan commitments have committed periods that do not extend beyond the normal underwriting and settlement period.

The Group provides financial guarantees and letter of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend up to a period of one year.

25 Commitments and contingent liabilities (continued)

The contractual amount of commitments and contingent liabilities are set out in the following table by category.

	2024 AED'000	2023 AED'000
Letters of credit	**202,103**	150,096
Letters of guarantee	**2,977,184**	2,502,416
Irrevocable commitments to extend credit	**230,320**	75,471
Others	**-**	1,605
	3,409,607	2,729,588

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect third parties to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Exposure by geography as on 31 December

	Irrevocable commitments to extend credit		Foreign exchange and forward commitments		Contingent liabilities	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
United Arab Emirates	**230,320**	75,471	**-**	1,605	**3,154,079**	2,648,287
Other Arab Countries	**-**	-	**-**	-	**25,208**	4,225
	230,320	75,471	**-**	1,605	**3,179,287**	2,652,512

Exposure by currency as on 31 December

	Irrevocable commitments to extend credit		Foreign exchange and forward commitments		Other commitments and contingent liabilities	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Foreign currency	**-**	-	**-**	1,605	**338,320**	99,122
AED	**230,320**	75,471	**-**	(1,605)	**2,840,967**	2,553,390
Total	**230,320**	75,471	**-**	-	**3,179,287**	2,652,512

Exposure by maturity as on 31 December

	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Less than 3 months	**78,820**	25,825	**-**	1,605	**2,252,553**	2,133,715
More than 3 months	**151,500**	49,646	**-**	-	**926,734**	518,797
Total	**230,320**	75,471	**-**	1,605	**3,179,287**	2,652,512

25 Commitments and contingent liabilities (continued)

Exposure by industry segment as on 31 December

	Irrevocable commitments to extend credit		Foreign exchange commitments		Other commitments and contingent liabilities	
	2024 AED'000	2023 AED'000	**2024 AED'000**	2023 AED'000	**2024 AED'000**	2023 AED'000
Agriculture, and allied activities	**-**	-	**-**	-	**140**	387
Mining and quarrying	**-**	-	**-**	-	**4,542**	1,124
Manufacturing	**-**	55,500	**-**	-	**186,741**	163,037
Construction and real estate	**-**	866	**-**	-	**2,418,136**	1,955,018
Trade	**73,820**	13,747	**-**	-	**164,763**	208,653
Transport, storage and communication	**50,000**	1,175	**-**	-	**24,353**	11,102
Financial institutions	**106,500**	-	**-**	1,605	**121,790**	110,894
Other services	**-**	-	**-**	-	**209,179**	184,407
Loans to individuals	**-**	-	**-**	-	**247**	680
Loans to high net worth individuals	**-**	4,183	**-**	-	**13,816**	3,472
Others	**-**	-	**-**	-	**35,580**	13,738
Total	**230,320**	75,471	**-**	1,605	**3,179,287**	2,652,512

26 Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives enable the bank's users to increase, reduce or alter exposure its credit or market risks. Derivative financial instruments entered into by the Bank include forwards and swaps. These transactions are primarily entered into with banks and financial institutions.

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

Interest rate swaps
Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of cashflows arising out of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Group's credit risk represents the potential loss if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

26 Derivative financial instruments (continued)

Derivatives are measured at fair value by reference to published price quotations in an active market. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models like counterparty prices or valuation techniques such as discounted cash flows, market prices, yield curves and other reference market data.

The positive and negative fair values of derivative financial instruments are AED 3.2 million (2023: AED 0.4 million) and AED 0.4 million (2023: AED 1.0 million) respectively, which are equivalent to their fair values. The notional amounts of such derivatives are AED 124.2 million (2023: AED 220.1 million) of which AED 59.6 million (2023: AED 147.3 million) represents forward contracts maturing in less than a year and AED 64.7 million (2023: AED 72.8 million) of interest rate derivatives maturing between 1 and 3 years. The notional amount is the amount of a derivative's underlying, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

27 Segmental analysis

Reportable segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker, in order to allocate resources to the segment and to assess its performance.

The Group operates in the United Arab Emirates and Lebanon, and its results arise largely from commercial banking, treasury and investment activities. Information with respect to business segments is as follows:

	2024			2023		
	Commercial banking AED'000	**Treasury & investments** AED'000	**Total** AED'000	**Commercial banking** AED'000	**Treasury & investments** AED'000	**Total** AED'000
For the year ended						
Total operating income	**78,809**	**132,576**	**211,385**	149,803	88,239	238,042
Net impairment loss	**(117,881)**	**(2,307)**	**(120,188)**	(1,059,791)	(475)	(1,060,266)
Loss for the year	**(302,535)**	**113,239**	**(189,296)**	(1,116,571)	85,382	(1,031,189)
Segment capital expenditure	**7,455**	**-**	**7,455**	13,337	-	13,337
Segment depreciation	**10,332**	**127**	**10,459**	7,753	-	7,753
At 31 December						
Segment total assets	**7,787,263**	**2,995,811**	**10,783,074**	7,992,527	4,039,649	12,032,176
Segment total liabilities	**9,302,856**	**1,500**	**9,304,356**	8,979,538	1,383,062	10,362,600

Commercial banking includes corporate and retail portfolios.

28 Fair value of assets and liabilities

(a) Fair value hierarchy of assets/liabilities measured at fair value

The fair values of assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other assets/liabilities, the Group determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation of investment securities

The Bank constantly monitors the progress of its investments by conducting its own valuation assessment. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, discounted cash flow ("DCF")/scenario analysis or comparable market valuation. The unobservable inputs are selected based on various industry and macroeconomic factors that management considers as reasonable. Qualitative methods which involve taking into consideration the market and economic outlook are also employed.

Valuation of repossessed properties

The fair values of repossessed properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's repossessed properties portfolio annually.

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

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

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

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

28 Fair value of assets and liabilities (continued)

(a) Fair value hierarchy of assets/liabilities measured at fair value (continued)

The following table analyses assets at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2024				
Financial assets				
FVTOCI - equity securities	**8,735**	**-**	**-**	**8,735**
FVTOCI - Debt securities	**42,791**	**-**	**-**	**42,791**
Subsidiary held for sale (net)	**-**	**-**	**-**	**-**
Net fair value of derivatives	**-**	**2,755**	**-**	**2,755**
Non-financial assets				
Repossessed properties	**-**	**-**	**661,305**	**661,305**
	51,526	**2,755**	**661,305**	**715,586**
At 31 December 2023				
Financial assets				
FVTPL - equity securities	3,240	-	-	3,240
FVTOCI - equity securities	7,150	-	-	7,150
Subsidiary held for sale (net)	-	-	74,827	74,827
Net fair value of derivatives	-	(646)	-	(646)
Non-financial assets				
Repossessed properties	-	-	648,281	648,281
	10,390	(646)	723,108	732,852

The following table analyses the movement of level 3 fair value assets

	31 December 2024 Investments AED'000	31 December 2023 Investments AED'000	31 December 2024 Repossessed properties AED'000	31 December 2023 Repossessed properties AED'000
Balance as at 1 January	**74,827**	1,080	**648,281**	366,037
Change in fair value during the year	**-**	(1,080)	**(34,075)**	(251)
Additions	**-**	74,827	**1,079**	384,234
Transfers	**(74,827)**	-	**74,827**	-
Disposals and other adjustments	**-**	-	**(28,807)**	(23,387)
Balance as at 31 December	**-**	74,827	**661,305**	726,633

Although the Bank believes that its estimates at fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in level-3, changing an assumption by 5% (+/-), would not have a significant impact on the Group's consolidated financial statements.

28 Fair value of assets and liabilities (continued)

(a) Fair value hierarchy of assets/liabilities measured at fair value (continued)

Valuation technique and significant unobservable inputs

The Group has adopted the most appropriate fair value measurement of its repossessed properties.

