

ABU DHABI ISLAMIC BANK PJSC

**Reports and consolidated
financial statements
for the year ended 31 December 2024**

**These Audited Consolidated Financial Statements are subject to
Central Bank of UAE Approval and adoption by Shareholders at the
Annual General Meeting**

ABU DHABI ISLAMIC BANK PJSC

Reports and consolidated financial statements for the year ended 31 December 2024

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Report of the Board of Directors for the year ended 31 December 2024

The Board of Directors have pleasure in submitting their report together with the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the “Bank”) and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2024.

Incorporation and registered office

The Bank was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions and applicable requirements of the laws of the UAE and the Amiri Decree No. 9 of 1997.

Principal activity

The activities of the Bank are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Internal Shari’a Supervisory Committee of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), general principles of the Shari’a as determined by the Group’s Internal Shari’a Supervisory Committee and applicable requirements of the laws of the UAE.

Financial commentary

The Group net profit reached a record AED 6,101.4 million (2023: AED 5,251.3 million) for 2024 up by 16.2%. The financial highlights of the full year results are as follows:

- Group net revenue (total operating income net of distribution to depositors) for 2024 was AED 10,631.9 million (2023: AED 9,293.6 million) increased by 14.4%.
- Group operating profit (“margin”) for 2024 increased by 20.1% to reach at AED 7,487.3 million (2023: AED 6,232.4 million).
- Total provisions for impairment for 2024 were AED 619.7 million (2023: AED 760.3 million).
- Group net profit for 2024 was AED 6,101.4 million (2023: AED 5,251.3 million) up by 16.2%.
- Group earnings per share increased to AED 1.493 compared to AED 1.284 in 2023.
- Total assets as of 31 December 2024 were AED 225.9 billion (2023: AED 192.8 billion).
- Net customer financing (murabaha, ijara and other Islamic financing) as of 31 December 2024 was AED 142.6 billion (2023: AED 115.0 billion).
- Customer deposits as of 31 December 2024 were AED 182.7 billion (2023: AED 157.1 billion).

**Report of the Board of Directors
for the year ended 31 December 2024 (continued)**

Board of Directors

The directors during the year were as follows:

1.	H.E. Jawaan Awaidha Suhail Al Khaili	Chairman
2.	Faisal Sultan Naser Salem Al Shuaibi	Vice Chairman
3.	Khalifa Matar Al Mheiri	Board Member
4.	Najib Youssef Fayyad	Board Member
5.	Abdulla Ali Musleh Jumhour Al Ahbabi	Board Member
6.	Abdul Wahab Al Halabi	Board Member
7.	Maha Mohammed Al Qattan	Board Member



On behalf of the Board of Directors
H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

28 January 2025
Abu Dhabi

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the “Bank”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)

Key Audit Matters (continued)

Estimation uncertainty with respect to Expected Credit Losses for Islamic financing to customers measured at amortised cost	
Key audit matter	How our audit addressed the key audit matter
<p>The assessment of the Group's determination of impairment allowances for Islamic financing to customers measured at amortised cost requires management to make significant judgements over the staging and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality and the complexity of the judgements applied and assumptions and estimates used in the ECL models. As at 31 December 2024, gross Islamic financing to customers measured at amortised cost amounted to AED 147.1 billion against which an allowance for impairment of AED 4.5 billion was recorded.</p> <p>Refer to Notes 18 and 19 to the consolidated financial statements for Islamic financing to customers, Note 3 for the accounting policy, Note 3.4 for critical judgements and estimations used by management and Note 44 for the credit risk disclosure.</p> <p>ECLs are a probability-weighted estimate of the present value of credit losses. The Group employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are defined in Note 44.2 to the consolidated financial statements.</p>	<p>We performed the following audit procedures on the computation and reasonableness/ appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024:</p> <p>We have obtained a detailed understanding of Islamic financing to customers origination process, credit risk management process and the estimation process of determining expected credit losses for Islamic financing to customers measured at amortised cost and tested the design, implementation and operating effectiveness of relevant controls within these processes, which included testing:</p> <ul style="list-style-type: none"> • System-based and manual controls over the timely recognition of impaired Islamic financing to customers; • Controls over collateral valuation estimates; and • Controls over governance and approval process related to ECL provisions and ECL Models including continuous reassessment by the management. <p>We understood and evaluated the soundness of the ECL models by involving our internal specialists to determine if they were in compliance with the requirements of IFRS Accounting Standards. We tested the mathematical integrity of the ECL model by performing recalculations on a sample of Islamic financing to customers measured at amortised cost and assessed the consistency of the various inputs and assumptions used by management to determine ECL provisions.</p> <p>On a sample basis, we selected individually assessed Islamic financing to customers and assessed the information for evaluating credit-worthiness and the staging classification. We challenged the assumptions underlying the ECL provision calculations, such as credit risk mitigation through discounted future cash flows including collateral and estimates of recovery. We also assessed the consistency of the Group's application of the requirements of IFRS Accounting Standards relating to this matter.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)

Key Audit Matters (continued)

Estimation uncertainty with respect to Expected Credit Losses for Islamic financing to customers measured at amortised cost (continued)	
Key audit matter	How our audit addressed the key audit matter
<p>The material portion of the non-retail portfolio of Islamic financing to customers measured at amortised cost is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. There is the risk that management does not capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management bias may also be involved in manual staging override in accordance with the Group's policies and the requirements of IFRS 9 Financial Instruments. There is also the risk that judgements, assumptions, estimates, proxies and practical expedients implemented previously, are not consistently applied throughout the current reporting period or there are any unjustified movements in management overlays.</p> <p>The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are model-based with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period.</p>	<p>For Islamic financing to customers measured at amortised cost not tested individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs. We challenged key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios and evaluated management's methodology with the assistance of our internal specialists to determine if it was in compliance with IFRS Accounting Standards.</p> <p>We verified the integrity of data used as input to the models including the transfer of data between source systems and the ECL models.</p> <p>We evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments.</p> <p>We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.</p>
Risk of inappropriate access or changes to information technology systems	
Key audit matter	How our audit addressed the key audit matter
<p>The Bank is vitally dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks.</p>	<p>Our audit approach depends to a large extent on the effectiveness of automated and IT-dependent manual controls and therefore we updated our understanding of the Bank's IT-related control environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)

Key Audit Matters (continued)

Risk of inappropriate access or changes to information technology systems (continued)	
Key audit matter	How our audit addressed the key audit matter
<p>Inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of change to an application or underlying data.</p> <p>Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of financial statements. Therefore, we considered this area as a key audit matter.</p> <p>For further information on this key audit matter refer to Note 44 of the consolidated financial statements.</p>	<p>For relevant IT-dependent controls within the financial reporting process we identified, with the involvement of our internal IT specialists, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We updated our understanding of applications relevant for financial reporting and tested key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant for financial reporting:</p> <ul style="list-style-type: none"> • IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; • Controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and was approved by authorised persons; • Controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank; • Controls regarding the appropriateness of system access rights for privileged or administrative authorisations (superuser) being subject to a restrictive authorisation assignment procedure and regular review thereof; • Password protection, security settings regarding modification of applications, databases and operating systems, the segregation of department and IT users and segregation of employees responsible for program development and those responsible for system operations; • Program developers approval rights in the modification process and their capability to carry out any modifications in the productive versions of applications, databases and operating systems; and

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

When we read the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)

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

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

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

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

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

From the matters communicated with 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FABU DHABI ISLAMIC BANK PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Bank has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Bank's books of account;
- Notes 20 and 21 to the consolidated financial statements of the Bank discloses purchased or investment in shares during the financial year ended 31 December 2024;
- Note 42 to the consolidated financial statements discloses material related party transactions, the terms under which these were conducted and principles of managing conflict of interests;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
- Note 46 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2024.

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

Deloitte & Touche (M.E.)



Obada Alkowitz
Registration No. 1056
28 January 2025
Abu Dhabi
United Arab Emirates

**Consolidated income statement
for the year ended 31 December 2024**

	Notes	2024 AED '000	2023 AED '000
Operating income			
Income from murabaha, mudaraba and wakala with financial institutions		2,167,743	1,701,730
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	8,938,947	7,519,654
Income from sukuk measured at amortised cost		930,517	593,537
Income from investments measured at fair value	6	288,345	267,092
Income from associates and joint ventures	22	99,894	76,121
Fees and commission income, net	7	1,807,368	1,615,227
Foreign exchange income		550,639	456,319
Income from investment properties	8	37,920	38,030
Other income		351,239	125,234
		<hr/>	<hr/>
		15,172,612	12,392,944
Operating expenses			
Employees' costs	9	(1,894,632)	(1,851,336)
General and administrative expenses	10	(910,358)	(873,910)
Depreciation	23, 26	(329,132)	(321,124)
Amortisation of intangibles	27	(10,477)	(14,873)
Provision for impairment, net	11	(619,694)	(760,261)
		<hr/>	<hr/>
		(3,764,293)	(3,821,504)
		<hr/>	<hr/>
Profit from operations, before distribution to depositors and Sukuk holders		11,408,319	8,571,440
Distribution to depositors and sukuk holders	12	(4,540,691)	(3,099,342)
		<hr/>	<hr/>
Profit for the year before zakat and tax		6,867,628	5,472,098
Zakat		(932)	(1,196)
Tax	13	(765,279)	(219,553)
		<hr/>	<hr/>
Profit for the year after zakat and tax		6,101,417	5,251,349
		<hr/>	<hr/>
<i>Attributable to:</i>			
Equity holders of the Bank		5,776,782	5,000,261
Non-controlling interest		324,635	251,088
		<hr/>	<hr/>
		6,101,417	5,251,349
		<hr/>	<hr/>
Basic and diluted earnings per share attributable to ordinary shares (AED)	14	1.493	1.284
		<hr/>	<hr/>

The attached notes 1 to 46 form part of these consolidated financial statements.

**Consolidated statement of comprehensive income
for the year ended 31 December 2024**

	Notes	2024 AED '000	2023 AED '000
Profit for the year after zakat and tax		6,101,417	5,251,349
Other comprehensive loss			
<i>Items that will not be reclassified to consolidated income statement</i>			
Net gain on valuation of equity investments carried at fair value through other comprehensive income	35	8,717	17,769
Directors' remuneration paid	42	(16,100)	(16,100)
Other movement in reserves		7,106	(10,420)
<i>Items that may subsequently be reclassified to consolidated income statement</i>			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	35	50,062	50,527
Exchange differences arising on translation of foreign operations	35	(609,286)	(245,193)
Gain (loss) on hedge of foreign operations	35	3,990	(2,249)
Fair value (loss) gain on cash flow hedges	35	(5,405)	2,064
Other comprehensive loss for the year		(560,916)	(203,602)
Total comprehensive income for the year		5,540,501	5,047,747
Attributable to:			
Equity holders of the Bank		5,215,866	4,796,659
Non-controlling interest		324,635	251,088
		5,540,501	5,047,747

The attached notes 1 to 46 form part of these consolidated financial statements.

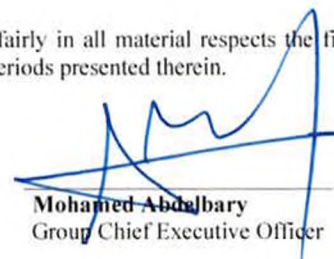
Consolidated statement of financial position
At 31 December 2024

	Notes	2024 AED '000	2023 AED '000
Assets			
Cash and balances with central banks	15	32,039,942	31,498,312
Balances and wakala deposits with Islamic banks and other financial institutions	16	7,649,939	7,373,806
Murabaha and mudaraba with financial institutions	17	2,957,529	3,930,130
Murabaha and other Islamic financing	18	85,344,623	67,044,317
Ijara financing	19	57,266,216	47,958,087
Investment in sukuk measured at amortised cost	20	23,758,093	18,881,549
Investments measured at fair value	21	5,528,404	5,601,452
Investment in associates and joint ventures	22	895,698	834,334
Investment properties	23	1,332,988	1,262,770
Development properties	24	722,940	722,940
Other assets	25	5,357,886	4,286,167
Property and equipment	26	2,645,669	2,797,990
Goodwill and intangibles	27	409,868	635,338
Total assets		225,909,795	192,827,192
Liabilities			
Due to financial institutions	28	5,529,669	2,555,004
Depositors' accounts	29	182,675,253	157,066,994
Other liabilities	30	7,551,385	5,126,576
Sukuk financing instrument	31	1,836,250	1,836,250
Total liabilities		197,592,557	166,584,824
Equity			
Share capital	32	3,632,000	3,632,000
Legal reserve	33	2,670,774	2,647,420
General reserve	33	3,947,177	3,431,547
Credit risk reserve	33	400,000	400,000
Retained earnings		13,501,350	11,358,406
Other reserves	35	(1,559,991)	(1,094,992)
Tier 1 sukuk	36	4,754,375	4,754,375
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		27,345,685	25,128,756
Non-controlling interest	37	971,553	1,113,612
Total equity		28,317,238	26,242,368
Total liabilities and equity		225,909,795	192,827,192

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein.



H.E. Jawaan Awaidha Suhail Al Khaili
Chairman



Mohamed Abdulbary
Group Chief Executive Officer

The attached notes 1 to 46 form part of these consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2024**

	Notes	Attributable to the equity and Tier 1 sukuk holders of the Bank							Non-controlling interest AED '000	Total equity AED '000
		Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit Risk reserve AED '000	Retained earnings AED '000	Other reserves AED '000	Tier 1 sukuk AED '000	Total AED '000	
Balance at 1 January 2023		3,632,000	2,640,705	2,975,819	400,000	8,642,250	(564,647)	4,754,375	22,480,502	23,460,670
Profit for the year		-	-	-	-	5,000,261	-	-	5,000,261	5,251,349
Other comprehensive loss		-	-	-	-	(16,100)	(187,502)	-	(203,602)	(203,602)
Profit paid on Tier 1 sukuk – Listed (second issue)		-	-	-	-	(196,250)	-	-	(196,250)	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	36	-	-	-	-	(140,538)	-	-	(140,538)	(140,538)
Redemption of Tier 1 sukuk – second issue		-	-	-	-	-	-	(2,754,375)	(2,754,374)	(2,754,374)
Issuance of Tier 1 sukuk – third issue	36	-	-	-	-	-	-	2,754,375	2,754,374	2,754,374
Issuance cost on Tier 1 sukuk – third issue	36	-	-	-	-	(12,305)	-	-	(12,305)	(12,305)
Dividends paid		-	-	-	-	(1,779,312)	-	-	(1,779,312)	(1,780,662)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	(20,000)
Transfer to Impairment reserve – General	35	-	-	-	-	235,631	(235,631)	-	-	-
Transfer to Impairment reserve – Specific	35	-	-	-	-	112,427	(112,427)	-	-	-
Loss on disposal of FVTOCI investment	35	-	-	-	-	(5,215)	5,215	-	-	-
Transfer to reserves	33	-	6,715	455,728	-	(462,443)	-	-	-	-
Other movement in non-controlling interest		-	-	-	-	-	-	-	(116,294)	(116,294)
Balance at 1 January 2024		3,632,000	2,647,420	3,431,547	400,000	11,358,406	(1,094,992)	4,754,375	25,128,756	26,242,368
Profit for the year		-	-	-	-	5,776,782	-	-	5,776,782	6,101,417
Other comprehensive loss		-	-	-	-	(16,100)	(575,256)	-	(591,356)	(591,356)
Profit paid on Tier 1 sukuk – Listed (third issue)	36	-	-	-	-	(199,692)	-	-	(199,692)	(199,692)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	36	-	-	-	-	(153,336)	-	-	(153,336)	(153,336)
Dividends paid	34	-	-	-	-	(2,595,469)	-	-	(2,595,469)	(2,595,469)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	(20,000)
Transfer to Impairment reserve – General	35	-	-	-	-	(287,490)	287,490	-	-	-
Transfer to Impairment reserve – Specific	35	-	-	-	-	207,673	(207,673)	-	-	-
Transfer to reserves	33	-	23,354	515,630	-	(569,424)	30,440	-	-	-
Other movement in non-controlling interest		-	-	-	-	-	-	-	(466,694)	(466,694)
Balance at 31 December 2024		3,632,000	2,670,774	3,947,177	400,000	13,501,350	(1,559,991)	4,754,375	27,345,685	28,317,238

The attached notes 1 to 46 form part of these consolidated financial statements.

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

	Notes	2024 AED '000	2023 AED '000
Operating activities			
Profit for the year		6,101,417	5,251,349
Adjustments for:			
Depreciation on investment properties	23	14,587	14,657
Depreciation on property and equipment	26	257,061	241,356
Depreciation on right-of-use assets	26	57,484	65,111
Amortisation of intangibles	27	10,477	14,873
Share of results of associates and joint ventures		(99,894)	(76,121)
Dividend income	6	(483)	(5,905)
Realised gain on investments carried at fair value through profit or loss	6	(43,242)	(30,947)
Unrealised loss (gain) on investments carried at fair value through profit or loss	6	2,255	(13,818)
Realised loss on sukuk carried at fair value through other comprehensive income	6	-	3,608
Loss on disposal of property and equipment		388	2,388
Finance cost on lease liabilities		6,359	7,487
Provision for impairment, net	11	619,694	760,261
Provision for end of service benefits		50,366	45,550
Gain on disposal of investment properties	8	(326)	-
Changes in operating assets and liabilities		6,976,143	6,279,849
Increase in balances with central banks		(1,952,873)	(6,824,157)
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		(4,406,001)	1,688,480
Increase in murabaha and mudaraba with financial institutions		(839,244)	(321,110)
Increase in murabaha and other Islamic financing		(22,910,135)	(6,879,755)
Increase in ijara financing		(9,936,628)	(2,910,815)
Movement in investments carried at fair value through profit or loss		113,424	(323,055)
Increase in other assets		(1,763,604)	(1,192,145)
Increase in due to financial institutions		1,710,321	43,556
Increase in depositors' accounts		34,931,438	21,817,526
Increase in other liabilities		4,001,463	1,470,125
Cash from operations		5,924,304	12,848,499
End of service benefits paid		(23,032)	(35,537)
Directors' remuneration paid	42	(16,100)	(16,100)
Net cash from operating activities		5,885,172	12,796,862
Investing activities			
Dividend received	6	483	5,905
Movement in investments carried at fair value through other comprehensive income		24,751	140,773
Movement in investments carried at amortised cost		(4,858,404)	(4,644,019)
Dividends received from associates and joint ventures		18,124	16,250
Proceeds from disposal of investment properties		1,450	-
Additions in development properties		-	(9,239)
Purchase of property and equipment	26	(314,671)	(294,748)
Net cash used in investing activities		(5,128,267)	(4,785,078)
Financing activities			
Issuance of Tier 1 sukuk – Listed (third issue)	36	-	2,754,375
Issuance cost on Tier 1 sukuk – Listed (third issue)	36	-	(12,305)
Redemption of Tier 1 sukuk – Listed (second issue)		-	(2,754,375)
Issuance of Sukuk financing instrument	31	-	1,836,250
Finance cost on lease liability	10	(6,359)	(7,487)
Profit paid on Tier 1 sukuk – Listed (second issue)		-	(196,250)
Profit paid on Tier 1 sukuk – Listed (third issue)	36	(199,692)	-
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	36	(153,336)	(140,538)
Dividends paid		(2,595,469)	(1,870,841)
Net cash used in financing activities		(2,954,856)	(391,171)
(Decrease) increase in cash and cash equivalents		(2,197,951)	7,620,613
Cash and cash equivalents at 1 January		12,727,308	5,106,695
Cash and cash equivalents at 31 December	41	10,529,357	12,727,308
Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, sukuk and customer deposits are as follows:			
Profit received		11,764,986	9,248,577
Profit paid to depositors		2,967,346	2,828,445

The attached notes 1 to 46 form part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2024

1 Legal status and principal activities

Abu Dhabi Islamic Bank PJSC (the “Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and came into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”).

The Bank and its subsidiaries (the “Group”) carry out full banking services, financing and investing activities through various Islamic instruments such as Murabaha, Istisna’a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Internal Shari’a Supervisory Committee of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 59 branches in UAE (2023: 58 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE, Egypt and the United Kingdom. The consolidated financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

The registered office of the Bank is at P O Box 313, Abu Dhabi, UAE.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 28 January 2025.

2 Definitions

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

Murabaha

A sale contract, in which the Group sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price that consists of the purchase cost plus a mark-up profit.

Istisna’a

A sale contract, in which the Group (Al Saanee) sells an asset to be developed using its own materials to a customer (Al Mustasnee) according to pre-agreed upon precise specification, at a specific price, installments dates and to be delivered on a specific date. This developed asset can be either developed directly by the Group or through a subcontractor and then it is handed over to the customer on the pre-agreed upon date.

Ijara

A lease contract whereby the Group (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset that either exists currently or to be constructed in future (forward lease) for a specific period of time at specific rental installments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

Qard Hasan

A non-profit bearing loan that enables the borrower to use the borrowed amount for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges or profits.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****2 Definitions (continued)****Musharaka**

A contract between the Group and a customer to entering into a partnership in an existing project (or to be established), or in the ownership of a specific asset, either on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to him/her its share in this partnership until he/she becomes the sole owner of it (diminishing musharaka). Profits are distributed according to the mutual agreement of the parties as stipulated in the contract; however, losses are borne according to the exact shares in the Musharaka capital on a pro-rata basis.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

Wakalah

A contract between the Group and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

Sukuk

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

3 Basis of preparation**3.1 (a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), general principles of the Shari'a as determined by the Group's Internal Shari'a Supervisory Committee and applicable requirements of the laws of the UAE.

3.1 (b) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income, Shari'a compliant alternatives of derivative financial instruments which have been measured at fair value and land, held as property and equipment, which has been carried at revalued amount.

The consolidated financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Bank and all values are rounded to the nearest thousand AED except where otherwise indicated.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

3 Basis of preparation (continued)

3.1 (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			2024	2023
Abu Dhabi Islamic Bank – Egypt (S.A.E.)**	Islamic Banking	Egypt	53%	53%
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
MPM Properties LLC	Real estate services	United Arab Emirates	100%	100%
ADIB Invest 1	Equity brokerage services	BVI	100%	100%
Kawader Services LLC	Manpower supply	United Arab Emirates	100%	100%
ADIB (UK) Limited	Other services	United Kingdom	100%	100%
ADIB Capital Ltd	Funds services	United Arab Emirates	100%	100%
Fractionalized Sukuk Holding Limited*	Special purpose vehicle	United Arab Emirates	100%	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 3 Ltd*	Special purpose vehicle	Cayman Island	-	-

*The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

** It has been approved by ADIB Internal Shari'a Supervisory Committee to consolidate the financial statements of ADIB Egypt with ADIB Group following the use of an exceptionally acceptable structure in the absence of a permanent structure to invest ADIB Egypt liquidity in a way other than the direct investment of such liquidity in the conventional securities issued by the Central Bank of Egypt and which allowed the recognition of the income accordingly. The Bank continues to recognize the profits that have been purified prior the use of the structured mentioned above.

These consolidated financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represent the portion of the net income or loss and net assets of the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity of the Bank.

3.2 Changes in accounting policies

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2024. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group's future transactions or arrangements.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

3 Basis of preparation (continued)

3.2 Changes in accounting policies (continued)

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements
- Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2024.

3.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
IFRS 18 Presentation and Disclosure Financial Statements Issued	1 January 2027

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

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

3 Basis of preparation (continued)

3.4 Significant judgements and estimates

The preparation of the consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

IFRS 9: Financial instruments:

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

Key Considerations: Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

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

The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

- (i) The Group has established thresholds for significant increases in credit risk based on movement in Probability of Default (PD) as determined by the Obligor Risk Rating (ORR) relative to initial recognition as well as PD thresholds.
- (ii) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
- (iii) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Credit Impairment: Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios: The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD and Loss Given Default (LGD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

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

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

Governance: The Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving key inputs and assumptions used in the Group's expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group's financial statements.

Going concern

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

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Operating lease commitments - Group as lessor

The Group has entered into commercial property lease arrangements on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties therefore, accounts for the contracts as operating leases.

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

Classification and measurement of financial assets

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. The Group's investments in securities are appropriately classified and measured.

Investment and development properties

The Group hired services of professional real estate valuer to provide reliable estimates of the market value of investment properties for determining the fair values as of the reporting date, for disclosure purposes and assessing the impairment, if any. The basis of estimate and method used by the valuer has been disclosed in the note 22.

Fair value of financial instruments

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

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, development property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, development property and property and equipment. In making its judgment, management considers the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

Impairment of investments in associates and joint ventures

Management regularly reviews its investment in associates and joint venture for indicators of impairment. This determination of whether investments in associates is impaired, entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. If managements' review results in impairment, the difference between the estimated recoverable amount and the carrying value of investment in associates and joint venture is recognised as an expense in the consolidated income statement.

Impairment review of investment properties, development properties and advances paid against purchase of properties

Investment properties, development properties and advances paid against purchase of properties are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any impairment.

The assessment of current market conditions, including cost of project completion, future rental and occupancy rates and assessment of the projects capital structure and discount rates requires management to exercise its judgment. Management uses internal and external experts to exercise this judgment.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

Impairment of goodwill

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life of property and equipment and investment properties

The cost of property and equipment and investment properties are depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of intangibles other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation.

Valuation of financial instruments

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Lease accounting under IFRS 16

The following are the critical judgments and estimates in the application of IFRS 16, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised;
- classification of lease arrangements (when the entity is a lessor);
- determination of the appropriate rate to discount the lease payments; and
- assessment of whether a right-of-use asset is impaired.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Murabaha

Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price of al-masnoo to the customer and the Bank's total Istisna'a cost) is accounted for on a time apportioned basis.

Ijara

Ijara income is recognised on a time apportioned basis over the lease term.

Musharaka

Income is accounted for on the basis of the reducing balance of Musharaka on a time apportioned basis that reflects the effective yield on the asset.

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the Bank's consolidated income statement on their declaration by the Mudarib.

Sukuk

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

Revenue from sale of properties, net

Revenue is recognized when (or as) the Group satisfies the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for transferring goods or services to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer).

Cost of sale of properties includes the cost of development. Development costs include the cost of infrastructure and construction.

Cost of sale of land represents the carrying amount at which it is recorded in the consolidated financial statements of the Group.

Fee and commission income

Fee income is earned from a diverse range of services provided by the Bank to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The Bank recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, Brokerage fees and commission);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, Projects and property management fees, arrangement fees and Accounts services fees); and
- Other fees and commission income and expense are recognised as the related services are performed or received.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Revenue recognition (continued)

Operating lease income

Operating lease income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Gain on sale of investments

Gain or loss on disposal of fair value through profit or loss investments represents the difference between the sale proceeds and the carrying value of such investments on the date of sale less any associated selling costs and is recognised through consolidated income statement.

Gain or loss on disposal of fair value through other comprehensive income investments represents the difference between sale proceeds and their original cost less associated selling costs and is recognised through consolidated statement of comprehensive income and are included within cumulative changes in fair value reserve within equity and not recognised in the consolidated income statement.

Dividends

Dividends from investments in equities are recognised when the right to receive the dividend is established.

Financial instruments

Recognition and measurement

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:

- Customer financing.
- Balances and wakala deposits with Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; and
- Sharia compliant alternatives of derivatives.

The Group's customer financing comprises the following:

- Murabaha and other Islamic financing; and
- Ijara financing.

Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Classification

Financial assets at amortised cost

Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

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

All other financial assets are subsequently measured at fair value.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Financial instruments (continued)

Classification (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Other financial assets that do not meet the amortised cost criteria are classified as FVTPL. In addition, certain financial assets that meet the amortised cost criteria but at initial recognition are designated as FVTPL in line with the business model of the Group. As a fair value option, a financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets that are designated as FVTPL on initial recognition as fair value option is not allowed.

Financial assets at fair value through other comprehensive income ("FVTOCI")

At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:

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

Measurement

Financial assets or financial liabilities carried at amortised cost

Financial assets are recorded at amortised cost, which includes Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable. Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Balances and wakala deposits with Islamic banks and other financial institutions are stated at amortised cost less amounts written off and provision for impairment, if any.

Murabaha and mudaraba with financial institutions are stated at amortised cost (which excludes deferred income or expected profits) less provisions for impairment.

Islamic financing consist of murabaha receivables, mudaraba, Istisna'a, Islamic covered cards (murabaha based) and other Islamic financing.

Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Financial instruments (continued)

Measurement (continued)

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

The Ijara is classified as a finance lease, when the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included within 'investment income' in the consolidated income statement.

Financial assets at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity.

Where the assets are disposed off, except for sukuk measured at FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. Financial assets (equity instruments) measured at FVTOCI are not required to be tested for impairment.

For sukuk measured at FVTOCI which are disposed off, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is reclassified from equity to consolidated income statement. Financial assets (Sukuk instruments) measured at FVTOCI are tested for impairment.

For investments quoted in active market, fair value is determined by reference to quoted market prices.

For other investments, where there is no active market, fair value is normally based on one of the following:

- the expected cash flows discounted at current profit rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent market transactions

Dividends on investment in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of investment.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Financial instruments (continued)

Measurement (continued)

Financial assets at fair value through other comprehensive income ("FVTOCI") (continued)

(i) Recognition / De-recognition

The Group initially recognises financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

Financing to customers are recognised on the day they are disbursed. A financial liability is recognised on the date the Group becomes a party to contractual provisions of the instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are sold are de-recognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on de-recognition.

(ii) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right and under Sharia'a framework to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment assessment:

The Group assesses whether financial assets carried at amortised cost and carried at FVTOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Measurement of Expected Credit Losses (ECL):

The impairment of financial assets are calculated in accordance with IFRS 9 expected credit loss (ECL) model. The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and sukuk measured at amortized cost or at fair value through OCI. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD).

Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) measures. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Financial instruments (continued)

Measurement of Expected Credit Losses (ECL): (continued)

Stage 3: Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Group has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group developed a statistical model and for other portfolios judgmental models were developed.

Renegotiated financing facilities

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

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

- If the expected restructuring will not result in derecognition of the exiting asset, then the expected cash flows arising from the modified financial asset are included in calculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified cash flows, that are discounted at the financial asset at the original effective profit rate and shall recognize the modification gain or loss in the profit or loss.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Purchased or originated credit impaired assets (POCI)

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit income is subsequently recognized based on a credit-adjusted expected profit rate. Life time ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

Covered card facilities

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****4 Significant accounting policies (continued)****Financial instruments (continued)****Write-off**

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

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, to the extent it is possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data such as market transactions, rental yields and audited financial statements.

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Fair value measurements

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic benefit.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs (note 43).

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the cash and equity interests issued by the Bank in exchange for control of the acquiree. Acquisition related costs are recognised in consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statements as gain on acquiring controlling interest.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Bank obtains control) and the resulting gain or loss, if any, is recognised in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Intangibles excluding banking license are amortised using the straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates of amortisation are based upon the following estimated useful lives:

- Core deposit intangible 12 years

The banking license has an indefinite life and will be tested for impairment annually. For impairment testing purposes, the banking license is allocated to the relevant cash generating unit.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units which are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Investment in joint ventures

The Group has investment in joint ventures, which are jointly controlled entities, whereby venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group's investment in joint ventures is accounted for using the equity method of accounting.

Under the equity method, the investment in the joint ventures is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated income statement.

Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the assets' estimated useful lives. The useful life of buildings is estimated to be 25 - 40 years.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Development properties

Properties in the course of construction for sale or completed properties held for sale are classified as development properties. Completed properties held for sale are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at lower of cost or net realizable value. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be complete when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is recorded at revalued amount in the consolidated financial statements.

Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

• Buildings	25 - 40 years
• Furniture and leasehold improvements	3 - 7 years
• Computer and office equipment	4 - 8 years
• Motor vehicles	4 years

The carrying values of properties and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

Capital work-in-progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated.

When an asset is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognized as income i.e., to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited directly to retained earnings.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Leases

In cases where Group is a Lessee, all leases and the associated contractual rights and obligations is generally recognize in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or lease payments relating to that lease recognised in the consolidated statement of financial position.

The recognised right-of-use assets are related to and included in property and equipment and corresponding lease liabilities under other liabilities the consolidated statement of financial position.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The assumed finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period (the "finance cost on lease liabilities"). The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be determined, the lessee's incremental financing rate is used, being the rate that the lessee would have to pay to obtain financing for the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used weighted average incremental financing rate for calculating the net present value of lease liabilities.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****4 Significant accounting policies (continued)****Income taxes and deferred taxation**

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

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

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

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Deposits

Customer deposits and due to banks and other financial institutions are carried at amortised cost.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****4 Significant accounting policies (continued)****Sukuk financing instruments**

Sukuk financing instruments are initially measured at fair value and then are subsequently measured at amortised cost using the effective profit rate method, with profit distribution recognised on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit distribution over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employees' pension and end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are included within 'other liabilities' in the consolidated statement of financial position.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the consolidated income statement when due.

Shari'a compliant alternatives of derivative financial instruments

The Bank enters into a Shari'a compliant alternatives of derivative financial instruments to manage the exposure to profit rate risks, including unilateral promise which represents Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

The Bank enters into cash flows hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Cash flow hedges

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

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****4 Significant accounting policies (continued)****Net investment hedge**

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in consolidated statement of comprehensive income within foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement on the disposal of the foreign operations.

Zakat

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is directly responsible of the payment of the Zakat amount of the shares that he/she owns. In accordance with the Articles and Memorandum of Association of the Bank, Zakat is computed by the Bank and it is approved by the Internal Shari'a Supervisory Committee of the Bank. However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total zakat amount and the Zakat amount per each outstanding share.

Zakat per share is calculated in accordance with AAOIFI's Shari'a Standard number 35 on Zakat, and the Group's Internal Shari'a Supervisory Committee Resolutions.

In accordance with the Memorandum of Association, the Group communicates the amount of Zakat per share and it is the responsibility of each shareholder to directly dispose personally his/her own Zakat amount (note 40).