The following table shows the valuation technique used in measuring the fair value of repossessed properties, as well as the significant unobservable inputs to the valuation.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
Comparative sales method:	The sale or transaction prices of similar sites or comparable properties in the vicinity within an appropriate historical timeframe.	A decrease in sale or transaction prices of similar sites or comparable properties will decrease the fair value.
Capitalization method:	The net operating income of the property.	A decrease in net operating income will decrease the fair value.
	The capitalization rate applicable to the property.	An increase in the capitalization rate will decrease the fair value.
Depreciated cost method:	The original cost of construction of the property.	A decrease in the original cost of construction will decrease the fair value.
	The useful life of the property.	A decrease in the useful life of the property will decrease the fair value.

(b) Financial instruments not measured at fair value

The fair values of financial instruments not measured at fair value are not materially different from the respective carrying value.

29 Risk management

Introduction and overview

The key objective of the Bank is to manage risk and provide risk-adjusted returns to the shareholders in line with the accepted risk levels. Risk is inherent in the Bank's activity and is managed through a process of ongoing risk identification, measurement, and monitoring by setting risk limits and controls. The Bank has established comprehensive risk frameworks and governance structure for managing all material risks. The framework addresses the risk processes of all material risks across the bank. The Risk management direction is set right at the top from the Board of Directors ("BOD") and gets implemented through risk management governance structure and framework. Monitoring and controlling risk is primarily performed based on limits established by the bank through business and risk strategy as well as the level of risk that the bank is willing to accept.

To achieve this, the Bank has adopted the Three Lines Of Defense approach to manage its risk effectively. The First Line of Defense (FLOD) consists of revenue generating units, components, and their enabling functions, (Front Office and their Support functions). The FLOD teams are responsible for their risk factors and conductive control environment in their business unit and activities and implement policies and procedures in line with the Group's risk appetite. The Second Line of Defense (SLOD) is made up of risk management and compliance functions. The SLOD teams are responsible for risk management development, oversight monitoring process and the implementation of the Group's overall risk management. The Third Line of defense is implemented by auditors (internal auditors and external auditor). The third line of defense is independent of both the FLOD and SLOD and are responsible for assessing the effectiveness of both the FLOD and SLOD in terms of Control adequacy of the Bank. Auditors report their findings directly to the Board of Directors as an assurance function.

The Group has exposure to several risk categories, and it has frameworks to cover all material risks across the Bank, in addition to the following primary risks:

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

The other distinct risks assessed by the Bank are concentration, business / strategic, regulatory, compliance, reputation, Technology and legal risks. Furthermore, information security risk is a critical risk in the current business environment and the Bank has put in place a robust infrastructure to manage the risk.

This note presents information about the Group's exposure to each of the above primary risks, the Group's objectives, risk management frameworks, policies and processes for measuring and managing risks, and the Group's capital management plan.

Governance and Risk Management Framework (RMF)

The Board of Directors (the "Board" or "BOD") has the ultimate responsibility for the establishment and oversight of the Group's Risk Management Framework. For that purpose, the Board has formulated, in line with the best international practices, the following committees at Board level to help manage various risks the Bank faces:

a. Board Audit & Compliance Committee;
b. Board Risk Committee;
c. Board Credit Committee;
d. Board Nomination and Remuneration Committee.
e. Board Real Estate Committee
f. Strategy and Transformation Committee
g. Board Special Assets Committee

29 Risk management (continued)

Introduction and overview (continued)

The Board Risk Committee has been entrusted with the mandate of risk management and the Board Credit Committee has been entrusted with the approval of the credit and investment decisions as per delegation from the Board of Directors.

The various Board Committees are assisted by the following Senior Management Committees: Asset Liability Committee (ALCO), Risk Committee (RC), Management Credit Committee (MCC), Special Assets and Provision Committee (SAP), Model Oversight Committee (MOC), and Operation Risk and Information Risk Committee.

The Bank has implemented the Basel III Framework, IFRS 9 and has established other specific committees / working groups with assigned responsibilities to members of the senior management.

Regular audit of business units and credit processes are undertaken by Internal Audit. Furthermore, Control and Compliance functions have also been enhanced.

The Risk Management function is led by Chief Risk Officer (CRO), which comprises of Enterprise Risk, Credit Risk, Credit Administration, Operational Risk, Fraud Risk and investigations, Market and Liquidity risk management, Information security and Portfolio Management. Under the purview of the Risk Management Department, the Group's Enterprise Risk Management (ERM) Framework enables the business and functional units to manage all risks in a pro-active manner while integrating concepts of strategic planning, operational risk management, internal controls, and compliance. These include methods and processes, encompassing all risk dimensions to seize the opportunities related to the achievement of the Group's objectives.

The Risk framework consists of policy documents covering all material risks across the Bank, which include ERM policy, Risk Appetite, Credit Policies, IFRS 9 Impairment Policy, Market and Liquidity Risk related policies, Operational Risk Management Policy, Fraud Risk and Investigation Policy, Information Security risk related policies, BCM Policy, Reputation Risk Policy, Country Risk Framework, Internal Capital Adequacy Assessment Process ("ICAAP") Policy, etc.

Credit Department (CDT) has formulated credit underwriting policies aligned with Group's strategies, goals vis-a-vis risk appetite, including collateral management policies, credit assessment, risk grading and reporting, risk rating in compliance with regulatory requirements.

The Bank has a Board Approved Risk Appetite Statement (the "RAS") with threshold limits and benchmarks clearly defined and monitored with monthly update to Management and the Board. The RAS has been cascaded at Business Unit levels to ensure effective monitoring.

Review of risk management policies and systems is a continuous activity to reflect changes in market conditions, products and services offered by the Group in order to present a comprehensive view of risk from a strategic and operational perspective and have a process to address risk proactively. Bank is currently undergoing strategic transformation which will prepare the Bank for the next phase of growth. As a result, the Risk Management Framework is also being enhanced to adequately support the implementation of the strategy and mitigate the risks arising out of the same.

29 Risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers, contingent liabilities, balances due from banks, Deposits and reserve with the Central Bank excluding cash on hand, other assets and debt securities.s

It is also the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to whom the Group is exposed to in the form of counterparty default risk, or (credit) spread risk, or market risk concentrations.

Management of credit risk
The Board of Directors has delegated the responsibilities of the management of credit risk to Board Credit Committee (BCC), Management Credit Committee (MCC) and Special Assets and provision Committee (SAP). Changes to discretionary limits are subject to the Board's approval. Similarly, facilities in excess of discretionary limits are approved by the BCC or / and the Board of Directors. In addition, the delegation of authority is aligned with New Credit Risk Management Standards.

A centralized credit management Department ("CDT") is responsible for oversight of the Group's credit underwriting activities including credit assessment and evaluation. The Bank has also established Credit Risk function within Risk Management Department, which is responsible for oversight and monitoring of groups credit risk activities while ensuring that such risks are within the Board approved Risk Appetite Statement, Policies and Frameworks. In addition, the Bank has established Credit Administration Division (CAD) as a control unit responsible for credit administration and documentation as well as a Central Credit Operations (CCO) unit to centralize credit operations encompassing, amongst others, activities like validation, settlement and utilization of limits.

The broad functions of CDT include:
- Formulating credit policies in consultation with business units, covering credit assessment, collateral requirements, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Reviewing and assessing credit risk in accordance with delegation & authority structure, limits and discretionary powers prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same rigorous review process;
- Limiting concentrations of credit exposure to counterparties and industries in line with the RAS by establishing exposure caps and monitoring sectoral exposures. Preferred sectors are identified and reviewed regularly in line with market dynamics.
- Reviewing compliance on an ongoing basis with approved exposure limits relating to counterparties, group caps including Board exposure caps, industries and countries. Regular reports are provided to the management, MCC, BCC and the Board of Directors on the quality of portfolios, breaches, if any and appropriate corrective action is initiated when necessary; and
- Providing advice, guidance and specialized training to business units to promote best practices throughout the Group in the management of credit risk.