Profit distribution

Profits or losses of Mudaraba based depositors' accounts are calculated and distributed in accordance with the Banking Service Agreement between the Bank and the investment account holders. Investment in subsidiaries is funded from the shareholders' funds, hence profit or losses from the subsidiaries are not distributed to the investment account holders. Investment in associates is funded jointly from the shareholders and investment account holders' funds, therefore, profits and losses of the associates are distributed among the shareholders and investment account holders. A part of the deserved profits relating to the Mudaraba based investment accounts profit can be reserved as "Investment Risk Reserve" and shall be subsequently utilized in order to maintain certain level of profit distribution to the account holders.

The same allocation is applicable to Wakala deposits and any share of profit above the fixed Wakala fee and the initially expected profit agreed with the investment account holder, shall pertain to the Wakil (the Bank).

Cash and cash equivalents

For the purpose of preparation of the consolidated statement of cash flow, cash and cash equivalents are considered to be cash and balances with central banks, due from banks and international murabahat. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Trade and settlement date accounting

All "regular way" purchase and sales of financial assets are recognized on the settlement date, i.e., the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Prohibited income

According to the Internal Shari'a Supervisory Committee "ISSC", the Group is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Group under the supervision of the ISSC (as purification amount).

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

4 Significant accounting policies (continued)

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recorded in the other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the consolidated income statement in 'net fees and commission income' over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in 'credit loss expense'. Any financial guarantee liability remaining is recognized in the consolidated income statement in 'net fees and commission income' when the guarantee is discharged, cancelled or expires.

Segment reporting

The Bank has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to the management.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Treasury shares and contracts on own equity instruments

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in consolidated income statement on the purchase, sale, issue or cancellation of own equity instruments.

Restricted investment accounts

Restricted investment accounts represent special nature assets resulted from funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager (Wakil) based on or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

5 Income from murabaha, mudaraba, ijara and other islamic financing from customers

	2024 AED '000	2023 AED '000
Vehicle murabaha	789,019	560,128
Goods murabaha	1,603,118	1,146,739
Share murabaha	878,925	869,844
Commodities murabaha – Al Khair	517,875	422,252
Islamic covered cards (murabaha)	443,220	395,401
Other murabaha	788,668	669,535
	<hr/>	<hr/>
Total murabaha	5,020,825	4,063,899
Mudaraba	780,591	684,651
Ijara	2,905,008	2,575,501
Wakala	226,468	195,597
Istisna'a	6,055	6
	<hr/>	<hr/>
	8,938,947	7,519,654
	<hr/> <hr/>	<hr/> <hr/>

6 Income from investments measured at fair value

	2024 AED '000	2023 AED '000
Income from sukuk measured at fair value through profit or loss	130,344	87,737
Income from sukuk measured at fair value through other comprehensive income	112,030	126,615
Realised gain on investments carried at fair value through profit or loss	43,242	30,947
Unrealised (loss) gain on investments carried at fair value through profit or loss	(2,255)	13,818
Realised loss on sukuk carried at fair value through other comprehensive income	-	(3,608)
Gain from other investment assets	4,501	5,678
Dividend income	483	5,905
	<hr/>	<hr/>
	288,345	267,092
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

7 Fees and commission income, net

	2024 AED '000	2023 AED '000
Fees and commission income		
Fees and commission income on cards	1,896,353	1,667,747
Trade related fees and commission	134,725	143,950
Accounts services fees	138,754	123,621
Projects and property management fees	48,760	46,682
Risk participation and arrangement fees	152,769	121,265
Brokerage fees and commission	42,993	41,893
Other fees and commissions	682,337	541,391
	<hr/>	<hr/>
Total fees and commission income	3,096,691	2,686,549
	<hr/>	<hr/>
Fees and commission expenses		
Card related fees and commission expenses	(1,126,549)	(965,193)
Other fees and commission expenses	(162,774)	(106,129)
	<hr/>	<hr/>
Total fees and commission expenses	(1,289,323)	(1,071,322)
	<hr/>	<hr/>
Fees and commission income, net	1,807,368	1,615,227
	<hr/> <hr/>	<hr/> <hr/>

8 Income from investment properties

	2024 AED '000	2023 AED '000
Rental income (note 23)	37,594	38,030
Gain on disposal of investment properties	326	-
	<hr/>	<hr/>
	37,920	38,030
	<hr/> <hr/>	<hr/> <hr/>

9 Employees' costs

	2024 AED '000	2023 AED '000
Salaries and wages	1,664,385	1,644,527
End of service benefits	94,244	84,366
Other staff expenses	136,003	122,443
	<hr/>	<hr/>
	1,894,632	1,851,336
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

10 General and administrative expenses

	2024	2023
	AED ‘000	AED ‘000
Legal and professional expenses	146,787	126,202
Premises expenses	108,023	110,324
Marketing and advertising expenses	83,902	70,489
Communication expenses	106,864	111,327
Technology related expenses	262,092	219,516
Finance cost on lease liabilities	6,359	7,487
Other operating expenses	196,331	228,565
	<hr/> 910,358 <hr/>	<hr/> 873,910 <hr/>

11 Provision for impairment, net

	2024	2023
	AED ‘000	AED ‘000
Murabaha and other Islamic financing	299,793	168,538
Ijara financing	458,362	419,360
Direct write-off, net of recoveries	15,836	4,188
Investment in sukuk measured at amortised cost	(18,140)	80,962
Others	(136,157)	87,213
	<hr/> 619,694 <hr/>	<hr/> 760,261 <hr/>

12 Distribution to depositors and sukuk holders

	2024	2023
	AED ‘000	AED ‘000
Saving accounts	241,217	210,137
Investment accounts	4,194,825	2,875,702
Sukuk holders	104,649	13,503
	<hr/> 4,540,691 <hr/>	<hr/> 3,099,342 <hr/>

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

13 Tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. As the Group’s accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

Furthermore, Bank pays taxes on its international branches and subsidiary in accordance with the tax laws prevailing in those countries mainly Egypt where the tax rate is 22.5%.

The current tax charge for year ended 31 December is as follows:

	2024 AED ‘000	2023 AED ‘000
As per UAE Corporate Tax Law	457,391	-
As per other international tax jurisdiction	307,888	219,553
	765,279	219,553
Effective Tax Rate (“ETR”)	11.1%	4.0%

The reconciliation of tax expense to the accounting profit before tax is as follows:

	2024 AED ‘000	2023 AED ‘000
Accounting profit before tax	6,866,696	5,470,902
Tax expense at 9% / 0% (UAE Corporate tax rate)	618,003	-
Tax effect of difference:		
Tax effect of different tax rate of subsidiaries operating in foreign jurisdictions	220,882	219,553
Others	(73,606)	-
	765,279	219,553

Pillar 2

The OECD has published GloBE Model Rules, which include a minimum 15% tax rate by jurisdiction (“Pillar Two”). Various countries have enacted or intend to enact tax legislation to comply with Pillar Two rules. As of the reporting date, Pillar Two legislation has not been substantively enacted in the UAE. The Bank has conducted an assessment of the potential exposure to Pillar Two income taxes had the rules been in effect in UAE during the current reporting period. Based on this assessment, the Bank does not expect the top-up tax to be considered material.

The Bank is continuing to assess the impact of the Pillar Two income tax legislation on its future financial performance for the remaining jurisdictions in which the Bank operates where Pillar Two legislation has not been substantively enacted as at the reporting date, and which are not impacted by the Pillar Two charging provisions enacted elsewhere in the Group.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

14 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of any financial instruments with dilutive effects.

The following reflects the income and shares data used in the earnings per share computations:

	Notes	2024	2023
Profit for the year attributable to equity holders (AED ‘000)		5,776,782	5,000,261
Less: profit attributable to Tier 1 sukuk holder			
- Listed (third issue) (AED ‘000)	36	(199,692)	-
- Listed (second issue) (AED ‘000)		-	(196,250)
- Government of Abu Dhabi (AED ‘000)	36	(153,336)	(140,538)
Profit for the year attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED ‘000)		5,423,754	4,663,473
Weighted average number of ordinary shares at 31 December in issue (000’s)		3,632,000	3,632,000
Basic and diluted earnings per share (AED)		1.493	1.284

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised. Profit on Tier 1 sukuk is reflected in the EPS computation on the payment of such profit.

15 Cash and balances with central banks

	2024 AED ‘000	2023 AED ‘000
Cash on hand	2,112,161	2,022,259
Balances with central banks:		
- Current accounts	1,143,318	1,739,360
- Statutory reserve	19,229,985	14,127,177
- Islamic certificate of deposits	9,555,686	13,610,743
Less: provision for impairment	32,041,150 (1,208)	31,499,539 (1,227)
	32,039,942	31,498,312

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

15 Cash and balances with central banks (continued)

The Bank is required to maintain statutory reserves with the Central Bank of the UAE, Egypt, Iraq and Sudan on demand, time and other deposits. The statutory reserves are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Bank. Cash on hand and current accounts are not profit-bearing. Islamic certificate of deposits are profit bearing, which is based on entering into international commodities Murabaha transaction in which Central Bank of the UAE and Central Bank of Iraq are the buyers and the Bank is the seller.

The distribution of the gross cash and balances with central banks by geographic region is as follows:

	2024 AED '000	2023 AED '000
UAE	28,183,540	27,831,678
Rest of the Middle East	2,394,497	2,416,442
Others	1,463,113	1,251,419
	<u>32,041,150</u>	<u>31,499,539</u>

16 Balances and wakala deposits with islamic banks and other financial institutions

	2024 AED '000	2023 AED '000
Current accounts	848,985	205,301
Wakala deposits	6,808,703	7,186,958
	<u>7,657,688</u>	<u>7,392,259</u>
Less: provision for impairment	(7,749)	(18,453)
	<u>7,649,939</u>	<u>7,373,806</u>

In accordance with Shari'a principles, deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

The distribution of the gross balances and wakala deposits with Islamic banks and other financial institutions by geographic region is as follows:

	2024 AED '000	2023 AED '000
UAE	57,495	1,433,787
Rest of the Middle East	6,528,742	5,749,171
Europe	313,737	134,677
Others	757,714	74,624
	<u>7,657,688</u>	<u>7,392,259</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

17 Murabaha and mudaraba with financial institutions

	2024 AED ‘000	2023 AED ‘000
Murabaha	2,991,073	3,994,920
Less: provision for impairment	(33,544)	(64,790)
	<hr/> 2,957,529 <hr/>	<hr/> 3,930,130 <hr/>

In accordance with Shari'a principles, Mudaraba are with Islamic financial institutions or provided for the activities that are entirely Sharia' compliant.

The distribution of the gross murabaha and mudaraba with financial institutions by geographic region is as follows:

	2024 AED ‘000	2023 AED ‘000
UAE	23,492	25,989
Rest of the Middle East	100,269	49,389
Others	2,867,312	3,919,542
	<hr/> 2,991,073 <hr/>	<hr/> 3,994,920 <hr/>

18 Murabaha and other Islamic financing

	2024 AED ‘000	2023 AED ‘000
Vehicle murabaha	11,654,053	9,696,136
Goods murabaha	35,889,499	22,852,342
Share murabaha	11,129,377	12,494,133
Commodities murabaha – Al Khair	10,475,983	8,677,902
Islamic covered cards (murabaha)	12,435,065	7,694,314
Other murabaha	12,342,823	9,551,973
	<hr/> 93,926,800 <hr/>	<hr/> 70,966,800 <hr/>
Total murabaha		
Mudaraba	4,732,765	5,111,209
Wakala	3,692,104	3,819,872
Istisna'a	104,910	92,419
Other financing receivables	181,366	190,189
	<hr/> 102,637,945 <hr/>	<hr/> 80,180,489 <hr/>
Total murabaha and other Islamic financing		
Less: deferred income on murabaha	(15,627,648)	(10,753,070)
	<hr/> 87,010,297 <hr/>	<hr/> 69,427,419 <hr/>
Less: provision for impairment	(1,665,674)	(2,383,102)
	<hr/> 85,344,623 <hr/>	<hr/> 67,044,317 <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

18 Murabaha and other Islamic financing (continued)

The distribution of the gross murabaha and other Islamic financing by industry sector and geographic region was as follows:

	2024 AED '000	2023 AED '000
<i>Industry sector:</i>		
Government	9,497,175	2,627,253
Public sector	14,023,427	9,901,507
Corporates	7,467,357	7,824,923
Financial institutions	6,412,769	5,480,880
Individuals	48,216,977	42,402,600
Small and medium enterprises	1,392,592	1,190,256
	<hr/> 87,010,297 <hr/>	<hr/> 69,427,419 <hr/>
<i>Geographic region:</i>		
UAE	67,892,641	52,172,504
Rest of the Middle East	7,832,576	6,184,559
Europe	3,700,564	2,956,416
Others	7,584,516	8,113,940
	<hr/> 87,010,297 <hr/>	<hr/> 69,427,419 <hr/>

19 Ijara financing

This represents net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The documentation includes a separate undertaking from the Bank to sell the leased assets to the lessee upon the maturity of the lease.

The aggregate future lease receivables are as follows:

	2024 AED '000	2023 AED '000
Ijara financing	60,108,940	50,741,625
Less: provision for impairment	(2,842,724)	(2,783,538)
	<hr/> 57,266,216 <hr/>	<hr/> 47,958,087 <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

19 Ijara financing (continued)

The distribution of the gross ijara financing by industry sector and geographic region was as follows:

	2024 AED '000	2023 AED '000
<i>Industry sector:</i>		
Government	1,538,884	1,772,125
Public sector	4,901,628	6,384,383
Corporates	17,958,261	21,498,292
Individuals	35,376,612	20,689,980
Small and medium enterprises	175,441	203,505
Non-profit organisations	158,114	193,340
	<hr/> 60,108,940	<hr/> 50,741,625
<i>Geographic region:</i>		
UAE	57,501,433	49,190,106
Rest of the Middle East	1,579,789	971,771
Europe	514,035	6,357
Others	513,683	573,391
	<hr/> 60,108,940	<hr/> 50,741,625

20 Investment in sukuk measured at amortised cost

	2024 AED '000	2023 AED '000
Sukuk - Quoted	23,862,504	19,004,100
Less: provision for impairment	(104,411)	(122,551)
	<hr/> 23,758,093	<hr/> 18,881,549

The distribution of the gross investments by geographic region was as follows:

	2024 AED '000	2023 AED '000
UAE	12,095,090	10,573,633
Rest of the Middle East	8,925,158	6,371,362
Europe	91,232	-
Others	2,751,024	2,059,105
	<hr/> 23,862,504	<hr/> 19,004,100

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

21 Investments measured at fair value

	2024 AED '000	2023 AED '000
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	24,546	33,956
Sukuk	1,899,327	1,982,758
	<hr/> 1,923,873	<hr/> 2,016,714
Unquoted sukuk	<hr/> 327,586	<hr/> 307,182
	<hr/> 2,251,459	<hr/> 2,323,896
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	24,882	27,063
Sukuk	2,924,449	3,119,326
	<hr/> 2,949,331	<hr/> 3,146,389
Unquoted investments		
Sukuk	68,686	67,726
Funds	214,338	27,581
Private equities	115,827	110,787
	<hr/> 398,851	<hr/> 206,094
	<hr/> 3,348,182	<hr/> 3,352,483
Less: provision for impairment	5,599,641 (71,237)	5,676,379 (74,927)
Total investments measured at fair value	<hr/> <hr/> 5,528,404	<hr/> <hr/> 5,601,452

Unquoted sukuk carried at fair value through profit or loss includes financial assets acquired as part of settlement of an existing financing exposure that has been transferred to a new entity controlled by the financiers. The instrument is expected to be settled through sale of operating assets transferred to the new entity.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

21 Investments measured at fair value (continued)

The distribution of the gross investments by geographic region was as follows:

	2024 AED '000	2023 AED '000
UAE	2,792,343	2,407,816
Rest of the Middle East	1,791,738	1,945,593
Europe	11,582	832
Others	1,003,978	1,322,138
	<hr/> 5,599,641 <hr/>	<hr/> 5,676,379 <hr/>

22 Investment in associates and joint ventures

The movement in the carrying amount during the year was as follows:

	2024 AED '000	2023 AED '000
At 1 January	849,490	791,240
Share of results	99,894	76,121
Dividends received	(18,124)	(16,250)
Foreign currency translation	(20,406)	(1,621)
	<hr/> 910,854 <hr/>	<hr/> 849,490 <hr/>
Less: provision for impairment	(15,156)	(15,156)
	<hr/> 895,698 <hr/>	<hr/> 834,334 <hr/>

The movement in the provision for impairment during the year was as follows:

	2024 AED '000	2023 AED '000
Balance at 1 January and 31 December	15,156	15,156

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

22 Investment in associates and joint ventures (continued)

Details of the Bank's investment in associates and joint ventures at 31 December is as follows:

	Place of incorporation	Proportion of ownership interest		Principal activity
		2024 %	2023 %	
Associates				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D. D	Bosnia	27	27	Islamic banking
The Residential REIT (IC) Limited	UAE	29	29	Real estate fund
Joint ventures				
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	51	Islamic Retail Finance
Arab Link Money Transfer PSC (under liquidation)	UAE	51	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

As of 31 December 2024, the Bank's share of the contingent liabilities and commitments of associates and joint ventures amounted to AED 38,049 thousand (2023: AED 63,558 thousand). The equity instruments of Abu Dhabi National Takaful PJSC are quoted in Abu Dhabi Securities Exchange, UAE and the quoted value of the Banks' share of investment at 31 December 2024 amounted to AED 236,236 thousand (2023: AED 262,485 thousand) and its carrying value as of 31 December 2024 amounted to AED 349,613 thousand (2023: AED 316,043 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

23 Investment properties

The movement in investment properties balance during the year was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
2024			
Cost:			
Balance at 1 January	989,651	509,882	1,499,533
Disposals during the year	(419)	(1,694)	(2,113)
Foreign currency translation	(506)	(322)	(828)
Gross balance at 31 December	988,726	507,866	1,496,592
Less: provision for impairment	(31,943)	-	(31,943)
Net balance at 31 December	956,783	507,866	1,464,649
Accumulated depreciation:			
Balance at 1 January	-	117,516	117,516
Charge for the year	-	14,587	14,587
Relating to disposals	-	(442)	(442)
Balance at 31 December	-	131,661	131,661
Net book value at 31 December	956,783	376,205	1,332,988
2023			
Cost:			
Balance at 1 January	989,876	510,178	1,500,054
Foreign currency translation	(225)	(296)	(521)
Gross balance at 31 December	989,651	509,882	1,499,533
Less: provision for impairment	(106,203)	(13,044)	(119,247)
Net balance at 31 December	883,448	496,838	1,380,286
Accumulated depreciation:			
Balance at 1 January	-	102,859	102,859
Charge for the year	-	14,657	14,657
Balance at 31 December	-	117,516	117,516
Net book value at 31 December	883,448	379,322	1,262,770

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 37,594 thousand (2023: AED 38,030 thousand).

The fair values of investment properties at 31 December 2024 amounted to AED 1,639,698 thousand (2023: AED 1,550,816 thousand) are as per valuation conducted by professional valuers employed by a subsidiary of the Bank. The professional valuer is a member of various professional valuers' associations and has appropriate qualifications and experience in the valuation of properties in the UAE. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

23 Investment properties (continued)

The valuation methodologies considered by external valuers include:

- a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.
- b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.

The movement in provision for impairment during the year was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
At 1 January 2023	106,208	13,044	119,252
Movement due to business combination	(5)	-	(5)
	<hr/>	<hr/>	<hr/>
At 1 January 2024	106,203	13,044	119,247
Reversals during the year	(74,092)	(12,908)	(87,000)
Relating to disposals	(168)	(136)	(304)
	<hr/>	<hr/>	<hr/>
At 31 December 2024	31,943	-	31,943
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The distribution of investment properties by geographic region was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
2024:			
UAE	980,358	375,783	1,356,141
Rest of the Middle East	8,214	-	8,214
Others	154	422	576
	<hr/>	<hr/>	<hr/>
	988,726	376,205	1,364,931
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2023:			
UAE	980,358	391,523	1,371,881
Rest of the Middle East	8,214	-	8,214
Others	1,079	843	1,922
	<hr/>	<hr/>	<hr/>
	989,651	392,366	1,382,017
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

24 Development properties

	2024 AED ‘000	2023 AED ‘000
Development properties	846,620	846,620
Less: provision for impairment	(123,680)	(123,680)
	<u>722,940</u>	<u>722,940</u>

The movement in the provision for impairment during the year was as follows:

	2024 AED ‘000	2023 AED ‘000
Balance at 1 January and 31 December	123,680	123,680

Development properties include land with a carrying value of AED 676,320 thousand (2023: AED 676,320 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

25 Other assets

	2024 AED ‘000	2023 AED ‘000
Acceptances	1,034,329	655,161
Assets acquired in satisfaction of claims	88,425	94,594
Trade receivables	475,733	574,110
Prepaid expenses	1,274,549	1,039,018
Accrued profit	675,554	603,036
Positive fair value of Shari’a compliant alternatives of derivative financial instruments (note 39)	-	6,415
Others, net	1,809,296	1,313,833
	<u>5,357,886</u>	<u>4,286,167</u>

Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as “Assets acquired in satisfaction of claims”. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

26 Property and equipment

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work- in-progress AED '000	Right-of-use assets AED '000	Total AED '000
2024								
Cost or revaluation:								
At 1 January	241,776	1,146,138	505,035	2,164,918	6,180	530,396	358,261	4,952,704
Exchange differences / other adjustments	(2,314)	(139,935)	(7,674)	(59,878)	(967)	-	(13,912)	(224,680)
Additions	-	145	6,493	27,378	1,837	278,766	52	314,671
Transfers from capital work-in-progress	-	308	15,548	326,304	-	(342,160)	-	-
Disposals / write-offs	-	(23)	(6,442)	(7,840)	(581)	-	-	(14,886)
	239,462	1,006,633	512,960	2,450,882	6,469	467,002	344,401	5,027,809
Less: provision for impairment	-	(1,487)	-	-	-	-	-	(1,487)
At 31 December	239,462	1,005,146	512,960	2,450,882	6,469	467,002	344,401	5,026,322
Depreciation:								
At 1 January	-	203,538	350,157	1,403,854	5,199	-	190,479	2,153,227
Exchange differences / other adjustments	-	(7,277)	(2,438)	(32,916)	(792)	-	(29,198)	(72,621)
Charge for the year	-	32,363	48,335	176,068	295	-	57,484	314,545
Relating to disposals / write-offs	-	(23)	(6,372)	(7,777)	(326)	-	-	(14,498)
At 31 December	-	228,601	389,682	1,539,229	4,376	-	218,765	2,380,653
Net book value: At 31 December	239,462	776,545	123,278	911,653	2,093	467,002	125,636	2,645,669

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

26 Property and equipment (continued)

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work- in-progress AED '000	Right-of-use assets AED '000	Total AED '000
<i>2023</i>								
Cost or revaluation:								
At 1 January	243,713	1,237,182	460,199	2,027,705	5,754	461,302	440,626	4,876,481
Exchange differences / other adjustments	(1,560)	(90,097)	(1,412)	(35,319)	(361)	-	(82,365)	(211,114)
Additions	-	-	6,617	37,121	742	250,268	-	294,748
Transfers from capital work-in-progress	-	-	40,901	140,140	61	(181,102)	-	-
Disposals / write-offs	(377)	(947)	(1,270)	(4,729)	(16)	(72)	-	(7,411)
	<u>241,776</u>	<u>1,146,138</u>	<u>505,035</u>	<u>2,164,918</u>	<u>6,180</u>	<u>530,396</u>	<u>358,261</u>	<u>4,952,704</u>
Less: provision for impairment	-	(1,487)	-	-	-	-	-	(1,487)
	<u>241,776</u>	<u>1,144,651</u>	<u>505,035</u>	<u>2,164,918</u>	<u>6,180</u>	<u>530,396</u>	<u>358,261</u>	<u>4,951,217</u>
Depreciation:								
At 1 January	-	168,039	302,993	1,275,899	4,940	-	218,150	1,970,021
Exchange differences / other adjustments	-	(1,814)	1,396	(24,854)	(184)	-	(92,782)	(118,238)
Charge for the year	-	37,873	47,012	156,012	459	-	65,111	306,467
Relating to disposals / write-offs	-	(560)	(1,244)	(3,203)	(16)	-	-	(5,023)
	<u>-</u>	<u>203,538</u>	<u>350,157</u>	<u>1,403,854</u>	<u>5,199</u>	<u>-</u>	<u>190,479</u>	<u>2,153,227</u>
Net book value: At 31 December	<u>241,776</u>	<u>941,113</u>	<u>154,878</u>	<u>761,064</u>	<u>981</u>	<u>530,396</u>	<u>167,782</u>	<u>2,797,990</u>

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

27 Goodwill and intangibles

	Goodwill AED '000	Core deposit AED '000	License AED '000	Total AED '000
At 1 January 2023	280,866	215,920	289,234	786,020
Exchange translation differences	(33,988)	(44,325)	(57,496)	(135,809)
Amortisation during the year	-	(14,873)	-	(14,873)
At 1 January 2024	246,878	156,722	231,738	635,338
Exchange translation differences	(53,805)	(70,169)	(91,019)	(214,993)
Amortisation during the year	-	(10,477)	-	(10,477)
At 31 December 2024	193,073	76,076	140,719	409,868

Goodwill

On 1 October 2022, ADIB Group assumed control over ADIB Egypt. Based on the fair valuation and purchase price allocation exercise performed by external consultant, the Bank recognize AED 648,549 thousands and goodwill of AED 216,488 thousands.

On 6 April 2014, the Bank acquired retail banking business of Barclays Bank in the U.A.E. During the second quarter 2014, the acquisition was approved by the Central Bank of the UAE. Based on the purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible asset which were fully amortized previous years and AED 109,888 as goodwill.

For the purpose of impairment testing, goodwill is allocated to the Bank's operating divisions which represent the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

Other intangible assets

Egypt license	This has been recognised as an intangible asset as Central Bank of Egypt has not issued a new banking license to any entity for the past 20 years and has therefore restricted engagement in banking activities to banks already licensed and operating in Egypt. The license plays a key part in generating revenues for the Bank. Egypt license was valued considering the market approach using comparable transactions.
Core deposit	The value of core deposit intangible asset arises from the fact that the expected profit distribution on these deposits, governed by their contractual terms, are expected to be lower than other wholesale or treasury sukuk instruments' expected profit distributions. The spread between the expected profit distributions on these deposits and sukuk instruments represents the value of the core deposit intangible.

Impairment assessment of goodwill

No impairment losses on goodwill were recognised during the year ended 31 December 2024 (2023: Nil).

The recoverable amounts have been assessed based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of this operating division.

The recoverable amount of goodwill of cash generating unit, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% (2023: 2%) applied thereafter. The forecast cash flows have been discounted at a rate of 11.4% (2023: 9.8%).

Management conducted a sensitivity analysis which took into account a one percentage point change in the discount rate and terminal growth rate. The carrying value will surpass the recoverable amount with these potential changes in key assumptions.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

28 Due to financial institutions

	2024 AED '000	2023 AED '000
Current accounts	1,734,019	1,513,821
Investment deposits	3,795,650	1,009,634
	<hr/>	<hr/>
	5,529,669	2,523,455
Current account – Central Bank of UAE	-	31,549
	<hr/>	<hr/>
	5,529,669	2,555,004
	<hr/> <hr/>	<hr/> <hr/>

The distribution of due to financial institutions by geographic region was as follows:

	2024 AED '000	2023 AED '000
UAE	2,682,300	1,028,171
Rest of the Middle East	1,566,785	611,007
Europe	236,528	54,394
Others	1,044,056	861,432
	<hr/>	<hr/>
	5,529,669	2,555,004
	<hr/> <hr/>	<hr/> <hr/>

29 Depositors' accounts

	2024 AED '000	2023 AED '000
Current accounts	50,819,862	47,179,358
Saving accounts	60,533,676	55,402,458
Investment accounts	70,584,417	53,725,866
Investment risk reserve	737,298	759,312
	<hr/>	<hr/>
	182,675,253	157,066,994
	<hr/> <hr/>	<hr/> <hr/>

The movement in the investment risk reserve during the year was as follows:

	2024 AED '000	2023 AED '000
At 1 January	759,312	713,007
Share of profit / paid during the year	(22,014)	46,305
	<hr/>	<hr/>
At 31 December	737,298	759,312
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

29 Depositors' accounts (continued)

The distribution of the depositors' accounts by industry sector, geographic region and currency was as follows:

	2024 AED '000	2023 AED '000
<i>Industry sector:</i>		
Government	31,027,886	26,239,028
Public sector	12,705,731	6,217,852
Corporates	16,442,512	14,900,280
Financial institutions	3,633,921	2,053,840
Individuals	94,586,219	88,298,701
Small and medium enterprises	20,618,189	16,590,630
Non-profit organisations	3,660,795	2,766,663
	<hr/> 182,675,253 <hr/>	<hr/> 157,066,994 <hr/>
<i>Geographic region:</i>		
UAE	162,377,636	136,991,930
Rest of the Middle East	4,223,539	2,941,776
Europe	470,666	496,814
Others	15,603,412	16,636,474
	<hr/> 182,675,253 <hr/>	<hr/> 157,066,994 <hr/>
<i>Currencies:</i>		
UAE Dirham	132,008,876	118,775,827
US Dollar	36,823,062	22,715,161
Euro	1,300,352	1,262,177
Sterling Pound	830,742	699,711
Others	11,712,221	13,614,118
	<hr/> 182,675,253 <hr/>	<hr/> 157,066,994 <hr/>

The Bank invests all of its investment accounts including saving accounts, adjusted for UAE, Egypt, Iraq and Sudan Central Bank reserve requirements and the Group's liquidity requirements.

With respect to investment deposits, the Bank is liable only in case of misconduct, negligence or breach of contract otherwise it is on the account of the fund's provider (Rab Al Mal) or the principal (the Muwakkil).

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

30 Other liabilities

	2024 AED '000	2023 AED '000
Accounts payable	560,794	398,318
Acceptances	1,034,329	655,161
Lease liabilities	139,116	180,637
Accrued profit for distribution to depositors and sukuk holders	730,810	408,310
Bankers' cheques	1,808,080	856,609
Provision for staff benefits and other expenses	551,212	586,367
Retentions payable	75,598	29,198
Advances from customers	44,051	58,362
Accrued expenses	309,934	314,905
Deferred income	364,931	278,359
Negative fair value of Shari'a compliant alternatives of derivative financial instruments (note 39)	11,188	-
Others	1,921,342	1,360,350
	<u>7,551,385</u>	<u>5,126,576</u>

31 Sukuk financing instrument

	2024 AED '000	2023 AED '000
Sukuk financing instrument	1,836,250	1,836,250

In November 2023, the Bank through a AAOIFI Shari'a compliant sukuk arrangement, raised medium term green sukuk amounting to AED 1,836,250 thousand (USD 500 million) under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange's International Securities Market (ISM) and the Abu Dhabi Securities Exchange (ADX). The sukuk will mature in November 2028. The sukuk deserved rental proceeds are distributed in accordance with expected profit rate.

Terms of arrangement

The terms of the arrangement include transfer of the ownership of certain assets (the "Ijarah Assets"), from identified ijara financing assets in the portfolio of the Bank, to a sukuk company, ADIB Sukuk Company II Ltd - the Issuer, a subsidiary of the Bank, specially formed for the sukuk transaction. The assets are owned by the Sukuk holders, however the assets are controlled by the Bank and shall continue to be serviced by the Bank as the Servicing agent.

The issuer will pay the quarterly distribution amount from rental proceeds generated and received from the Ijarah Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the Ijarah Assets at an exercise price, specified in the relevant Purchase Undertaking.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

32 Share capital

	2024 AED '000	2023 AED '000
<i>Authorised share capital:</i>		
4,000,000 thousand (2023: 4,000,000 thousand)		
ordinary shares of AED 1 each (2023: AED 1 each)	4,000,000	4,000,000
	<hr/>	<hr/>
<i>Issued and fully paid share capital:</i>		
3,632,000 thousand (2023: 3,632,000 thousand)		
ordinary shares of AED 1 each (2023: AED 1 each)	3,632,000	3,632,000
	<hr/>	<hr/>

33 Reserves

33.1 Legal reserve

As required by the Federal Law No. 32 of 2021, concerning Commercial Companies and the Articles of Association of the Bank and its subsidiaries, 5% of the profit for the year is transferred to the legal reserve. The Bank shall resolve to discontinue such annual transfers as the reserve equals to or more than 50% of the paid up share capital of the Bank. The legal reserve is not available for distribution to the shareholders.

As per Article 203 of UAE Federal Commercial Companies Law No. 8 of 1984, the Bank has transferred the share premium amounting to AED 1,529,412 thousand to the legal reserve. As the balance of the reserve exceeds 50% of the total paid up share capital, no transfer to the legal reserve has been made from the profit during the year for the Bank.

During 2018, the Bank has transferred the share premium amounting to AED 538,240 thousand pertaining to the right share issue of 464,000 to the legal reserve after the shareholders' approval in the General Assembly meeting held on 19 August 2018.

During 2015, the Bank has transferred the share premium amounting to AED 336,000 thousand pertaining to the right share issue of 168,000 to the legal reserve after the shareholders' approval in the Extra Ordinary General meeting held on 28 June 2015.

33.2 General reserve

Under Article 49(2) of the Bank's Articles of Association, the Annual General Assembly of the Bank, upon recommendation of the Board of Directors, have resolved to transfer 10% of the profit for the year to the general reserve. This reserve shall be used in the future for purposes determined by the shareholders' General Assembly upon the recommendation of the Board of Directors.

33.3 Credit risk reserve

Upon the recommendation of the Board of Directors, the Bank has established a special reserve for credit risk which is subject to the approval by the shareholders in the Annual General Assembly. Contributions to the reserve are voluntary.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

34 Dividend

During 2024, cash dividend of 71.46% of the paid up capital relating to year ended 31 December 2023 amounting to AED 2,595,469 thousand, was paid after the approval by the shareholders at the Annual General Assembly held on 29 February 2024.