29 Risk management (continued)

(a) Credit risk (continued)

The broad functions of Credit Risk Management Function include:

- Responsible for maintaining and enhancing the credit risk management framework for the Bank and ensuring that it is in line with regulatory requirements.
- The function is dedicated for identification, measurement, monitoring, and control of credit risks across the Bank and its subsidiaries.
- Overseeing the development of the Credit Risk Framework, review Credit Risk Policies and procedures, and support the CRO in ensuring that the bank's Credit Risk is identified, measured, reported, and mitigated within the bank's risk appetite.
- Assisting the CRO in reviewing credit applications based on pre-determined materiality thresholds to ensure the bank is protected against acquiring risks that are not consistent with the risk appetite.
- As a member of senior management committees the function is responsible for appraising management on matters related to credit risk management; thus, facilitating sound decision making.

For financial institutions, the Group uses external ratings issued by Standard and Poor's, Moody's, Fitch, Capital Intelligence or other recognised credit rating agencies in order to manage its credit risk exposure.

The Group has adopted the 'Standardized Approach' for computation of credit risk and market Risk weighted Assets while uses 'Basic Indicator Approach' for Operational Risk, in line with Central Bank regulations. Models for Internal Risk Rating, categorizing the exposures according to the degree of risk of default have been developed and are in use since 2012. The current risk grading framework consists of main eight grades reflecting varying degrees of risk of default and mitigation through collateral or other credit risk mitigants. In order to build a strong credit database, the Group introduced online processing of credit applications and rating of all counterparties.

Loans and advances (including loan commitments, LCs and LGs)
The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios for counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Use of estimates and judgements
The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. The Group uses the weightings of (20: 60: 20) for Baseline: Downturn: Upside scenarios.

Governance around IFRS 9 ECL models and calculations
Given the significant impact that the macro-economic scenarios and weightages will have on the Bank's Expected Credit Losses, the Bank has further strengthened its processes, controls and governance frameworks around macro-economic forecasting and the computation of Expected Credit Losses. In line with Model Management Standards and Guidelines, Bank has constituted Model Oversight committee which reviews the inputs and assumptions for IFRS 9 ECL in light of available information.

29 Risk management (continued)

(a) Credit risk (continued)

Credit risk grading
The Group uses internal credit risk grading's that reflect its assessment of the probability of default of individual counterparties. The rating models are tailored to various asset classes. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model.

The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

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

Retail:
After the initial recognition of credit grade, for retail business, the repayment behavior of the borrower is monitored to establish the grade of the customer based on the stage of delinquency/account conduct.

Corporate:
For corporate business, the rating is determined at the borrower level. Relationship managers incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, relationship managers also update information about the creditworthiness of the borrower every year from sources such as financial statements. This determines the updated internal credit rating and PD. Duly authorized overrides are applied on the ratings when the actual performance of the borrower does not align with the model output.

Treasury:
For investments in debt instruments, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

(i) Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired or delinquent for more than 90 days, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses from all possible default events over the lifetime.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.

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

29 Risk management (continued)

(a) Credit Risk (continued)

(i) Expected credit loss measurement (continued)

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

Quantitative criteria

Corporate loans:
For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- A credit risk rating (CRR) downgrade of 2 or more notches is considered significant in case the origination rating is below BBB+, hence the related facility shall be classified at Stage 2. Facilities with rating movement between AAA+ and A- are not subject to this criterion on account of low credit risk.
- If the origination rating is B+ (6+) and below (inclusive), a CRR downgrade of 1 or more notches is considered significant, hence the related facility shall be classified at Stage 2 since the movement of related PD is higher.
- Loan facilities restructured/rescheduled in the last 12 months;
- Loan facilities that are past due for 30 days and above but less than 90 days;
- Any facility of a performing customer being Stage 3.

Retail:
For Retail portfolio, if the borrowers meet one or more of the following criteria:

- Loan rescheduling before 30 days past due;
- Accounts overdue between 30 and 90 days.

Treasury:
- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the financial instruments' expected performance and behavior of borrower.

Qualitative criteria:

Corporate loans:

For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following qualitative factors:

- Net worth erosion
- Fraudulent activity
- Distressed restructure
- Financial covenants breach
- Significant operations disruption
- Bad news in public domain
- Significant reputation damage
- Subject to material litigation

Backstop:

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

29 Risk management (continued)

(a) Credit Risk (continued)

(i) Expected credit loss measurement (continued)

Definition of default and credit-impaired assets

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

Quantitative criteria:

The obligor is more than 90 days past due on its contractual obligation to the Group.

Qualitative criteria:

The Group considers a default to have occurred with regard to particular obligors when either one of the following events have taken place:

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months.

Measuring ECL - Inputs, assumptions and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD represents the expected exposure at the time of default based on the amounts the Group is expecting to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

29 Risk management (continued)

(a) Credit Risk (continued)

Measuring ECL - Inputs, assumptions and estimation techniques (continued)

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

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

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation, based on analysis of the Group's recent default data.

The LGDs are based on the average expectation of recovery adjusted for the availability of collateral. Bank is in the process of estimating LGD based on its own recovery experience, however, till such time will continue to apply LGD as per above approach.

Forward-looking economic information is also included in determining the 12M and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer below for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

Bank evaluates the provision based on IFRS 9 methodology and minimum provisions as prescribed under Credit Risk Management Standards and incorporates the higher of the two in its assessments.

Forward-looking information incorporated in the ECL Models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk are oil prices and UAE equity prices.

Credit approval
Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group's Management Credit Committee ("MCC") / Board Credit Committee ("BCC") within the authorities delegated by the Board of Directors.

29 Risk management (continued)

(a) Credit Risk (continued)

Measuring ECL - Inputs, assumptions and estimation techniques (continued)

Credit rating and measurement
The risk rating system is the basis for determining the credit risk of the Group's asset portfolio (except the retail portfolio) and thus asset pricing, portfolio management, determining finance loss provisions and reserves. A grading system is being used by the Group which is based on the Group's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

Credit monitoring
The Group regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Management, Board Risk Committee ("BRC") as well as to the BoD, containing information on key variables including RAS; portfolio delinquency and financing impairment performance.

All corporate accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier to assess any deterioration in account conduct. The Group has robust policies for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorised as watch list or non-performing as per UAE Central Bank guidelines. An early warning process is in place for regular review of accounts.

Non-performing accounts are monitored closely by the Special Assets Management Unit (SAM). Such accounts are re-evaluated and remedial actions are agreed and monitored on a periodic basis and discussed in the SAP Committee and BSAC. Remedial actions include, but are not limited to, exposure reduction, security enhancement, asset search, employing litigation/recovery agencies, defining litigation strategy and exit of the account.

With respect to the Group's retail portfolio, asset quality is monitored closely with 30/60/90 days past due accounts and delinquency trends monitored continuously for each Retail Product of the Group. Accounts which are past due are subject to collection processes that are managed by SAM.

Credit mitigation
Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed and movable assets such as motor vehicles, plant and machinery; marketable securities and bank guarantees etc. Risk mitigation policies control the approval of collateral types.

Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types to arrive at their fair values. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure.

29 Risk management (continued)

(a) Credit Risk (continued)

Credit risk exposure - Financial instrument subject to impairment

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

	2024				2023			
	Stage 1 AED'000	**Stage 2** AED'000	**Stage 3** AED'000	**Total** AED'000	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Credit risk exposures relating to on-balance sheet assets are as follows:								
Cash and balances with central banks	**1,269,764**	-	-	**1,269,764**	1,218,263	-	-	1,218,263
Expected credit loss allowance	**(151,209)**	-	-	**(151,209)**	(25,621)	-	-	(25,621)
Carrying amount	**1,118,555**	-	-	**1,118,555**	1,192,642	-	-	1,192,642
Due from banks								
Investment-grade	**519,436**	-	-	**519,436**	405,758	-	-	405,758
BB+ & below	**328,625**	-	-	**328,625**	205,814	-	-	205,814
	848,061	-	-	**848,061**	611,572	-	-	611,572
Expected credit loss allowance	**(1,146)**	-	-	**(1,146)**	(628)	-	-	(628)
Carrying amount	**846,915**	-	-	**846,915**	610,944	-	-	610,944
Customer exposures as per CBUAE classification are as follows:								
Standard	**4,327,122**	**273,047**	**4,121**	**4,604,290**	3,809,273	274,474	64,178	4,147,925
Watch list	**2,018**	**29,285**	**12,350**	**43,653**	734	40,049	7,786	48,569
Substandard	**-**	**-**	**205,638**	**205,638**	-	-	221,803	221,803
Doubtful	**-**	**-**	**663,038**	**663,038**	-	-	808,355	808,355
Loss	**-**	**-**	**6,848,995**	**6,848,995**	-	-	7,027,780	7,027,780
	4,329,140	**302,332**	**7,734,142**	**12,365,614**	3,810,007	314,523	8,129,902	12,254,432
Interest in suspense	**(303)**	**(3,180)**	**(2,455,088)**	**(2,458,571)**	(298)	(3,369)	(2,221,710)	(2,225,377)
Expected credit loss allowance	**(60,718)**	**(87,269)**	**(5,267,591)**	**(5,415,578)**	(39,130)	(31,317)	(5,706,526)	(5,776,973)
Carrying amount	**4,268,119**	**211,883**	**11,463**	**4,491,465**	3,770,579	279,837	201,666	4,252,082
Investments in Debts securities and Sukuk and bonds								
Gross carrying amount	**1,268,272**	-	-	**1,268,272**	2,358,027	-	-	2,358,027
Expected credit loss allowance	**(2,885)**	-	-	**(2,885)**	(578)	-	-	(578)
Carrying amount	**1,265,387**	-	-	**1,265,387**	2,357,449	-	-	2,357,449