Cash dividend of 83.43% of the paid up capital relating to year ended 31 December 2024 amounting to AED 3,030,337 thousand has been proposed by the Board of Directors for the approval by the shareholders at the forthcoming Annual General Assembly.

35 Other reserves

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency translation reserve AED '000	Hedging reserve AED '000	Impairment reserve - Specific AED '000	Impairment reserve - General AED '000	Others AED '000	Total AED '000
At 1 January 2023	(463,494)	137,400	(837,980)	-	320,100	279,327	-	(564,647)
Net movement in valuation of equity investment carried at FVTOCI	17,769	-	-	-	-	-	-	17,769
Net movement in valuation of investment in sukuk carried at FVTOCI	46,919	-	-	-	-	-	-	46,919
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	3,608	-	-	-	-	-	-	3,608
Loss on disposal of investments carried at FVTOCI	5,215	-	-	-	-	-	-	5,215
Exchange differences arising on translation of foreign operations	-	-	(245,193)	-	-	-	-	(245,193)
Loss on hedge of foreign operations	-	-	(2,249)	-	-	-	-	(2,249)
Fair value gain on cash flow hedges	-	-	-	2,064	-	-	-	2,064
Net movement in impairment reserve – Specific	-	-	-	-	(112,427)	-	-	(112,427)
Net movement in impairment reserve – General	-	-	-	-	-	(235,631)	-	(235,631)
Net movement in other reserves	-	-	-	-	-	-	(10,420)	(10,420)
At 1 January 2024	(389,983)	137,400	(1,085,422)	2,064	207,673	43,696	(10,420)	(1,094,992)
Net movement in valuation of equity investment carried at FVTOCI	8,717	-	-	-	-	-	-	8,717
Net movement in valuation of investment in sukuk carried at FVTOCI	50,062	-	-	-	-	-	-	50,062
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	-	-	-	-	-	-	-	-
Loss on disposal of investments carried at FVTOCI	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	(609,286)	-	-	-	-	(609,286)
Gain on hedge of foreign operations	-	-	3,990	-	-	-	-	3,990
Fair value loss on cash flow hedges	-	-	-	(5,405)	-	-	-	(5,405)
Net movement in impairment reserve – Specific	-	-	-	-	(207,673)	-	-	(207,673)
Net movement in impairment reserve – General	-	-	-	-	-	287,490	-	287,490
Net movement in other reserves	-	-	-	-	-	-	7,106	7,106
At 31 December 2024	(331,204)	137,400	(1,690,718)	(3,341)	-	331,186	(3,314)	(1,559,991)

36 Tier 1 sukuk

	2024 AED '000	2023 AED '000
Tier 1 sukuk – Listed (third issue)	2,754,375	2,754,375
Tier 1 sukuk – Government of Abu Dhabi	2,000,000	2,000,000
	4,754,375	4,754,375

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

36 Tier 1 sukuk (continued)

Tier 1 sukuk – Listed (third issue)

On 18 July 2023, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (third issue) (the "Sukuk") amounting to AED 2,754,375 thousand (USD 750 million). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Annual General Meeting held on 06 March 2023. Issuance costs amounting to AED 12,305 thousand were incurred at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank upon its conclusion subject to the terms and conditions of the mudaraba. The sukuk is listed on the London Stock Exchange's International Securities Market (ISM) and is callable by the Bank after period ending on 18 January 2029 (the "First Call Date") or any achieved profit payment date thereafter subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 7.25%, such achieved profit is payable during the initial period of five and half years semi-annually in arrears. After the initial period, and for every 5th year thereafter, resets to a new expected mudaraba profit rate based on the then 5.5 year US treasury rate plus an expected margin of 3.059%. Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of the next following payment of expected mudaraba profit distribution.

Tier 1 sukuk – Government of Abu Dhabi

On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk-Gov") to the Department of Finance of the Government of Abu Dhabi, with a principal investment amount of AED 2,000,000 thousand. Issuance of this Sukuk-Gov was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

On 15 December 2021, amended and restated Mudaraba Agreement was signed to make the Sukuk-Gov compliant with Basel 3.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. Based on the amended and restated Mudaraba Agreement dated 15 December 2021, the Sukuk-Gov is callable by the Bank after period ending on 16 April 2027 (the "Call Date") or any achieved profit payment date thereafter subject to certain conditions.

The Sukuk-Gov had an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears. The initial period of five years ended on 16 April 2014. After the initial period, Sukuk-Gov bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity. No changes were made to expected mudaraba profit rates under the amended and restated Mudaraba Agreement dated 15 December 2021.

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of two consecutive expected mudaraba profit distribution.

37 Non-controlling interest

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of subsidiaries.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

38 Contingent liabilities and commitments

Credit related commitments include commitments to extend Islamic credit facilities, standby letters of credit, guarantees, which are designed to meet the requirements of the Bank's customers.

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

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts.

The Bank has the following credit related contingencies, commitments and other capital commitments:

	2024 AED '000	2023 AED '000
<i>Contingent liabilities</i>		
Letters of credit	2,174,348	3,374,592
Letters of guarantee	9,624,729	9,295,832
	<hr/>	<hr/>
	11,799,077	12,670,424
	<hr/>	<hr/>
<i>Commitments</i>		
Undrawn facilities commitments	3,542,190	1,466,162
Future capital expenditure	239,836	191,484
	<hr/>	<hr/>
	3,782,026	1,657,646
	<hr/>	<hr/>
	15,581,103	14,328,070
	<hr/>	<hr/>

39 Shari'a compliant alternatives of derivative financial instruments

Shari'a compliant alternatives of swaps are based on a unilateral Wa'ad (promise) structure between two parties to buy a specific Shari'a compliant commodity at an agreed price on an agreed date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. For Shari'a compliant alternatives of swap, counter parties enter into two separate and independent Murabaha transactions, the results of which are exchanged between them in a manner that enables one of them to receive the equivalent of the fixed reference rate and the other counterparty to receive the equivalent of the reference floating rate, where the profit payments are based on a notional value in a single currency.

The table below shows the fair values of Shari'a compliant alternatives of derivative financial instruments, together with the notional amounts analysed by term of maturity. The notional amount is based on the amount of the underlying transaction, reference rate or index and is the basis upon which changes in the value of transactions are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

39 Shari'a compliant alternatives of derivative financial instruments (continued)

	Positive fair value AED '000	Negative fair value AED '000	Notional amount AED '000	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000
<i>31 December 2024: Notional amount by term to maturity</i>							
Shari'a compliant alternatives of swap (note 25, 30)	-	11,188	17,290,965	9,816,877	1,983,025	4,252,609	1,238,454
<i>31 December 2023: Notional amount by term to maturity</i>							
Shari'a compliant alternatives of swap (note 25, 30)	6,415	-	10,875,926	8,321,480	2,497,596	56,850	-

40 Zakat

As the Bank is not required to pay Zakat by laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, accordingly the responsibility of paying Zakat is that of the shareholders. Based on the management valuation of the Bank's net assets, which are subject to Zakat, the total Zakat amount, for Zakat purposes based on Gregorian year, was estimated at AED 464,351 thousand (2023: AED 414,198 thousand) and accordingly, Zakat amount is estimated at AED 0.1278500 (2023: AED 0.1140414) per outstanding share.

However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible for Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total Zakat amount above and accordingly adjusted the Zakat amount per each outstanding share.

Non-controlling interest Zakat amount, based on Gregorian year, was estimated at AED 19,564 thousand (2023: AED 22,806 thousand) and accordingly, Zakat amount is estimated at AED 0.0201365 (2023: AED 0.0204796) per each AED dirham invested by Non-controlling interest in the Group.

Tier 1 Sukuk Zakat amount, based on Gregorian year, was estimated at AED 95,737 thousand (2023: AED 97,368 thousand) and accordingly, Zakat amount is estimated at AED 0.0201365 (2023: AED 0.0204796) per each AED dirham invested in Tier 1 Sukuk.

To assist the investors in ADIB Tier 1 Sukuk, the Bank has calculated their above Zakat amount. The payment of such Zakat amount is solely the responsibility of the investors in these Tier 1 Sukuk.

41 Cash and cash equivalents

	2024 AED '000	2023 AED '000
Cash and balances with central banks, short term	7,358,198	7,864,883
Balances and wakala deposits with Islamic banks and other financial institutions, short term	7,656,061	7,389,066
Murabaha and mudaraba with financial institutions, short term	23,492	25,989
Due to financial institutions, short term	(4,508,394)	(2,552,630)
	10,529,357	12,727,308

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

42 Related party transactions

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising major shareholders, directors, associates and joint ventures, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. During 2021, related party financing were renegotiated based on the terms approved by the Board of Directors and are free of any specific provision for impairment. Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the year, significant transactions with related parties included in the consolidated income statement were as follows:

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
31 December 2024					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	5,795	-	5,795
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	42,101	-	1,723	87,192	131,016
Fees and commission income, net	2	31	3,116	888	4,037
Operating expenses	-	777	-	-	777
Distribution to depositors and sukuk holders	1,252	742	2,084	773	4,851
31 December 2023					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	1,346	-	1,346
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	41,986	-	6,423	98,407	146,816
Fees and commission income, net	1	4	103	4,157	4,265
Operating expenses	-	546	-	-	546
Distribution to depositors and sukuk holders	4,899	402	2,960	3	8,264

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

42 Related party transactions (continued)

The related party balances included in the consolidated statement of financial position were as follows:

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
31 December 2024					
Murabaha and mudaraba with financial institutions	-	-	101,225	-	101,225
Murabaha, mudaraba, ijara and other Islamic financing	2,060,994	-	251,723	3,981,598	6,294,315
Other assets	-	-	39,257	-	39,257
	<u>2,060,994</u>	<u>-</u>	<u>392,205</u>	<u>3,981,598</u>	<u>6,434,797</u>
Due to financial institutions	-	-	177	-	177
Depositors' accounts	9	22,312	35,996	35,178	93,495
Other liabilities	-	-	300	48	348
	<u>9</u>	<u>22,312</u>	<u>36,473</u>	<u>35,226</u>	<u>94,020</u>
Contingencies	-	-	10,000	52,441	62,441
31 December 2023					
Murabaha and mudaraba with financial institutions	-	-	50,146	-	50,146
Murabaha, mudaraba, ijara and other Islamic financing	2,046,100	-	-	4,155,645	6,201,745
Other assets	-	-	227,288	-	227,288
	<u>2,046,100</u>	<u>-</u>	<u>277,434</u>	<u>4,155,645</u>	<u>6,479,179</u>
Due to financial institutions	-	-	742	-	742
Depositors' accounts	918,302	16,649	337,717	22,836	1,295,504
Other liabilities	3,415	-	146	4	3,565
	<u>921,717</u>	<u>16,649</u>	<u>338,605</u>	<u>22,840</u>	<u>1,299,811</u>
Contingencies	-	-	10,000	62,825	72,825

Compensation of key management personnel

The compensation of key management personnel during the year was as follows:

	2024 AED '000	2023 AED '000
Salaries and other benefits	29,032	31,216
Employees' end of service benefits	2,713	2,705
	<u>31,745</u>	<u>33,921</u>

During 2024, AED 16,100 thousand was paid to Board of Directors pertaining to the year ended 31 December 2023 after the approval by the shareholders in the Annual General Assembly held on 29 February 2024.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43 Segment information**

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

Global Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahat, Ijara, Islamic covered card and funds transfer facilities and trade finance facilities.

Global Wholesale banking – Principally handling financing and other credit facilities and deposits and current accounts for corporate and institutional customers.

Private banking - Principally handling financing and other credit facilities, deposits and current accounts for high net worth individual customers.

Treasury – Principally handling money market, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

Real estate – Subsidiaries of the Bank handling the acquisition, selling, development and leasing including both land and buildings, management and resale of properties and all associated activities.

Associates and Subsidiaries – Include Banks subsidiaries (not included above), associates and joint ventures, operating within and outside UAE.

Other operations - Other operations comprises mainly of Head Office including unallocated costs.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

43 Segment information (continued)

Business segments information for the year ended 31 December 2024 were as follows:

	Global retail banking AED '000	Global wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Associates & subsidiaries AED '000	Total AED '000
Revenue and results								
Segment revenues, net	5,732,791	1,654,685	241,443	226,548	79,530	1,089,071	1,607,853	10,631,921
Operating expenses excluding provision for impairment, net	(2,129,515)	(271,705)	(84,414)	(44,967)	(57,333)	(165,538)	(391,127)	(3,144,599)
Operating profit	3,603,276	1,382,980	157,029	181,581	22,197	923,533	1,216,726	7,487,322
Provision for impairment, net	(453,789)	17,430	1,970	(62,748)	87,000	(33,342)	(176,215)	(619,694)
Profit for the year before zakat and tax	3,149,487	1,400,410	158,999	118,833	109,197	890,191	1,040,511	6,867,628
Zakat and tax	-	(39,137)	(1,213)	-	(9,828)	(440,088)	(275,945)	(766,211)
Profit for the year after zakat and tax	3,149,487	1,361,273	157,786	118,833	99,369	450,103	764,566	6,101,417
Non-controlling interest	-	-	-	-	-	-	(324,635)	(324,635)
Profit for the year attributable to equity holders of the Bank	3,149,487	1,361,273	157,786	118,833	99,369	450,103	439,931	5,776,782
Assets								
Segmental assets	91,021,539	64,618,530	5,285,170	36,338,884	2,073,119	5,203,757	21,368,796	225,909,795
Liabilities								
Segmental liabilities	102,835,267	46,882,672	14,735,220	10,518,202	84,231	4,604,021	17,932,944	197,592,557

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

31 December 2024								
Segment revenues, net	4,766,776	2,173,802	(297,611)	2,104,611	79,530	196,960	1,607,853	10,631,921
Inter-segment revenues, net	966,015	(519,117)	539,054	(1,878,063)	-	892,111	-	-
Total Segment revenues, net	5,732,791	1,654,685	241,443	226,548	79,530	1,089,071	1,607,853	10,631,921

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

43 Segment information (continued)

	Global retail banking AED '000	Global wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Associates & subsidiaries AED '000	Total AED '000
Revenue and results								
Segment revenues, net	4,926,468	1,377,757	254,361	331,032	137,546	833,667	1,432,771	9,293,602
Operating expenses excluding provision for impairment, net	(2,029,072)	(281,705)	(85,518)	(46,951)	(66,639)	(156,948)	(394,410)	(3,061,243)
Operating profit	2,897,396	1,096,052	168,843	284,081	70,907	676,719	1,038,361	6,232,359
Provision for impairment, net	(217,501)	(199,417)	(182)	(94,918)	-	(24,044)	(224,199)	(760,261)
Profit for the year before zakat and tax	2,679,895	896,635	168,661	189,163	70,907	652,675	814,162	5,472,098
Zakat and tax	-	(23,613)	(6,214)	-	-	-	(190,922)	(220,749)
Profit for the year after zakat and tax	2,679,895	873,022	162,447	189,163	70,907	652,675	623,240	5,251,349
Non-controlling interest	-	-	-	-	-	-	(251,088)	(251,088)
Profit for the year attributable to equity holders of the Bank	2,679,895	873,022	162,447	189,163	70,907	652,675	372,152	5,000,261
Assets								
Segmental assets	71,215,922	50,977,909	4,915,320	37,762,804	1,969,132	4,031,755	21,954,350	192,827,192
Liabilities								
Segmental liabilities	93,732,304	35,287,280	12,970,872	3,247,988	82,183	3,270,285	17,993,912	166,584,824

Business segments information for the year ended 31 December 2023 were as follows:

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

31 December 2023								
Segment revenues, net	3,889,039	1,987,403	(184,628)	1,830,902	137,546	200,569	1,432,771	9,293,602
Inter-segment revenues, net	1,037,429	(609,646)	438,989	(1,499,870)	-	633,098	-	-
Total Segment revenues, net	4,926,468	1,377,757	254,361	331,032	137,546	833,667	1,432,771	9,293,602

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

43 Segment information (continued)

Geographical information

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates and subsidiaries; and international area represents the operations of the Bank that originates from its branches in Iraq, Qatar and Sudan and through its subsidiaries and associates outside U.A.E.

	2024			2023		
	Domestic AED '000	International AED '000	Total AED '000	Domestic AED '000	International AED '000	Total AED '000
Revenue and results						
Segment revenues, net	8,816,624	1,815,297	10,631,921	7,777,556	1,516,046	9,293,602
Operating expenses excluding provision for impairment, net	(2,727,497)	(417,102)	(3,144,599)	(2,633,894)	(427,349)	(3,061,243)
Operating profit	6,089,127	1,398,195	7,487,322	5,143,662	1,088,697	6,232,359
Provision for impairment, net	(429,668)	(190,026)	(619,694)	(546,672)	(213,589)	(760,261)
Profit for the year before zakat and tax	5,659,459	1,208,169	6,867,628	4,596,990	875,108	5,472,098
Zakat and tax	(456,177)	(310,034)	(766,211)	-	(220,749)	(220,749)
Profit for the year after zakat and tax	5,203,282	898,135	6,101,417	4,596,990	654,359	5,251,349
Non-controlling interest	(2,689)	(321,946)	(324,635)	(2,799)	(248,289)	(251,088)
Profit for the year attributable to equity holders of the Bank	5,200,593	576,189	5,776,782	4,594,191	406,070	5,000,261
Assets						
Segmental assets	199,424,832	26,484,963	225,909,795	166,892,359	25,934,833	192,827,192
Liabilities						
Segmental liabilities	176,651,702	20,940,855	197,592,557	145,854,777	20,730,047	166,584,824

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management

44.1 Introduction

The core business of a bank is to manage risk and provide returns to the shareholders in line with the accepted risk profile. Risk is inherent in all of the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls in accordance with regulatory and Board requirements. The Group is exposed principally to credit risk, liquidity risk, market risk and operational risk but other risks such as reputational risk, legal risk and the various risks defined by the Basel accord are also monitored and managed.