29 Risk management (continued)

(a) Credit Risk (continued)

Gross exposure

The following table explains the changes in the gross exposure between the beginning and the end of the annual period:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Due from banks				
As at 1 January 2024	**611,572**	**-**	**-**	**611,572**
Changes in exposure	**236,489**	**-**	**-**	**236,489**
As at 31 December 2024	**848,061**	**-**	**-**	**848,061**
As at 1 January 2023	140,828	-	-	140,828
Changes in exposure	470,744	-	-	470,744
As at 31 December 2023	611,572	-	-	611,572
Customer exposures on loans				
As at 1 January 2024	**3,810,007**	**314,523**	**8,129,902**	**12,254,432**
Transfer from Stage 1 to Stage 2	**(56,252)**	**56,252**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(3,638)**	**-**	**3,638**	**-**
Transfer from Stage 2 to Stage 1	**46,990**	**(46,990)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(6,621)**	**6,621**	**-**
Transfer from Stage 3 to Stage 1	**-**	**-**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**36,961**	**(36,961)**	**-**
Changes in PDs/LGDs/EADs	**532,033**	**(51,793)**	**(369,058)**	**111,182**
As at 31 December 2024	**4,329,140**	**302,332**	**7,734,142**	**12,365,614**
As at 1 January 2023	2,285,995	1,068,350	8,551,740	11,906,085
Transfer from Stage 1 to Stage 2	(19,290)	19,290	-	-
Transfer from Stage 1 to Stage 3	(13,190)	-	13,190	-
Transfer from Stage 2 to Stage 1	748,617	(748,617)	-	-
Transfer from Stage 2 to Stage 3	-	(83,692)	83,692	-
Transfer from Stage 3 to Stage 1	347	-	(347)	-
Transfer from Stage 3 to Stage 2	-	26,345	(26,345)	-
Changes in PDs/LGDs/EADs	807,528	32,847	(492,028)	348,347
As at 31 December 2023	3,810,007	314,523	8,129,902	12,254,432
Investments in debt securities, sukuks, and bonds				
As at 1 January 2024	**2,358,027**	**-**	**-**	**2,358,027**
Changes in exposure	**(1,089,755)**	**-**	**-**	**(1,089,755)**
As at 31 December 2024	**1,268,272**	**-**	**-**	**1,268,272**
As at 1 January 2023	2,124,832	-	-	2,124,832
Changes in exposure	233,195	-	-	233,195
As at 31 December 2023	2,358,027	-	-	2,358,027

29 Risk management (continued)

(a) Credit Risk (continued)

Loss allowance

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Due from banks				
As at 1 January 2024	**628**	**-**	**-**	**628**
Changes in PDs/LGDs/EADs	**518**	**-**	**-**	**518**
As at 31 December 2024	**1,146**	**-**	**-**	**1,146**
As at 1 January 2023	288	-	-	288
Changes in PDs/LGDs/EADs	340	-	-	340
As at 31 December 2023	628	-	-	628
ECL on Customer exposures				
As at 1 January 2024	**39,130**	**31,317**	**5,706,526**	**5,776,973**
Transfer from Stage 1 to Stage 2	**(709)**	**709**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(258)**	**-**	**258**	**-**
Transfer from Stage 2 to Stage 1	**457**	**(457)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(32)**	**32**	**-**
Transfer from Stage 3 to Stage 1	**-**	**-**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**13,857**	**(13,857)**	**-**
Changes in PDs/LGDs/EADs	**22,098**	**41,875**	**(425,368)**	**(361,395)**
As at 31 December 2024	**60,718**	**87,269**	**5,267,591**	**5,415,578**
As at 1 January 2023	10,390	49,402	4,744,191	4,803,983
Transfer from Stage 1 to Stage 2	(207)	207	-	-
Transfer from Stage 1 to Stage 3	(69)	-	69	-
Transfer from Stage 2 to Stage 1	26,336	(26,336)	-	-
Transfer from Stage 2 to Stage 3	-	2,749	(2,749)	-
Transfer from Stage 3 to Stage 1	13	-	(13)	-
Transfer from Stage 3 to Stage 2	-	2,167	(2,167)	-
Changes in PDs/LGDs/EADs	2,667	3,128	967,195	972,990
As at 31 December 2023	39,130	31,317	5,706,526	5,776,973
Investments in debt securities, sukuk, and bonds				
As at 1 January 2024	**578**	**-**	**-**	**578**
Changes in PDs/LGDs/EADs	**2,307**	**-**	**-**	**2,307**
As at 31 December 2024	**2,885**	**-**	**-**	**2,885**
As at 1 January 2023	103	-	-	103
Changes in PDs/LGDs/EADs	475	-	-	475
As at 31 December 2023	578	-	-	578

29 Risk management (continued)

(a) Credit Risk (continued)

Gross credit exposure by industry segment

	2024				2023			
	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Manufacturing	**154,631**	**17,832**	**2,325,016**	**2,497,479**	172,835	13,276	2,421,127	2,607,238
Construction	**453,189**	**13,185**	**3,365,156**	**3,831,530**	407,703	21,558	3,542,780	3,972,041
Real Estate	**256,346**	**180,910**	**525,337**	**962,593**	574,886	185,273	623,768	1,383,927
Trade	**556,362**	**35,484**	**905,961**	**1,497,807**	247,143	54,349	920,566	1,222,058
Transport, Storage and Communication	**88,352**	**2,214**	**54,783**	**145,349**	58,819	-	77,065	135,884
Financial Institutions	**1,078,282**	**30,353**	**80,846**	**1,189,481**	896,659	-	82,736	979,395
Other Services	**382,188**	**4**	**256,182**	**638,374**	319,085	3,143	237,802	560,030
Government	**731,681**	**-**	**-**	**731,681**	746,552	-	-	746,552
Individuals	**193,096**	**4,740**	**22,980**	**220,816**	118,003	85	17,457	135,545
High Net Worth Individuals	**421,421**	**17,610**	**171,346**	**610,377**	261,489	36,839	154,447	452,775
All others	**13,592**	**-**	**26,535**	**40,127**	6,833	-	52,154	58,987
Gross loans and advances	**4,329,140**	**302,332**	**7,734,142**	**12,365,614**	3,810,007	314,523	8,129,902	12,254,432