44.1.1 Risk management governance structure

The Board of Directors ("Board") continues to have overall responsibility for the establishment and oversight of the Bank's risk management framework, as well as for approving the Bank's overall risk appetite, and ensuring that business is conducted within this framework. The Board is the ultimate sanctioning authority.

Strategy Committee

The Strategy Committee is appointed by the Board and is responsible to guide the Group's Executive Management to develop the Group's strategic objectives and business strategy, conduct periodic review of the achievement of strategic objectives and business plans and direct corrective actions wherever required. In addition, this committee also acts as a conduit between the Board and senior management on business issues.

Credit and Investment Committee

The Credit and Investment Committee is appointed by the Board and is responsible for the approvals of the Group's risk exposures, high value transactions and major items of capital expenditure. In addition, the Committee is also responsible for monitoring credit portfolio quality and provisions.

Risk Committee

The Risk Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all of its subsidiaries and material affiliates:

- Review the risk profile of the Group keeping in view the requirement pertaining to enterprise risk management and to make recommendations to calibrate the risk profile of the Group in line with the applicable regulatory requirements, rating considerations and business strategy.
- Assist the Board in overseeing the Group's response to the risks it faces through the approval of the Group's risk policies and standards; and
- Review and recommend the corporate governance and risk management frameworks and risk strategy to the Board in alignment with the business growth requirements of the Group.

Audit Committee

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all its subsidiaries and material affiliates:

- Ensuring the integrity of the Group's consolidated financial statements and financial reporting process;
- To review the financial and internal control systems, quality assurance and risk management framework;
- To review the performance of the internal audit function;
- To review the internal controls over financial reporting and annual independent audit of the Group's consolidated financial statements;
- To recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
- To ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

Environmental Social Governance (ESG) Committee

The ESG Committee assists the Board in fulfilling its oversight responsibilities regarding the Bank's ESG/sustainability strategies, objectives, and overall performance.

The duties and responsibilities of the committees are governed by formally approved charters.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.1 Introduction (continued)

44.1.2 The Group Risk Management (“GRM”)

The Group Risk Management (GRM) is an independent risk organization that works in close partnership with the business units to support their activities, whilst safeguarding the risk profile of the Group as the second line of defense. The GRM is led by the Group Chief Risk Officer (GCRO) and has following main responsibilities:

- Ensure maintenance of an appropriate risk management framework and adherence to risk policies and procedures across the Group
- Ensure compliance with risk-related legal and regulatory guidelines in the UAE and in our overseas markets
- Maintain the primary relationship with local regulators with respect to risk-related issues
- Maintain prudent risk control systems, models and processes, and
- Ensure a robust credit process is maintained in support of all business lines.

Reporting to the GCRO are senior, experienced risk specialists who manage specific areas of risk, including Wholesale Banking, Private Banking, Retail Banking, Operational Risk, Credit Control, Risk Governance and Policy, Enterprise Risk Management and Market Risk. GRM responsibilities extend across all the business units of the Bank in all of the geographies in which the Bank operates.

44.1.3 Risk measurement and reporting systems

In order to effectively monitor and control risks, the GRM maintains a capability that allows it to:

- Prepare portfolio reports across a range of indicators such as portfolio concentrations by geography, industry type, product and risk rating, which are used to analyse and monitor overall portfolio quality;
- Monitor the integrity and consistency of data, including risk ratings, risk migrations, exposures and losses, including the maintenance of a central loss database for the monitoring and analysis of losses;
- Set parameters to be used for the calculation of expected loss and risk capital requirements;
- Consolidate portfolio management data and reports for use by Executive Management and the Board; and
- Establish and maintain a set of early warning indicators to identify emerging risks.

Detailed reporting of industry, customer and geographic risks acquired takes place frequently. These reports are examined and discussed closely in a series of quarterly portfolio reviews held with senior business and risk managers. Decisions on risk appetite, adjustments to financing criteria and other initiatives are taken as a result of these meetings. Risk reports are presented to the Group Chief Executive Officer, the Board Risk Committee and the Board regularly. Senior management assesses the adequacy of the provision for credit losses on a monthly basis.

The Group actively uses collateral to reduce its credit risks.

44.1.4 The Group Credit Management (“GCM”)

The Group Credit Management (GCM) is independent of Group Risk Management (GRM). The main function of GCM is to provide an independent view while approving commercial and consumer financing transactions within delegated authorities. The GCM is led by the Group Chief Credit Officer (GCCO).

Credit Committee

All customer related business proposals are reviewed and approved by a credit committee with delegated authority approved by the Board. The credit committee consists of designated credit officers and senior credit officers appointed following a rigorous and extended process of qualification. These appointments are made by the Chief Executive Officer upon the recommendation of the GCCO and GCRO. The credit approval process and the authorities vested with the committee members are laid out in the Bank’s Credit Policy & Procedures Manual. The manual is revised periodically.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****44 Risk management (continued)****44.1 Introduction (continued)****44.1.5 Risk concentration**

The Bank seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses. It also obtains security when appropriate.

Details of the composition of the financing portfolio are provided in notes 17 and 18.

44.1.6 Group Internal Audit

Risk management processes throughout the Bank are reviewed periodically by the internal audit function that reviews both the adequacy of the procedures and the Bank's compliance with the procedures. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee. The Head of Group Internal Audit has a direct reporting line to the Audit Committee thus demonstrating his independence and objectivity in all audit engagements undertaken within the Bank.

44.1.7 Basel II / Internal Capital Adequacy Assessment Process ("ICAAP")

The UAE Central Bank, as part of the international Basel II regulatory regime, has required each UAE bank to submit a report on its internal capital adequacy assessment process – this is known as the "ICAAP". The Bank has prepared and submitted its ICAAP report annually. The process aligns the Bank's risk appetite with its risk capacity which, in turn, produces an enterprise-wide set of risk limits within and relevant to the Bank's overall strategy.

44.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by the use of a focused target market discipline which defines who the Bank is prepared to deal with from a risk profile perspective and the use of risk acceptance criteria, which define what type and volume of risk the Bank is prepared to undertake with each counterparty. These critical tools are used in conjunction with close monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of all counterparties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

All commercial credit risk exposures are risk rated using Moody's Risk Analyst system, recognized as an industry wide standard. This platform supports a number of different rating models for various businesses which are now well embedded. Facility Risk Ratings are also applied. Consumer exposures are rated using application and behavioral scorecards.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

Model risk management

For effective risk measurement, Group uses a range of risk quantification tools and models such as customer risk rating/scoring, loss given default, market risk and stress testing models. These risk models are subject to the Group's model risk governance policy, which prescribes guidelines across the model life cycle and establishes principles and instructions to enable an effective decision process across stakeholders in order to develop and maintain high quality risk models at Group. The governance policy covers the following:

- The roles and responsibilities of stakeholders (Model Developer, Independent Validator, Approval Authority etc.);
- The minimum requirement for each of the model life cycle steps;
- The approval process; and
- The minimum documentation requirement.

A model governance committee is in place, responsible for significant decisions related to models and model risk within the Group. This committee ensures rigorous control and management of development, validation, approval, and use of models along with model risk management through model risk issues and recommendations.

Critical modelling decisions and summary of model risk activities are regularly reported to the Management Risk Committee and Board Risk Committee. This allows oversight at the highest level and aligns model risk management with overall risk management framework.

Credit risk measurement

Group credit risk is measured in terms of expected credit loss (ECL), which is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default EAD), and discounting at the initial effective profit rate.

The Bank has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group has developed a statistical model and for other portfolios judgmental models were developed.

Credit risk grading

The Group has designed a master rating scale, which has 22 risk grades reflecting assessment of default probability of the customer. The master rating scale comprises 19 performing grades and 3 non-performing grades.

For the Retail portfolios, the Group uses behavior scorecards, which includes recent payment behavior and other relevant relationship information available with the bank, to calculate credit score which is calibrated to PiT (Point-in-Time) PD.

Non Retail customers are rated using segment specific customer risk rating models, which uses financial and non-financial information related to the customer to arrive at a risk rating. The risk ratings are calibrated to PiT (Point-in-Time) PD for IFRS 9 based calculations.

ECL measurement

The assessment of credit risk and the estimation of ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

ECL measurement (continued)

As per the IFRS 9 requirements, Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over the next 12 months or effective remaining life of the facility. Expected Loss at any point in time of the life of the facility is calculated using the following formula:

$$\text{Expected Credit Loss (ECL)} = \text{PD} * \text{EAD} * \text{LGD}$$

For each facility the Group calculates ECL over two forecast periods:

- 12 Month: ECL is calculated using 12-month forward looking PD, LGD and EAD.
- Lifetime: ECL is calculated using Lifetime forward looking PD, LGD and EAD.

12 Month or Lifetime ECL for each facility is used depending on the stage of the facility, as explained below:

- **Stage1:** where no significant increase in credit risk is observed, 12 month Expected Credit Loss (ECL) is recorded as impairment provision;
- **Stage2:** where significant increase in credit risk has been observed, Life-time ECL is recorded as impairment provision; and
- **Stage3:** where the exposure is defaulted or impaired, Life-time ECL is recorded as impairment provision.

Significant increase in credit risk ("SICR")

The stage allocation is determined by identifying a significant increase in credit risk since initial origination. The Group assesses when significant increase in credit risk has occurred based on the quantitative and qualitative assessments. The facilities are classified as stage 2 when they meet following criteria:

Quantitative criteria: Thresholds based on absolute PD or relative PD increase compared to origination have been defined for various portfolios, in order to determine the significant increase in credit risk. In addition to this the bank also uses rating migration since origination for non-retail customers.

Qualitative criteria: Independent of PD, the Group also uses qualitative information to assess the significant increase in credit risk. This includes information such as watch list classification and indicators of historic delinquency.

Backstop criteria: For all customer accounts, a backstop is applied and the facility is considered to have experienced a significant increase in credit risk if the finance customer is more than 30 days past due on its contractual payments.

For the cases where Group has experienced limitation on the information available at origination, certain proxy assumptions were made to estimate the rating at origination.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when it meets one or more of the following criteria:

Retail: A customer who is delinquent over 90 days past due will be classified as default or credit impaired.

Corporate: All customers currently classified/rated as below will be considered under default:

- Where classification is Substandard, Doubtful or Loss; or
- Risk Rating is D/8, D/9, and D/10; or
- Where a deal is delinquent over 90 days past due unless an exception is approved.

The customers are classified or downgraded in the above categories, based on a comprehensive assessment of the customer's credit quality. This assessment includes review of payment history, capacity to repay and financial health

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

Curing

Assets can move back to Stage 1 from Stage 2 when they no longer meet the significant increase in credit risk criteria and have completed a probation period of 12 months, defined by the Group. Similarly, for the movement from Stage 3 to Stage 2, for certain portfolios, the Group's policy include probation periods whereby assets remain in Stage 3 for periods of between three to twelve months. The policy also ensures that none of the assets can move back directly to Stage 1 from Stage 3.

Measuring ECL- Explanations of input, assumptions and estimation techniques

As per IFRS 9, the ECL calculated for a facility should incorporate both current and forward-looking economic outlook over 12 months and over the remaining life of the facility.

The Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over forecast period (next 12 months or effective remaining life of the facility).

At the reporting date, a monthly ECL is estimated for each individual exposure for each month until the end of the forecast period. This is calculated as a simple multiplication of PD, LGD and EAD at each month. These monthly ECLs are discounted to the reporting date using the effective profit rate and the summation of these discounted monthly ECLs gives the ECL estimate. The lifetime ECL is the sum of the monthly ECLs over the remaining life, while the 12-month ECL is limited to the first 12 months.

The estimation methodology for three main components, PD, LGD and EAD is explained below:

Probability of Default (PD):

Retail: The 12 month PD for each facility is based on behaviour scores which are calibrated to recent portfolio performance in order to reflect the Point in Time PDs. In cases where sufficient performance history is not available to calculate the behaviour score, the Bank has used pool level PDs.

Based on historical data, the Group has developed lifetime default rate evolution curves for various portfolios and segments. To get the macro-economic adjusted lifetime PD term structure, the lifetime curves are multiplied by the macro-economic scalars, derived using the macro-economic overlay models developed by the Group.

Non-Retail: PDs for corporate customers are driven by the risk rating generated from respective rating models. Historical default rates of different segments have been used to develop PD macroeconomic overlay models. The PDs forecasted from the models are then converted to cumulative PD using survival analysis concept and a marginal PD is derived.

Loss Given Default (LGD):

Retail: The LGD models are based on the cash recovery estimates. For secured products recoveries from collateral are also considered.

For unsecured products and segments within, the Group has developed recovery curves over the workout period based on the historical recovery experience. For each facility the LGD is calculated using those recovery curves with an adjustment for macro-economic outlook.

For secured products, the LGD is based on the current/future collateral value adjusted for depreciation or House Price Index (HPI).

Non-Retail: ADIB uses an off-the-shelf model, calibrated on the Group's portfolio, to calculate unsecured LGD. Secured LGD is then calculated after taking the benefit of the assigned collaterals. The LGDs are adjusted for macroeconomic outlook.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

Measuring ECL- Explanations of input, assumptions and estimation techniques (continued)

Exposure at Default (EAD):

The EAD is the amount which the Bank expects a customer to owe in the event of default. The EAD depends on the product type:

- For amortizing products, this is based on the contractual payments over the forecast period; and
- For revolving/off-balance products, this is estimated as a combination of current exposure and credit conversion factor applied on the undrawn portion of the limit.

The Group applies a management overlay for cases where models are unable to capture customer's idiosyncrasies. These overlays are discussed and approved by GCRO or appropriate management committee of the Group.

Forward-looking information incorporated in the ECL model

As per IFRS 9 requirements, forward looking economic outlook has also been incorporated in the loss calculations. The Group has developed a macro-economic overlay models by performing statistical analysis to establish a historical relationship of macro-economic variables with PD and components of LGD. These models depend on various variables such as Oil Price, GDP and Real Estate price etc. The macro-economic models are used to adjust the PD and LGD calculated from the base models. In addition to ECL calculations, the forward looking lifetime PD is used to determine the significant increase in credit risk.

The Group sources the macro-economic scenarios data from an external vendor, which uses scenarios built based on the current market conditions and outlook of their economic team. The Group uses three macro-economic scenarios and a weightage has been assigned to each scenario.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2024 for the years 2024 to 2028, for UAE which is the country where the Group operates and therefore is the country that has a material impact on ECLs.

Macro variables used	Definition	Range
Oil Price, Brent USD	Price per barrel	Between USD 54 and USD 88
Domestic Real GDP Growth	% change	Between -2% and 7%
House Price Index	% change	Between -12% and 14%
Private Consumption	% change	Between -4% and 7%
Real Imports of Goods and Services	% change	Between -8% and 6%
Real Gross Capital Formation	% change	Between -13% and 10%

Credit risk monitoring

For IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by an appropriate management committee.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****44 Risk management (continued)****44.2 Credit risk (continued)****Group credit risk mitigation strategy**

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

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

Collateral management

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

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

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letters of guarantee. They expose the Bank to similar risks as financing and these are mitigated by the same control processes and policies.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

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

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

	Notes	Gross maximum exposure	
		2024	2023
		AED '000	AED '000
Balances and wakala deposits with Islamic banks and other financial institutions	16	7,657,688	7,392,259
Murabaha and mudaraba with financial institutions	17	2,991,073	3,994,920
Murabaha and other Islamic financing	18	87,010,297	69,427,419
Ijara financing	19	60,108,940	50,741,625
Investment in sukuk measured at amortised cost	20	23,862,504	19,004,100
Investments measured at fair value		5,220,048	5,476,992
Other assets		3,928,449	3,163,590
		190,778,999	159,200,905
Contingent liabilities	38	11,799,077	12,670,424
Commitments	38	3,542,190	1,466,162
Total		15,341,267	14,136,586
Total credit risk exposure		206,120,266	173,337,491

44.2.2 Credit risk concentration

Concentration of risk is managed by customer/counterparty, by geographical region and by industry sector. The credit exposure to the top 5 customers as of 31 December 2024 was AED 15,130,760 thousand (2023: AED 10,020,242 thousand) before taking account of collateral or other credit enhancements.

The concentration of the Group's assets and liabilities by geographical segment is based primarily upon the location of the counter party.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.2 Credit risk concentration (continued)

The distribution of the Group's financial assets which are subject to credit risk by geographic region is as follows:

	Balances and wakala deposits with Islamic banks and other financial institutions AED '000	Murabaha and mudaraba with financial institutions AED '000	Murabaha and other Islamic financing AED '000	Ijara financing AED '000	Investment in sukuk measured at amortised cost AED '000	Investments measured at fair value AED '000	Other assets AED '000	Total AED' 000
31 December 2024								
UAE	57,495	23,492	67,892,641	57,501,433	12,095,090	2,511,672	2,769,174	142,850,997
Rest of Middle East	6,528,742	100,269	7,832,576	1,579,789	8,925,158	1,762,818	64,356	26,793,708
Europe	313,737	-	3,700,564	514,035	91,232	10,793	-	4,630,361
Others	757,714	2,867,312	7,584,516	513,683	2,751,024	934,765	1,094,919	16,503,933
Financial assets subject to credit risk	<u>7,657,688</u>	<u>2,991,073</u>	<u>87,010,297</u>	<u>60,108,940</u>	<u>23,862,504</u>	<u>5,220,048</u>	<u>3,928,449</u>	<u>190,778,999</u>
31 December 2023								
UAE	1,433,787	25,989	52,172,504	49,190,106	10,573,633	2,316,230	2,235,118	117,947,367
Rest of Middle East	5,749,171	49,389	6,184,559	971,771	6,371,362	1,920,673	69,512	21,316,437
Europe	134,677	-	2,956,416	6,357	-	-	-	3,097,450
Others	74,624	3,919,542	8,113,940	573,391	2,059,105	1,240,089	858,960	16,839,651
Financial assets subject to credit risk	<u>7,392,259</u>	<u>3,994,920</u>	<u>69,427,419</u>	<u>50,741,625</u>	<u>19,004,100</u>	<u>5,476,992</u>	<u>3,163,590</u>	<u>159,200,905</u>

The credit risk arising from off-balance sheet items mentioned in note 44.2.1 are mainly relating to the UAE.

The distribution of the Group's financial assets by industry sector is as follows:

	2024 AED '000	2023 AED '000
Government	21,469,903	13,581,222
Public sector	20,086,251	17,335,846
Financial institutions	26,367,890	23,916,344
Trading and manufacturing	5,960,549	7,042,224
Construction and real estate	11,258,029	10,877,642
Energy	6,361,947	3,894,874
Personal	83,960,252	67,767,122
Others	15,314,178	14,785,631
Financial assets subject to credit risk	<u>190,778,999</u>	<u>159,200,905</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****44 Risk management (continued)****44.2 Credit risk (continued)****44.2.3 Impairment assessment**

With the adoption of IFRS 9 the incurred loss approach for impairment has been replaced by a forward looking expected credit loss (ECL) approach. The Bank recognizes an allowance for ECL for all financial instruments other than those held at fair value through profit or loss. Financial instruments are classified into three categories as follows:

Stage 1 (performing): where no Significant Increase in Credit Risk (SICR) since origination has been observed. ECL from default events that are possible within the next 12 months is booked as impairment provision.

Stage 2 (underperforming): where a SICR since origination is observed however a default has not occurred. ECL from default events that are possible over the lifetime of the financial instrument is booked as impairment provision.

Stage 3 (non-performing): where a default has occurred, ECL based on the loss expected over the remaining life of the financial instrument is recognized as an impairment provision.

The criteria for SICR have been defined for both the wholesale and retail book. The primary driver of SICR for the wholesale book is the customer risk rating migration since origination. The customer risk rating in turn is determined by the probability of default. The primary driver of the SICR for the retail book is the past due status and the lifetime probability of default.

The ECL is calculated as a product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) which is present valued using the effective profit rate of each facility. The PDs and LGDs are adjusted based on weighted average of three macroeconomic scenarios sourced from an external industry expert. These scenarios are updated quarterly.

The ECL based provisions are reviewed and approved by the management on a monthly basis.

Write-off of financing assets

Board approved policies are in place covering the timing and amount of provisions and write offs for all the financing portfolios of the Bank. These reflect both the UAE Central bank guidelines and rules, accepted international accounting standards, and market and industry best practice and are stringently adhered to.

44.2.4 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For repurchase and reverse repurchase transactions, cash or securities;
- For commercial financing, charges over real estate properties, inventory, trade receivables and securities; and
- For retail financing, charge over assets, mortgage of properties and vehicles and assignment of salaries in favor of the Bank.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.4 Collateral and other credit enhancements (continued)

The table below shows the lower of the collateral value or the outstanding balance of customer financing as at the reporting date:

	2024 AED '000	2023 AED '000
<i>Against customer financing not impaired</i>		
Property	51,611,994	36,622,270
Movable assets	12,313,141	10,738,970
Securities	485,954	483,192
Cash margin and lien over deposits	1,604,708	1,844,004
Others	842,774	977,601
	<hr/> 66,858,571 <hr/>	<hr/> 50,666,037 <hr/>
<i>Against individually impaired</i>		
Property	3,999,425	4,232,185
Movable assets	467,351	463,150
Securities	21,054	32,341
Cash margin and lien over deposits	18,363	23,375
Others	4,472	2,460
	<hr/> 4,510,665 <hr/>	<hr/> 4,753,511 <hr/>
	<hr/> 71,369,236 <hr/>	<hr/> 55,419,548 <hr/>

The Bank also obtains guarantees from parent companies for financing their subsidiaries, but their benefits are not included in the above table.

Management regularly monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

The Bank also makes use of master netting agreements with counterparties.

44.2.5 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality for balance and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, murabaha, ijara and other Islamic financing, investments at amortised cost, investment measured at fair value (except equity instruments), certain other assets and Bank's contingent liabilities and commitments based on the Group's credit rating system.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.5 Credit quality per class of financial assets (continued)

Gross Exposure by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 December 2024				
<u>Financial instruments carried at amortised cost</u>				
Grades 1 – 4	142,492,121	920,158	-	143,412,279
Grades 5 – 6	38,203,242	3,704,207	-	41,907,449
Grade 7	197,450	888,721	-	1,086,171
Grades 8 – 10	-	270,000	5,955,112	6,225,112
Gross financial instruments carried at amortised cost	180,892,813	5,783,086	5,955,112	192,631,011
<u>Sukuk carried at FVTOCI</u>				
Grades 1 – 4	2,254,658	-	-	2,254,658
Grades 5 – 6	670,423	-	-	670,423
Grade 7	-	-	-	-
Grades 8 – 10	-	-	68,054	68,054
Gross Sukuk carried at FVTOCI	2,925,081	-	68,054	2,993,135
<u>Contingent liabilities and commitments</u>				
Grades 1 – 4	12,706,461	57,832	-	12,764,293
Grades 5 – 6	1,625,287	439,453	-	2,064,740
Grade 7	-	8,800	-	8,800
Grades 8 – 10	-	-	503,434	503,434
Gross Contingent liabilities and commitments	14,331,748	506,085	503,434	15,341,267
	198,149,642	6,289,171	6,526,600	210,965,413
31 December 2023				
<u>Financial instruments carried at amortised cost</u>				
Grades 1 – 4	114,070,594	1,266,211	-	115,336,805
Grades 5 – 6	37,737,458	3,297,249	-	41,034,707
Grade 7	102,228	957,026	-	1,059,254
Grades 8 – 10	-	270,000	7,304,278	7,574,278
Gross financial instruments carried at amortised cost	151,910,280	5,790,486	7,304,278	165,005,044
<u>Sukuk carried at FVTOCI</u>				
Grades 1 – 4	2,381,577	-	-	2,381,577
Grades 5 – 6	731,522	5,856	-	737,378
Grade 7	-	-	-	-
Grades 8 – 10	-	-	68,097	68,097
Gross Sukuk carried at FVTOCI	3,113,099	5,856	68,097	3,187,052
<u>Contingent liabilities and commitments</u>				
Grades 1 – 4	11,428,641	593,536	-	12,022,177
Grades 5 – 6	1,183,731	397,100	-	1,580,831
Grade 7	469	10,952	-	11,421
Grades 8 – 10	-	-	522,157	522,157
Gross Contingent liabilities and commitments	12,612,841	1,001,588	522,157	14,136,586
	167,636,220	6,797,930	7,894,532	182,328,682

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.5 Credit quality per class of financial assets (continued)

Expected credit losses (ECL) by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 December 2024				
<u>Financial instruments carried at amortised cost - ECL</u>				
Grades 1 – 4	494,485	24,043	-	518,528
Grades 5 – 6	583,676	333,754	-	917,430
Grade 7	31,522	183,272	-	214,794
Grades 8 – 10	-	-	3,028,260	3,028,260
	<hr/>	<hr/>	<hr/>	<hr/>
	1,109,683	541,069	3,028,260	4,679,012
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Sukuk carried at FVTOCI - ECL</u>				
Grades 1 – 4	5,274	-	-	5,274
Grades 5 – 6	14,305	-	-	14,305
Grades 7	-	-	-	-
Grades 8 – 10	-	-	51,658	51,658
	<hr/>	<hr/>	<hr/>	<hr/>
	19,579	-	51,658	71,237
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Contingent liabilities and commitments - ECL</u>				
Grades 1 – 4	83,757	14	-	83,771
Grades 5 – 6	28,119	17,444	-	45,563
Grade 7	-	477	-	477
Grades 8 – 10	-	-	91,562	91,562
	<hr/>	<hr/>	<hr/>	<hr/>
	111,876	17,935	91,562	221,373
	<hr/>	<hr/>	<hr/>	<hr/>
	1,241,138	559,004	3,171,480	4,971,622
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.5 Credit quality per class of financial assets (continued)

Expected credit losses (ECL) by rating is as follows: (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 December 2023				
<u>Financial instruments carried at amortised cost - ECL</u>				
Grades 1 – 4	415,650	24,949	3	440,602
Grades 5 – 6	550,855	429,714	-	980,569
Grade 7	16,793	226,415	-	243,208
Grades 8 – 10	-	-	3,728,851	3,728,851
	<hr/>	<hr/>	<hr/>	<hr/>
	983,298	681,078	3,728,854	5,393,230
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Sukuk carried at FVTOCI - ECL</u>				
Grades 1 – 4	6,551	-	-	6,551
Grades 5 – 6	34,178	188	-	34,366
Grades 7	-	-	-	-
Grades 8 – 10	-	-	34,010	34,010
	<hr/>	<hr/>	<hr/>	<hr/>
	40,729	188	34,010	74,927
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Contingent liabilities and commitments - ECL</u>				
Grades 1 – 4	107,680	639	1	108,320
Grades 5 – 6	9,564	9,855	-	19,419
Grade 7	15	634	-	649
Grades 8 – 10	-	-	87,572	87,572
	<hr/>	<hr/>	<hr/>	<hr/>
	117,259	11,128	87,573	215,960
	<hr/>	<hr/>	<hr/>	<hr/>
	1,141,286	692,394	3,850,437	5,684,117
	<hr/>	<hr/>	<hr/>	<hr/>

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial and qualitative analysis, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The risk ratings models are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class. A number of new rating models aligned to specific business segments, were introduced during the course of the year.

Renegotiated murabaha, ijara and other Islamic financings

The total carrying amount of financing to non-related parties whose terms have been renegotiated during the year amounted to AED 86,132 thousand (2023: AED 331,391 thousand).

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets

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

	Gross Exposure				Expected credit losses - (ECL)			
	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
<i>31 December 2024</i>								
Cash and balances with central banks	8,852,513	703,173	-	9,555,686	537	671	-	1,208
Balances and wakala deposits with Islamic banks and other financial institutions	7,657,688	-	-	7,657,688	7,749	-	-	7,749
Murabaha and mudaraba with financial institutions	2,991,073	-	-	2,991,073	33,544	-	-	33,544
Murabaha and other Islamic financing	83,693,459	2,300,809	1,016,029	87,010,297	444,350	437,945	783,379	1,665,674
Ijara financing	52,412,079	2,771,830	4,925,031	60,108,940	509,501	102,394	2,230,829	2,842,724
Investment in sukuk measured at amortised cost	23,850,716	-	11,788	23,862,504	92,623	-	11,788	104,411
Investments measured at fair value	2,925,081	-	68,054	2,993,135	19,579	-	51,658	71,237
Other assets	1,435,285	7,274	2,264	1,444,823	21,379	59	2,264	23,702
	183,817,894	5,783,086	6,023,166	195,624,146	1,129,262	541,069	3,079,918	4,750,249
Contingent liabilities and commitments	14,331,748	506,085	503,434	15,341,267	111,876	17,935	91,562	221,373
	198,149,642	6,289,171	6,526,600	210,965,413	1,241,138	559,004	3,171,480	4,971,622

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets (continued)

	Gross Exposure				Expected credit losses - (ECL)			
	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
31 December 2023								
Cash and balances with central banks	13,470,743	140,000	-	13,610,743	-	1,227	-	1,227
Balances and wakala deposits with Islamic banks and other financial institutions	7,392,259	-	-	7,392,259	18,453	-	-	18,453
Murabaha and mudaraba with financial institutions	3,994,920	-	-	3,994,920	64,790	-	-	64,790
Murabaha and other Islamic financing	65,513,557	2,158,549	1,755,313	69,427,419	429,960	497,862	1,455,280	2,383,102
Ijara financing	41,860,404	3,344,044	5,537,177	50,741,625	343,925	177,827	2,261,786	2,783,538
Investment in sukuk measured at amortised cost	18,992,312	-	11,788	19,004,100	110,763	-	11,788	122,551
Investments measured at fair value	3,113,099	5,856	68,097	3,187,052	40,729	188	34,010	74,927
Other assets	686,085	147,893	-	833,978	15,407	4,162	-	19,569
	155,023,379	5,796,342	7,372,375	168,192,096	1,024,027	681,266	3,762,864	5,468,157
Contingent liabilities and commitments	12,612,841	1,001,588	522,157	14,136,586	117,259	11,128	87,573	215,960
	167,636,220	6,797,930	7,894,532	182,328,682	1,141,286	692,394	3,850,437	5,684,117

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets (continued)

Movement in gross exposure by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<u>Financial instruments carried at amortised cost</u>				
Balance at 1 January 2024	151,910,280	5,790,486	7,304,278	165,005,044
- Transfer from stage 1 to stage 2	(1,518,328)	1,518,328	-	-
- Transfer from stage 1 to stage 3	(150,564)	-	150,564	-
- Transfer from stage 2 to stage 1	902,384	(902,384)	-	-
- Transfer from stage 2 to stage 3	-	(364,106)	364,106	-
- Transfer from stage 3 to stage 1	4,792	-	(4,792)	-
- Transfer from stage 3 to stage 2	-	150,978	(150,978)	-
- Other movements within the same stage	(37,109,180)	(1,841,124)	(406,790)	(39,357,094)
- New financial assets originated / purchased	74,792,592	1,617,108	140,684	76,550,384
- Write-off, FX and other adjustments	(7,939,163)	(186,200)	(1,441,960)	(9,567,323)
Balance at 31 December 2024	180,892,813	5,783,086	5,955,112	192,631,011
<u>Sukuk carried at FVTOCI</u>				
Balance at 1 January 2024	3,113,099	5,856	68,097	3,187,052
- Other movements within the same stage	(3,066,875)	(5,856)	(68,729)	(3,141,460)
- New financial assets originated / purchased	2,887,214	-	68,686	2,955,900
- Write-off, FX and other adjustments	(8,357)	-	-	(8,357)
Balance at 31 December 2024	2,925,081	-	68,054	2,993,135
<u>Contingent liabilities and commitments</u>				
Balance at 1 January 2024	12,612,841	1,001,588	522,157	14,136,586
- Transfer from stage 1 to stage 2	(192,836)	192,836	-	-
- Transfer from stage 1 to stage 3	(6,104)	-	6,104	-
- Transfer from stage 2 to stage 1	344,351	(344,351)	-	-
- Transfer from stage 2 to stage 3	-	(2,928)	2,928	-
- Transfer from stage 3 to stage 1	-	-	-	-
- Transfer from stage 3 to stage 2	-	-	-	-
- Other movements within the same stage	(4,466,334)	(458,185)	(27,984)	(4,952,503)
- New financial assets originated / purchased	7,672,274	169,034	621	7,841,929
- Write-off, FX and other adjustments	(1,632,444)	(51,909)	(392)	(1,684,745)
Balance at 31 December 2024	14,331,748	506,085	503,434	15,341,267
	198,149,642	6,289,171	6,526,600	210,965,413