Expected credit loss by industry segment

	2024				2023			
	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Manufacturing	**1,027**	**2,377**	**1,638,112**	**1,641,516**	582	266	1,723,488	1,724,336
Construction	**16,156**	**19,204**	**2,378,766**	**2,414,126**	1,996	12,862	2,641,276	2,656,134
Real Estate	**392**	**51,047**	**204,568**	**256,007**	3,418	3,248	252,801	259,467
Trade	**2,990**	**4,600**	**680,530**	**688,120**	1,559	3,521	694,039	699,119
Transport, Storage and Communication	**2,065**	**889**	**35,262**	**38,216**	1,019	1,292	47,763	50,074
Financial Institutions	**2,839**	**2,867**	**71,203**	**76,909**	10,933	5,197	81,447	97,577
Other Services	**6,076**	**3,220**	**156,431**	**165,727**	6,399	4,283	147,678	158,360
Government	**3,352**	**-**	**-**	**3,352**	3,154	-	-	3,154
Individuals	**18,783**	**591**	**14,488**	**33,862**	9,121	26	10,270	19,417
High Net Worth Individuals	**5,598**	**2,331**	**78,677**	**86,606**	905	490	78,930	80,325
All others	**1,440**	**143**	**9,554**	**11,137**	44	131	28,835	29,010
Loss allowances	**60,718**	**87,269**	**5,267,591**	**5,415,578**	39,130	31,316	5,706,527	5,776,973

29 Risk management (continued)

(a) Credit Risk (continued)

Other financial assets exposed to credit risk are as follows:

	2024 AED'000	2023 AED'000
Deposits and reserves with central banks (excluding cash in hand)	**1,247,286**	1,198,749
Due from banks	**848,061**	611,572
Debt securities	**1,225,481**	2,358,027
Customer acceptance	**161,529**	111,196
Letter of credit and irrevocable commitments to extend credit	**432,423**	225,567
Other financial assets including reimbursement asset	**2,174,326**	2,691,318
	6,089,106	7,196,429

The table below sets out the credit quality of debt securities which is based on the rating of the respective debt security. The analysis has been based on 'Standard & Poor's ratings (or its equivalent) where applicable on gross values.

	Government bonds*		Bank / Corporate bonds		Total	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
Rated A- and above	**30,162**	99,821	**154,248**	25,483	**184,410**	125,304
Rated BBB+ to BB	**726,409**	2,136,767	**284,392**	95,956	**1,010,801**	2,232,723
Below BB	**45,520**	-	**27,541**	-	**73,061**	-
	802,091	2,236,588	**466,181**	121,439	**1,268,272**	2,358,027

*Includes Sovereign bonds.

Impaired loans and advances

Impaired loans and advances are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are classified as Stage 1, Stage 2 and Stage 3 (Stage 3a, 3b, and 3c applicable for Retail Portfolio), as appropriate, which is in accordance with the guidelines issued by the CBUAE.

Past due but not impaired loans

These are loans and advances where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of a repayment source such as assigned receivables, the level of security/collateral available and/or the possible scope of collection of amounts owed to the Group. It also includes contracts where the reschedule/restructure discussions are ongoing /or has been approved but awaiting perfection of documents viz. Mortgage deed, Facility Agreement Letter (FAL) and so on by the customer.

29 Risk management (continued)

(a) Credit Risk (continued)

Allowances for impairment

The Group establishes allowance for impairment losses that represents its estimate for losses in its loan portfolio. The main components of this allowance are specific losses that relates to individually significant exposures and a collective impairment established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off

The Group writes off loans/securities (and any related allowances for impairment losses) when it determines that there is no scope of recovery, and the loans are uncollectible. The decision is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and there is no scope to pursue any other avenues, by writing down the debt to a nominal value.

Collateral and other credit enhancements

The Group holds collateral against funded and unfunded financing facilities in the form of cash margins, pledges/liens over deposits, mortgage interests over property, other registered securities over assets and guarantees. The Group accepts guarantees mainly from well-reputed local or international banks/financial institutions, well-established local or multinational organisations, large corporates and high net worth individuals. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, which are generally updated during annual reviews or earlier as the Group deems it prudent given the circumstances and market trend / conditions. Collateral is generally not held over loans and advances to other banks or financial institutions, except when securities are held as a part of reverse repurchase and securities borrowing activity.

It is the Group's policy to ensure that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on securities/collaterals. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured. Nevertheless, collateral is and can be an important credit risk mitigant.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below. Collateral values reflect the maximum exposure or the value of the collateral whichever is lower.

29 Risk management (continued)

(a) Credit Risk (continued)

	2024 AED'000	2023 AED'000
Against neither past due nor impaired		
Cash	**1,873,215**	1,425,749
Commercial and industrial property	**545,990**	618,157
Equities	**253,207**	60,379
Other	**143,824**	66,112
	2,816,236	2,170,397
Against past due but not impaired		
Cash	**2,811**	4,450
Commercial and industrial property	**4,729**	2,723
Equities	**-**	-
Other	**852**	-
	8,392	7,173
Against impaired		
Cash	**43,571**	53,597
Commercial and industrial property	**232,856**	337,076
Equities	**8,144**	6,811
Other	**8,382**	31,789
	292,953	429,273
Total collateral held	**3,117,581**	2,606,843

29 Risk management (continued)

(a) Credit Risk (continued)

In accordance with the disclosure requirement of BASEL III Pillar 3 and the CBUAE guidelines, concentration of credit risk by industry segment and currency are as follows:

	Loans and advances		Debt securities		Due from banks	
	2024	2023	**2024**	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Gross credit exposure by industry segment						
Manufacturing	**2,497,479**	2,607,238	**-**	-	**-**	-
Construction	**3,831,530**	3,972,041	**25,712**	25,712	**-**	-
Real estate	**962,593**	1,383,927	**-**	-	**-**	-
Trade	**1,497,807**	1,222,058	**-**	-	**-**	-
Transport, storage and communication	**145,349**	135,884	**-**	-	**-**	-
Financial institutions	**1,189,481**	979,395	**440,469**	95,727	**848,061**	611,572
Other services	**638,374**	560,030	**-**	-	**-**	-
Government / Sovereign	**731,681**	746,552	**802,091**	2,236,588	**-**	-
Loans to individuals	**220,816**	135,545	**-**	-	**-**	-
Loans to high-net-worth individuals	**610,377**	452,775	**-**	-	**-**	-
Others	**40,127**	58,987	**-**	-	**-**	-
Total	**12,365,614**	12,254,432	**1,268,272**	2,358,027	**848,061**	611,572
Gross credit exposure by currency						
Foreign currency	**469,749**	338,389	**530,019**	258,206	**800,211**	574,567
AED	**11,895,865**	11,916,043	**738,253**	2,099,821	**47,850**	37,005
Total	**12,365,614**	12,254,432	**1,268,272**	2,358,027	**848,061**	611,572
Concentration by location						
United Arab Emirates	**12,110,361**	12,034,235	**1,049,882**	2,323,560	**68,952**	74,605
Other G.C.C.	**54,714**	55,336	**216,561**	32,638	**307,241**	163,781
Other Arab countries	**200,539**	140,742	**-**	-	**37,028**	64,754
Western Europe and others	**-**	24,119	**1,829**	1,829	**434,840**	308,432
Total	**12,365,614**	12,254,432	**1,268,272**	2,358,027	**848,061**	611,572

29 Risk management (continued)

(b) Credit Risk (continued)

Overdue 90 days & above and impaired loans by industry segment and geographical location as defined by the CBUAE:

	Overdue 90 days and above	Interest in Suspense	Expected credit loss	Net impaired assets	Adjustments		Overdue 90 days and above	Interest in Suspense	Expected credit loss	Net impaired assets	Adjustments	
					Write-offs	Write-backs					Write-offs	Write-backs
	31 December 2024						31 December 2023					
Manufacturing	**2,323,611**	**681,620**	**1,585,594**	**56,397**	**182,058**	**16,008**	2,421,127	603,958	1,704,629	112,540	1,965	28,532
Construction and real estate	**3,887,460**	**1,302,730**	**2,425,832**	**158,898**	**687,849**	**74,703**	4,166,804	1,212,421	2,733,573	220,810	187,666	27,249
Trade	**905,965**	**248,757**	**648,489**	**8,719**	**61,376**	**7,205**	920,566	209,062	683,481	28,023	3,198	2,683
Transport, storage and communication	**54,783**	**21,112**	**33,619**	**52**	**4,509**	**19,886**	77,065	24,419	47,666	4,980	442	-
Financial institutions	**80,846**	**10,389**	**70,455**	**2**	**-**	**9,485**	82,736	8,669	74,067	-	-	-
Other services	**256,181**	**97,720**	**150,471**	**7,990**	**9**	**32**	237,802	79,914	147,647	10,241	60	70
Loans to individuals	**22,851**	**5,004**	**14,441**	**3,406**	**775**	**1,016**	17,458	3,727	10,211	3,520	152	-
Loans to high net worth individuals	**171,346**	**66,739**	**78,402**	**26,205**	**177**	**55,449**	154,446	48,080	78,933	27,433	65,330	-
Others	**26,528**	**20,798**	**5,566**	**166**	**11,853**	**12,872**	52,154	23,144	25,384	3,626	695	359
Total	**7,729,571**	**2,454,869**	**5,012,869**	**261,835**	**948,606**	**196,656**	8,130,158	2,213,394	5,505,591	411,173	259,508	58,893
Concentration by geography												
United Arab Emirates	**7,556,656**	**2,395,102**	**4,899,773**	**261,781**	**948,607**	**196,654**	8,026,781	2,185,379	5,430,271	411,131	259,508	58,893
Others	**172,915**	**59,767**	**113,096**	**54**	**-**	**-**	103,377	28,015	75,320	42	-	-
Total	**7,729,571**	**2,454,869**	**5,012,869**	**261,835**	**948,607**	**196,654**	8,130,158	2,213,394	5,505,591	411,173	259,508	58,893

29 Risk management (continued)

(a) Credit Risk (continued)

Analysis of the Group's exposure based on BASEL III standardized approach:

All figures in AED '000

	Gross outstanding		Credit risk mitigation (CRM)			Risk weighted assets
	On balance sheet	Off balance sheet	Exposure before CRM	CRM	After CRM	
31 December 2024						
Asset Classes						
Claims on sovereign	**2,743,044**	**-**	**2,591,835**	**152,977**	**2,591,835**	**87,729**
Claims on banks**	**1,292,397**	**68,968**	**1,361,365**	**-**	**1,306,755**	**818,205**
Claims on corporates and GREs	**3,658,704**	**3,202,869**	**6,858,129**	**1,801,583**	**5,474,554**	**3,630,495**
Claims included in retail portfolio***	**144,684**	**47,914**	**192,588**	**66,156**	**174,987**	**83,267**
Claims secured by residential property	**69,894**	**-**	**69,894**	**4,044**	**69,894**	**23,378**
Claims secured by commercial real estate	**92,418**	**-**	**92,188**	**4,936**	**92,188**	**87,252**
Past due loans	**7,729,571**	**312,465**	**329,388**	**326,268**	**329,388**	**4,125**
High risk categories	**586,402**	**-**	**586,402**	**586,402**	**586,402**	**-**
Other assets	**2,333,820**	**-**	**2,333,820**	**-**	**2,333,820**	**279,495**
Total	**18,650,934**	**3,632,216**	**14,415,609**	**2,942,366**	**12,959,823**	**5,013,946**
31 December 2023						
Asset Classes						
Claims on sovereign	4,183,349	-	4,146,007	-	4,146,007	120,248
Claims on banks**	707,805	82,085	789,890	-	718,982	419,282
Claims on corporates and GREs	2,887,201	2,420,169	5,307,370	1,362,068	4,183,377	2,931,285
Claims included in retail portfolio***	89,661	74,305	163,668	54,503	137,122	62,725
Claims secured by residential property	34,683	-	34,683	176	34,683	12,459
Claims secured by commercial real estate	391,889	-	388,523	14,329	388,523	374,194
Past due loans	8,130,158	409,908	641,777	641,618	641,777	223
High risk categories	726,633	-	726,633	726,633	726,633	-
Other assets	2,823,335	-	2,811,917	-	2,811,917	184,131
Total	19,974,714	2,986,467	15,010,468	2,799,327	13,789,021	4,104,547

* Risk weighted assets does not include CVA components of AED 4.0Mn (2023: AED2.6Mn)
** Includes multilateral development banks
*** Includes claims on SME amounting to AED 13 million (2023: AED 40 million) on balance sheet and AED 48 million (2023: AED 74 million) for off balance sheet.

29 Risk management (continued)

(a) Credit Risk (continued)

Analysis of the Group's exposure based on BASEL III Standardized Approach externally rated and unrated:

	Gross credit exposures (AED '000)		
	Rated	Unrated	Exposure before CRM
31 December 2024			
Asset classes			
Claims on sovereign	**2,136,141**	**606,903**	**2,591,835**
Claims on banks**	**1,353,107**	**8,258**	**1,361,365**
Claims on corporates and GREs	**75,833**	**6,785,740**	**6,858,129**
Claims included in retail portfolio	**-**	**192,598**	**192,588**
Claims secured by residential property	**-**	**69,894**	**69,894**
Claims secured by commercial real estate	**-**	**92,418**	**92,188**
Past due loans	**-**	**8,042,036**	**329,388**
High risk categories	**-**	**586,402**	**586,402**
Other assets	**-**	**2,333,820**	**2,333,820**
Total	**3,565,081**	**18,718,069**	**14,415,609**
31 December 2023			
Asset classes			
Claims on sovereign*	3,798,433	384,916	4,146,007
Claims on banks	781,512	8,378	789,890
Claims on corporates and GREs	326,206	4,981,164	5,307,370
Claims included in retail portfolio	-	163,966	163,668
Claims secured by residential property	-	34,683	34,683
Claims secured by commercial real estate	-	391,889	388,523
Past due loans	-	8,540,066	641,777
High risk categories	-	726,633	726,633
Other assets	-	2,823,335	2,811,917
Total	4,906,151	18,055,030	15,010,468

*Rated exposure includes exposure where risk weighted assets are calculated using external rating.

** includes multilateral development banks

29 Risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with it's financial liabilities as they become due and at a reasonable cost. Liquidity risk can be segregated into three categories:

(i) Mismatch or structural liquidity risk: the risk in the Group's current consolidated statement of financial position structure due to maturity transformation in the cash flows of individual positions;
(ii) Contingency liquidity risk: the risk that future events may require a significantly larger amount of cash than what the Group's projections allow. This can arise due to unusual deviations of timing of cash flows (term liquidity risk), e.g., non-contractual prolongation of loans, or unexpected draw downs on committed loan facilities (call/ withdrawal liquidity risk); and
(iii) Market liquidity risk: the risk that the Group cannot easily offset or eliminate a position at the market price because of market disruption or inadequate market depth.

Management of liquidity risk

Liquidity risk management has remained at the helm of risk management and receives close attention of the Board of Directors. The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures are subject to review and approval by ALCO, BRC and the Board. The group is strengthening its Liquidity and Market Risk framework including setting up a limits management framework and monitoring of Financial Institutions Limits. The key elements of the Group's liquidity strategy are as follows:

(i) Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), wholesale market deposits, maintaining contingency facilities, annual budgeting and planning exercise forms the basis for developing the Bank's funding strategy.
(ii) Carrying a portfolio of high-quality liquid assets, diversified by counterparty and maturity.
(iii) Monitoring liquidity ratios (ELAR, ASRR, LTD), maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and hence not available as potential collateral for obtaining funding.
(iv) Carrying out stress testing of the Group's liquidity position.
(v) Maintaining adequate liquidity buffers.
(vi) Active communication with the CBUAE regarding liquidity requirements and requesting liquidity support with respect to those requirements.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the Liquid Asset Ratio (LAR), ratio of net liquid assets (i.e. total assets by maturity against total liabilities by maturity) and its loans to deposit ratio. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

29 Risk management (continued)

(b) Liquidity risk (continued)

Maturities of assets and liabilities

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
At 31 December 2024				
Assets				
Cash and deposits with central banks	**763,510**	**355,045**	**-**	**1,118,555**
Due from banks	**136,400**	**345,661**	**364,854**	**846,915**
Investment securities	**14,673**	**96,038**	**1,163,411**	**1,274,122**
Loans and advances to customers	**744,864**	**1,362,341**	**2,384,260**	**4,491,465**
Reimbursement asset	**-**	**-**	**2,068,501**	**2,068,501**
Customers' indebtedness for acceptances	**18,173**	**99,443**	**43,913**	**161,529**
Other assets	**28,681**	**139,360**	**653,946**	**821,987**
Total assets	**1,706,301**	**2,397,888**	**6,678,885**	**10,783,074**
Liabilities and equity				
Due to banks	**258**	**-**	**-**	**258**
Deposits from customers	**4,893,395**	**3,117,234**	**711,527**	**8,722,156**
Liabilities under acceptances	**18,173**	**99,443**	**43,913**	**161,529**
Other liabilities	**242,140**	**132,372**	**45,901**	**420,413**
Total liabilities	**5,153,966**	**3,349,049**	**801,341**	**9,304,356**
Net liquidity positions	**(3,447,665)**	**(951,161)**	**5,877,544**	**1,478,718**
At 31 December 2023				
Assets				
Cash and deposits with central banks	921,182	271,460	-	1,192,642
Due from banks	279,277	331,667	-	610,944
Investment securities	2,000,000	87,630	280,209	2,367,839
Loans and advances to customers	775,083	1,479,349	1,997,650	4,252,082
Reimbursement asset	-	-	2,600,000	2,600,000
Customers' indebtedness for acceptances	85,248	25,948	-	111,196
Other assets*	57,124	121,527	718,822	897,473
Total assets	4,117,914	2,317,581	5,596,681	12,032,176
Liabilities and equity				
Due to banks	375,830	-	-	375,830
Deposits from customers	6,559,136	2,647,977	354,052	9,561,165
Liabilities under acceptances	85,248	25,948	-	111,196
Other liabilities*	184,673	91,311	38,425	314,409
Total liabilities	7,204,887	2,765,236	392,477	10,362,600
Net liquidity positions	(3,086,973)	(447,655)	5,204,204	1,669,576

*includes subsidiary held for sale.

Deposits from customers in "Less than 3 months" bucket include AED 3,085 million of current and savings account deposits (2023: AED 3,085 million). Further, the majority of deposits due for maturity have been renewed on maturity.

29 Risk management (continued)

(b) Liquidity risk (continued)

Residual contractual maturity of financial liabilities

The following table shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flow on these instruments may vary significantly from this analysis, for example demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not expected to be drawn down immediately.

	Carrying amount AED'000	Undiscounted cash flows AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 year AED'000
31 December 2024					
Non-derivative financial liabilities					
Due to banks	**258**	**258**	**258**	**-**	**-**
Deposits from customers	**8,722,156**	**9,139,549**	**5,314,390**	**3,055,160**	**769,999**
Liabilities for acceptances	**161,529**	**161,529**	**18,173**	**99,443**	**43,913**
Other liabilities	**420,413**	**420,413**	**242,140**	**132,372**	**45,901**
Total liabilities	**9,304,356**	**9,721,749**	**5,574,961**	**3,286,975**	**859,813**
31 December 2023					
Non-derivative financial liabilities					
Due to banks	375,830	375,830	375,830	-	-
Deposits from customers	9,561,165	9,895,045	6,740,481	2,781,179	373,385
Liabilities for acceptances	111,196	111,196	85,248	25,948	-
Other liabilities	314,409	314,409	184,673	91,311	38,425
Total liabilities	10,362,600	10,696,480	7,386,232	2,898,438	411,810

(c) Market Risk

Market Risk is the risk that changes or movement in market prices - such as interest rates, equity prices and foreign exchange rates will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimizing the return on risk adjusted capital.

Management of market risk

The Group separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios mainly include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group has a very limited trading portfolio; hence it is not exposed to any significant market risk in respect of its trading portfolio.

Equity price risk

The primary goal of the Group's investment strategy is to maximise investment returns. The Bank has very limited investments in equities and as such not exposed to Equity price risk.

29 Risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

Assets and liabilities repricing profile

	Less than 3 months AED'000	3 months to 1 year AED'000	more than 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
As at 31 December 2024					
Assets					
Cash and deposits with central banks	**707,124**	**-**	**-**	**411,431**	**1,118,555**
Due from banks	**39,667**	**345,107**	**365,411**	**96,730**	**846,915**
Investment securities	**14,667**	**77,740**	**1,172,979**	**8,736**	**1,274,122**
Loans and advances to customers	**3,373,773**	**433,667**	**812,740**	**(128,715)**	**4,491,465**
Reimbursement Asset	**-**	**-**	**-**	**2,068,501**	**2,068,501**
Customers' indebtedness for acceptances	**-**	**-**	**-**	**161,529**	**161,529**
Other assets	**-**	**-**	**-**	**821,987**	**821,987**
Total assets	**4,135,231**	**856,514**	**2,351,130**	**3,440,199**	**10,783,074**
Liabilities					
Due to banks	**-**	**-**	**-**	**258**	**258**
Deposits from customers	**3,176,171**	**3,117,234**	**711,527**	**1,717,224**	**8,722,156**
Liabilities under acceptances	**-**	**-**	**-**	**161,529**	**161,529**
Other liabilities	**-**	**-**	**-**	**420,413**	**420,413**
Total liabilities	**3,176,171**	**3,117,234**	**711,527**	**2,299,424**	**9,304,356**
On statement of financial position gap	**959,060**	**(2,260,720)**	**1,639,603**	**1,140,775**	**1,478,718**
Off statement of financial position gap	**27,831**	**-**	**(27,831)**	**-**	**-**
Total interest rate sensitivity gap	**986,891**	**(2,260,720)**	**1,611,772**	**1,140,775**	**1,478,718**
Cumulative interest rate sensitivity gap	**986,891**	**(1,273,829)**	**337,943**	**1,478,718**	

29 Risk management (continued)

(c) Market risk (continued)

	Less than 3 months AED'000	3 months to 1 year AED'000	more than 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
As at 31 December 2023					
Assets					
Cash and deposits with central banks	878,000	-	18,193	296,449	1,192,642
Due from banks	48,033	7,346	196,506	359,059	610,944
Investment securities	2,000,000	87,631	269,818	10,390	2,367,839
Loans and advances to customers	2,105,129	1,961,524	129,594	55,835	4,252,082
Reimbursement asset	-	-	-	2,600,000	2,600,000
Customers' indebtedness for acceptances	-	-	-	111,196	111,196
Other assets[1]	-	-	-	897,473	897,473
Total assets	**5,031,162**	**2,056,501**	**614,111**	**4,330,402**	**12,032,176**
Liabilities					
Due to banks	375,000	-	-	830	375,830
Deposits from customers	5,094,096	2,647,977	354,052	1,465,040	9,561,165
Liabilities under acceptances	-	-	-	111,196	111,196
Other liabilities	-	-	-	314,409	314,409
Total liabilities	**5,469,096**	**2,647,977**	**354,052**	**1,891,475**	**10,362,600**
On statement of financial position gap	(437,934)	(591,476)	260,059	2,438,927	1,669,576
Off statement of financial position gap	35,949	-	(35,949)	-	-
Total interest rate sensitivity gap	**(401,985)**	**(591,476)**	**224,110**	**2,438,927**	**1,669,576**
Cumulative interest rate sensitivity gap	**(401,985)**	**(993,461)**	**(769,351)**	**1,669,576**	

[1] *Other assets include assets held for sale.*

29 Risk management (continued)

(c) Market risk (continued)

The assets and liabilities re-pricing profile has been determined on the basis of the final maturity period or interest re-pricing periods at the reporting date, whichever is earlier. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Sensitivity analysis - Interest rate risk

Interest rate risk is the sensitivity of asset and liability values to changes in the term structure of interest rates or interest rate volatility. Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and related income. The Group manages the risk principally through monitoring interest rate gaps and matching the re-pricing profile of assets and liabilities. The Group also assesses the impact of defined movement in interest yield curves on its net interest income. The following is the impact of interest rate movement on net interest income and regulatory capital.

Shift in yield curve	**2024 AED'000**	2023 AED'000
+200 bps.	**(6,623)**	23,138

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. The sensitivity does not incorporate actions that could be taken by the management to mitigate the effect of interest rate movements. Bank hedges interest rate risk through interest rate swaps as appropriate to ensure interest rate sensitivities are within risk appetite limits set forth by BOD.

Foreign currency risk

The Group engages in limited trading in foreign exchange on its own account. Its treasury activities are mainly directed to assisting its customers in managing their foreign exchange exposures. A system of exposure limits is in place to control price risk on foreign exchange exposures and a system of individual credit limits is in place to control counter-party risk. The amounts mentioned in the table below reflect the equal but opposite potential effect on profit and equity based on a 1% negative or positive currency fluctuation, with all other variables held constant. At the reporting date, the Group has the following net open currency exposures in respect of:

	2024			**2023**		
	Total	**Impact on profit or loss**	**Impact on equity**	**Total**	**Impact on profit or loss**	**Impact on equity**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
United States Dollar	**881,294**	**8,813**	**8,813**	241,444	2,414	2,414
British Pound	**66**	**-**	**-**	(43)	-	-
Euro	**2,108**	**21**	**21**	177	2	2

The UAE Dirham is pegged to the United States Dollar.

29 Risk management (continued)

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". This definition includes legal and compliance risk but excludes strategic and reputational risk. Operational risks could arise from all of the Group's operations and are faced by all business entities and its enabling functions.

The Group's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovative strategies. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Group has taken measures to put requisite tools in place including Operational Risk and Control Assessment (ORCA), Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI's) and Loss Data Collection (LDC), to identify and address all operational risk exposures. The Group has also taken measures to implement directive, detective, preventative and corrective Control measures including robust processes and policies to mitigate operational risk to an acceptable level and to avoid or minimise financial losses and damage to the Group's reputation.

Market Conduct Risk

Market conduct is defined by CBUAE "as to how a financial institution conducts itself in the marketplace in terms of the level of integrity, fairness, and competency that it demonstrates in dealing with consumers. It includes the behavior and actions of a financial institution in the marketplace involving such matters such as, product design, development, marketing and sales practices, advertising, compliance with laws, fulfilling its obligations to customers, treatment of customer's / dispute resolution, conflicts of interest, transparency and disclosure, Market competition, pricing, etc."

The Risk exposure arising from Consumer protection regulations falls within the Operational Risk pillar under the Bank's risk management categorization. The Risk exposure from Market Conduct and its management are captured in the Bank's Conduct Risk framework.

The Bank have put in place Policy (Consumer Protection Policy & Conduct Risk Framework) to manage Market Conduct risk. As a directive Control, the policy has stipulated clear roles and responsibilities for the respective Business departments, their enabling functions and governance structures.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are shared with the Board Audit & Compliance Committee and senior management of the Group. The Group's compliance with legal and regulatory requirements is ascertained by Internal Audit reviews, while Compliance of regulatory requirements is strengthened by the Compliance department as a Second Line of Defense function.

(e) Information Security

Information security refers to the practices, policies and technologies to protect confidentiality, integrity and availability (CIA triad) of information at rest and in transit. Security risks that can cause damage to the CIA of Bank's information is addressed by means of meaningful, effective and business supporting controls. Ineffective technical controls have the potential to have major negative effects on finances, reputation, and regulations.

The objective of information security is to secure the banking operations by safeguard sensitive information such as customer data, financial records, intellectual property and employee records while maintaining the business continuity.

29 Risk management (continued)

(e) Information Security (continued)

Information security achieves this objective through a combination of preventive, detective and corrective measures, such as but not limited to employee training, risk management, security testing, vulnerability assessment, strong governance practices, incident response practices, log monitoring, access controls, performance evaluation, defense in depth approach.

Attempt to address the risks before it materialize is supported by regulatory and compliance requirements as these are key drivers of information security efforts. Accordingly, compliance to Swift CSP, PCI DSS, UAE IAS standards are being assessed annually through regular audits.

(f) Capital management

Capital allocation
The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

The Group's objectives when managing capital are as follows:
- Safeguarding the Group's ability to continue as a going concern and increase return for the shareholders; and
- Comply with the regulatory capital requirement set by Central Bank of the UAE.

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

The Group also assesses its capital requirements internally, taking into consideration growth requirements and business plans along with an assessment of all material risks faced by the Bank. Risks such as interest rate risk in the banking book, Liquidity risk, concentration risk, strategic risk, legal and compliance risk, and reputational risk form part of the ICAAP computations.

As per the Central Bank Regulation for Basel III, the capital requirement as at 31 December 2024 is 13% (31 December 2023: 13%) inclusive of capital conservation buffer.

The Bank must comply with the following minimum requirements:

i. CET1 must be at least 7% of risk weighted assets (RWA);
ii. Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
iii. Total capital, excluding the capital conservation buffer, is calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA).

The capital adequacy ratio is computed based on circulars issued by the CBUAE as per Basel III taking into consideration the effect of the guarantee by the Government of Sharjah.

29 Risk management (continued)

(e) Capital management (continued)

The Group's regulatory capital position at 31 December was as follows:

	2024 AED'000	2023 AED'000
TIER 1 CAPITAL		
Share capital	**3,202,493**	3,202,493
Foreign currency translation	**21,665**	21,665
Fair value reserve	**(43,722)**	(42,091)
Accumulated losses	**(1,703,940)**	(1,519,967)
Total tier 1 capital	**1,476,496**	1,662,100
TIER 2 CAPITAL		
General provisions	**62,724**	51,340
Total tier 2 capital	**62,724**	51,340
Total regulatory capital	**1,539,220**	1,713,440
RISK WEIGHTED ASSETS		
Credit risk	**5,017,928**	4,107,191
Market risk	**32,374**	48,411
Operational risk	**309,016**	284,750
Total risk weighted assets (RWA)	**5,359,318**	4,440,352
CET 1 expressed as % of RWA	**27.55%**	37.43%
Total tier 1 capital expressed as % of RWA	**27.55%**	37.43%
Total tier 1 and tier 2 expressed as % of RWA	**28.72%**	38.59%

Total capital requirement for market risk under standardized approach as per BASEL III Pillar 3 is as follows**:**

	2024 AED'000		2023AED'000	
	Capital required	Risk weighted assets	Capital required	Risk weighted assets
Interest rate risk	**-**	**-**	-	-
Equity position risk	**-**	**-**	259	3,240
Foreign exchange risk	**3,399**	**32,374**	3,614	45,171
Total capital requirement	**3,399**	**32,374**	3,873	48,411

(f) Country Risk

Country risk is the probability of economic, social and political events in a foreign country impacting the willingness or ability of state owned or privately owned customers in that country to pay their debts on time.

The group has established country limits to monitor and control country risk. These limits are in accordance with overall business strategy, capital management, and provision for potential risk, risk rating on each country, acceptable level of risk and business opportunities in each country.

29 Risk management (continued)

(g) Strategic Risk

Strategic risk refers to the risk of prospective impact on the Group's earnings, capital, reputation arising from changes in the environmental conditions or from adverse strategic decisions or its implementation.

The Group uses several factors to identify and assess the impact of strategic risk, including implementation of risk management policies and practices in the strategic planning process and its compatibility with business strategy. Strategic risks are monitored and controlled as part of the strategic planning process wherein the Group reviews the progress on strategic initiatives and considers whether the progress is in line with the plan and the external business environment. The strategic plan is periodically reviewed and updated subject to a governance process.

30 Taxation

On December 9, 2022, UAE Ministry of Finance (MoF) released Federal Decree Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after June 1,2023. As the Group's accounting year ends on December 31, the first tax period will be the period from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. The Group considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes for the year ended 31 December 2024. The Group has not recognised any deferred tax assets or liabilities during the year based on its latest review and assessment

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000.

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

	2024 AED'000	2023 AED'000
Accounting loss before tax	**(189,296)**	-
Expected tax at 9%	**(17,037)**	
Tax adjustments:		
- Exempt income	**(20)**	-
- Non- deductible expenses	**90**	-
Total tax expense / (benefit)	**70**	
Unrecognised losses	**(16,967)**	-
Total tax expense / (benefit)*	**-**	-

*As the Group has incurred a loss for the year, no tax charge would apply for the current year.

Pillar 2 Disclosure
The Group is not subject to the Pillar Two Model rules as per the Organisation for Economic Cooperation and Development's (OECD') Global Anti-Base Erosion (GloBE') proposal.

31 Subsequent events

There are no significant events after the reporting period that would require adjustment or disclosure.