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<u>Financial instruments carried at amortised cost</u>				
Balance at 1 January 2023	131,712,285	7,531,539	8,830,230	148,074,054
- Transfer from stage 1 to stage 2	(981,342)	981,342	-	-
- Transfer from stage 1 to stage 3	(138,808)	-	138,808	-
- Transfer from stage 2 to stage 1	746,877	(746,877)	-	-
- Transfer from stage 2 to stage 3	-	(503,080)	503,080	-
- Transfer from stage 3 to stage 1	28,351	-	(28,351)	-
- Transfer from stage 3 to stage 2	-	147,966	(147,966)	-
- Other movements within the same stage	(29,868,979)	(2,447,873)	(1,011,196)	(33,328,048)
- New financial assets originated / purchased	53,308,078	940,183	126,608	54,374,869
- Write-off, FX and other adjustments	(2,896,182)	(112,714)	(1,106,935)	(4,115,831)
Balance at 31 December 2023	151,910,280	5,790,486	7,304,278	165,005,044
<u>Sukuk carried at FVTOCI</u>				
Balance at 1 January 2023	3,194,342	78,176	383	3,272,901
- Transfer from stage 2 to stage 3	-	(67,726)	67,726	-
- Other movements within the same stage	(96,639)	(4,594)	(12)	(101,245)
- New financial assets originated / purchased	15,396	-	-	15,396
Balance at 31 December 2023	3,113,099	5,856	68,097	3,187,052
<u>Contingent liabilities and commitments</u>				
Balance at 1 January 2023	10,109,015	1,552,265	652,387	12,313,667
- Transfer from stage 1 to stage 2	(94,130)	94,130	-	-
- Transfer from stage 1 to stage 3	(16,989)	-	16,989	-
- Transfer from stage 2 to stage 1	243,863	(243,863)	-	-
- Transfer from stage 2 to stage 3	-	(123,980)	123,980	-
- Transfer from stage 3 to stage 1	148	-	(148)	-
- Transfer from stage 3 to stage 2	-	168	(168)	-
- Other movements within the same stage	(4,278,389)	(415,219)	(280,331)	(4,973,939)
- New financial assets originated / purchased	6,649,323	138,087	9,448	6,796,858
Balance at 31 December 2023	12,612,841	1,001,588	522,157	14,136,586
	167,636,220	6,797,930	7,894,532	182,328,682

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets (continued)

Movement in Expected credit losses (ECL) by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<u>Financial instruments carried at amortised cost - ECL</u>				
Balance at 1 January 2024	983,298	681,078	3,728,854	5,393,230
- Transfer from stage 1 to stage 2	(175,797)	175,797	-	-
- Transfer from stage 1 to stage 3	(86,566)	-	86,566	-
- Transfer from stage 2 to stage 1	5,669	(5,669)	-	-
- Transfer from stage 2 to stage 3	-	(227,261)	227,261	-
- Transfer from stage 3 to stage 1	19	-	(19)	-
- Transfer from stage 3 to stage 2	-	12,676	(12,676)	-
- Other movements within the same stage	141,825	(96,246)	271,096	316,675
- New financial assets originated / purchased	349,648	105,997	163,383	619,028
- Write-off, FX and other adjustments	(108,413)	(105,303)	(1,436,205)	(1,649,921)
Balance at 31 December 2024	1,109,683	541,069	3,028,260	4,679,012
<u>Sukuk carried at FVTOCI – ECL</u>				
Balance at 1 January 2024	40,729	188	34,010	74,927
- Other movements within the same stage	(40,729)	(188)	(33,864)	(74,781)
- New financial assets originated / purchased	19,579	-	51,512	71,091
Balance at 31 December 2024	19,579	-	51,658	71,237
<u>Contingent liabilities and commitments - ECL</u>				
Balance at 1 January 2024	117,259	11,128	87,573	215,960
- Transfer from stage 1 to stage 2	(10,655)	10,655	-	-
- Transfer from stage 1 to stage 3	(1,192)	-	1,192	-
- Transfer from stage 2 to stage 1	1,678	(1,678)	-	-
- Transfer from stage 2 to stage 3	-	(726)	726	-
- Other movements within the same stage	(35,566)	(2,019)	1,789	(35,796)
- New financial assets originated / purchased	80,818	3,100	584	84,502
- Write-off, FX and other adjustments	(40,466)	(2,525)	(302)	(43,293)
Balance at 31 December 2024	111,876	17,935	91,562	221,373
	1,241,138	559,004	3,171,480	4,971,622

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.6 Credit quality per stage for financial assets (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<u>Financial instruments carried at amortised cost - ECL</u>				
Balance at 1 January 2023	920,040	502,301	4,441,592	5,863,933
- Transfer from stage 1 to stage 2	(80,202)	80,202	-	-
- Transfer from stage 1 to stage 3	(68,068)	-	68,068	-
- Transfer from stage 2 to stage 1	4,480	(4,480)	-	-
- Transfer from stage 2 to stage 3	-	(137,543)	137,543	-
- Transfer from stage 3 to stage 1	94	-	(94)	-
- Transfer from stage 3 to stage 2	-	6,587	(6,587)	-
- Other movements within the same stage	(42,411)	50,190	105,851	113,630
- New financial assets originated / purchased	297,248	202,075	91,158	590,481
- Write-off, FX and other adjustments	(47,883)	(18,254)	(1,108,677)	(1,174,814)
Balance at 31 December 2023	983,298	681,078	3,728,854	5,393,230
<u>Sukuk carried at FVTOCI - ECL</u>				
Balance at 1 January 2023	18,940	14,590	153	33,683
- Transfer from stage 2 to stage 3	-	(33,863)	33,863	-
- Other movements within the same stage	21,789	19,461	(6)	41,244
Balance at 31 December 2023	40,729	188	34,010	74,927
<u>Contingent liabilities and commitments - ECL</u>				
Balance at 1 January 2023	97,960	14,429	103,744	216,133
- Transfer from stage 1 to stage 2	(1,723)	1,723	-	-
- Transfer from stage 1 to stage 3	(1,083)	-	1,083	-
- Transfer from stage 2 to stage 1	1,084	(1,084)	-	-
- Transfer from stage 2 to stage 3	-	(4,272)	4,272	-
- Transfer from stage 3 to stage 1	63	-	(63)	-
- Transfer from stage 3 to stage 2	-	1	(1)	-
- Other movements within the same stage	(44,528)	(1,638)	(21,481)	(67,647)
- New financial assets originated / purchased	65,486	1,969	19	67,474
Balance at 31 December 2023	117,259	11,128	87,573	215,960
	1,141,286	692,394	3,850,437	5,684,117

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.2 Credit risk (continued)

44.2.7 Impairment reserve – General as required by Central Bank of UAE (CBUAE)

As per the new credit risk management regulation/standards issued by CBUAE, the Bank is required to 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 Stage 1 and 2 ECL held are lower, the difference is held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-General'. The amount held in the impairment reserve-general is deducted from the capital base (Tier 1 capital) when computing the regulatory capital.

A comparison between the minimum provision as per the CB UAE requirements and ECL taken under IFRS 9 for stage 1 and 2 is as follows:

	2024 AED '000	2023 AED '000
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 & 2 as per CB UAE requirements	2,131,328	1,877,376
Less: Stage 1 and Stage 2 ECL under IFRS 9 taken against income	(1,800,142)	(1,833,680)
	<hr/>	<hr/>
Difference in Stage 1 & 2 provision to meet minimum CB UAE requirements	331,186	43,696
	<hr/>	<hr/>
Balance of impairment reserve- General as at 1 January	43,696	279,327
Add/(less): Non-distributable reserve during the year (impairment reserve – General)	287,490	(235,631)
	<hr/>	<hr/>
Balance of impairment reserve – General as at 31 December	331,186	43,696
	<hr/>	<hr/>

For 2023, the impairment reserve - general was maintained as per the CB UAE guidance note issued to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBUAE/BSD/2018/458.

44.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows, the maintenance and monitoring of the inventory of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly quality and diverse securities that can be easily liquidated and/or used as collateral in the event of an unforeseen stress on of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with the Central Bank. The liquidity position is assessed and managed under a variety of stress scenarios, given due consideration to severe yet plausible stress conditions relating to both the market in general and specifically to the Group.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****44 Risk management (continued)****44.3 Liquidity risk and funding management (continued)**

The high quality of the investment portfolio ensures its liquidity and/or eligibility as acceptable collateral and coupled with the Bank's own funds and "evergreen" customer deposits help these forms a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands. In addition, the Bank monitors various liquidity risk ratios and maintains an up-to-date contingency funding plan.

44.3.1 Treasury

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

44.3.2 Asset & Liability Committee ("ALCO")

The Asset & Liability Management ("ALM") process focusses on planning, acquiring, and directing the flow of funds through the organization. The ultimate objective of this process is to generate adequate stable earnings and to steadily build equity over time, while taking measured business risk aligned to the overall risk appetite of the Bank. The Bank has a defined ALM policy which describes the objective, role and function of the ALCO. This process revolves around ALCO, the body within the Bank that holds the responsibility to make strategic decisions relating to the management of financial position related risks. The ALCO consists of the Bank's senior management including the CEO and normally meets once a month.

44.3.3 Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes reenlistment of funds as they mature or when financing are provided to customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of financing maturities.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.3 Liquidity risk and funding management (continued)

44.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at reporting date based on contractual maturities.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 December 2024					
ASSETS					
Cash and balances with central banks	27,507,955	3,631,162	900,825	-	32,039,942
Balances and wakala deposits with Islamic banks and other financial institutions	6,807,349	342,558	253,497	246,535	7,649,939
Murabaha and mudaraba with financial institutions	474,078	455,129	1,742,935	285,387	2,957,529
Murabaha and other Islamic financing	7,975,051	18,895,945	48,214,284	10,259,343	85,344,623
Ijara financing	1,037,414	3,984,452	20,074,687	32,169,663	57,266,216
Investments in Islamic sukuk measured at amortised cost	367,663	2,331,370	15,217,044	5,842,016	23,758,093
Investments measured at fair value	1,919,980	999,750	1,622,562	986,112	5,528,404
Investment in associates and joint ventures	-	-	-	895,698	895,698
Other assets	3,249,151	228,454	411,527	12,796	3,901,928
Financial assets	49,338,641	30,868,820	88,437,361	50,697,550	219,342,372
Non-financial assets					6,567,423
Total assets					225,909,795
LIABILITIES					
Due to financial institutions	2,953,759	2,037,305	292,953	245,652	5,529,669
Depositors' accounts	151,142,136	23,689,964	7,843,138	15	182,675,253
Other liabilities	5,018,195	799,023	1,728,668	5,499	7,551,385
Sukuk financing instrument	-	-	1,836,250	-	1,836,250
Total liabilities	159,114,090	26,526,292	11,701,009	251,166	197,592,557
31 December 2023					
ASSETS					
Cash and balances with central banks	22,777,913	7,629,036	-	1,091,363	31,498,312
Balances and wakala deposits with Islamic banks and other financial institutions	7,120,229	-	110,175	143,402	7,373,806
Murabaha and mudaraba with financial institutions	1,780,816	685,574	1,263,786	199,954	3,930,130
Murabaha and other Islamic financing	6,395,261	11,540,686	39,444,269	9,664,101	67,044,317
Ijara financing	2,165,403	4,140,598	18,938,130	22,713,956	47,958,087
Investments in Islamic sukuk measured at amortised cost	106,858	1,080,963	11,776,546	5,917,182	18,881,549
Investments measured at fair value	2,049,115	620,171	1,488,981	1,443,185	5,601,452
Investment in associates and joint ventures	-	-	-	834,334	834,334
Other assets	2,162,008	107,002	793,845	12,450	3,075,305
Financial assets	44,557,603	25,804,030	73,815,732	42,019,927	186,197,292
Non-financial assets					6,629,900
Total assets					192,827,192
LIABILITIES					
Due to financial institutions	2,488,854	66,150	-	-	2,555,004
Depositors' accounts	133,470,651	14,377,707	9,217,779	857	157,066,994
Other liabilities	2,323,596	201,648	2,588,023	13,309	5,126,576
Sukuk financing instrument	-	-	1,836,250	-	1,836,250
Total liabilities	138,283,101	14,645,505	13,642,052	14,166	166,584,824

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.3 Liquidity risk and funding management (continued)

44.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and profit payable to maturity.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 December 2024					
Liabilities					
Due to financial institutions	2,966,841	2,087,186	389,849	265,473	5,709,349
Depositors' accounts	151,532,784	24,938,632	9,137,973	16	185,609,405
Other liabilities	5,018,195	799,023	1,728,668	5,499	7,551,385
Sukuk payable	-	-	2,246,995	-	2,246,995
Total liabilities	159,517,820	27,824,841	13,503,485	270,988	201,117,134
31 December 2023					
Liabilities					
Due to financial institutions	2,490,774	67,934	-	-	2,558,708
Depositors' accounts	133,833,326	15,556,068	10,636,498	1,304	160,027,196
Other liabilities	2,323,596	201,648	2,588,023	13,309	5,126,576
Sukuk payable	-	-	2,353,313	-	2,353,313
Total liabilities	138,647,696	15,825,650	15,577,834	14,613	170,065,793

The disclosed financial instruments in the above table are the gross undiscounted cash flows.

The table below shows the contractual expiry of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 December 2024					
Contingent liabilities	4,104,101	4,004,810	3,644,468	45,698	11,799,077
Commitments	-	-	239,836	-	239,836
Total	4,104,101	4,004,810	3,884,304	45,698	12,038,913
31 December 2023					
Contingent liabilities	5,611,389	3,063,744	3,946,477	48,814	12,670,424
Commitments	-	-	191,484	-	191,484
Total	5,611,389	3,063,744	4,137,961	48,814	12,861,908

The Bank does not expect that all of the contingent liabilities or commitments will be drawn before expiry.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse the financial instruments including securities, foreign currencies, equities, structured products and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises of the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by the senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are viewed periodically to ensure they remain in line with the Group's general market risk policy. The ALCO and ERC ensure that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank.

44.4.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk through appropriate limits in place and frequent review of the bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity.

The following table estimates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

	Increase in basis points 2024	Sensitivity of profit on financial assets and liabilities AED '000	Increase in basis points 2023	Sensitivity of profit on financial assets and liabilities AED '000
<i>Currency</i>				
AED	25	57,647	25	40,431
USD	25	61,211	25	70,315
Euro	25	2,501	25	1,789
Other currencies	25	20,685	25	22,695

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.4 Market risk (continued)

44.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against AED with all other variable held constant on the consolidated income statement (due to the changes in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated in consolidated income statement on investments carried at fair value through other comprehensive income - equity instruments and investment in associates and joint ventures).

	% Increase currency rates	Effect on net profit AED '000	Effect on equity AED '000
31 December 2024			
Currency			
USD	5	1,166,444	13,759
Euro	5	(1,345)	6,508
GBP	5	(768)	-
Other currencies	5	98,345	11,268
31 December 2023			
Currency			
USD	5	1,232,253	4,118
Euro	5	(3,403)	5,787
GBP	5	83,741	-
Other currencies	5	96,301	11,707

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.4 Market risk (continued)

44.4.2 Currency risk (continued)

The table below shows the Group's exposure to foreign currencies.

	AED AED '000	USD AED '000	Euro AED '000	GBP AED '000	Others AED '000	Total AED '000
31 December 2024						
Financial assets						
Cash and balances with central banks	28,197,817	1,145,975	5,067	492	2,690,591	32,039,942
Balances and wakala deposits with Islamic banks and other financial institutions	25,133	3,602,466	299,564	43,523	3,679,253	7,649,939
Murabaha and mudaraba with financial institutions	-	1,199,028	20,197	-	1,738,304	2,957,529
Murabaha and other Islamic financing	53,462,264	22,348,991	1,352,023	2,960,459	5,220,886	85,344,623
Ijara financing	50,244,404	6,752,751	470	7,001	261,590	57,266,216
Investments in Islamic sukuk measured at amortised cost	124,750	23,633,343	-	-	-	23,758,093
Investments measured at fair value	349,866	5,153,808	475	-	24,255	5,528,404
Investment in associates and joint ventures	541,119	-	129,442	-	225,137	895,698
Other assets	1,204,249	3,153,946	(326,002)	(2,017,064)	1,886,799	3,901,928
	<u>134,149,602</u>	<u>66,990,308</u>	<u>1,481,236</u>	<u>994,411</u>	<u>15,726,815</u>	<u>219,342,372</u>
Financial liabilities						
Due to financial institutions	1,723,080	3,536,037	52,196	106,018	112,338	5,529,669
Depositors' accounts	132,027,403	36,804,535	1,300,352	830,742	11,712,221	182,675,253
Other liabilities	4,533,518	1,209,428	25,441	73,001	1,709,997	7,551,385
Sukuk financing instrument	-	1,836,250	-	-	-	1,836,250
	<u>138,284,001</u>	<u>43,386,250</u>	<u>1,377,989</u>	<u>1,009,761</u>	<u>13,534,556</u>	<u>197,592,557</u>
31 December 2023						
Financial assets						
Cash and balances with central banks	27,853,288	767,334	3,143	183	2,874,364	31,498,312
Balances and wakala deposits with Islamic banks and other financial institutions	407,906	2,278,677	784,029	53,066	3,850,128	7,373,806
Murabaha and mudaraba with financial institutions	-	702,367	20,889	-	3,206,874	3,930,130
Murabaha and other Islamic financing	42,406,598	16,248,465	174,049	2,514,067	5,701,138	67,044,317
Ijara financing	41,020,333	6,573,810	2,077	7,164	354,703	47,958,087
Investments in Islamic sukuk measured at amortised cost	59,750	18,741,692	80,107	-	-	18,881,549
Investments measured at fair value	86,521	5,351,350	118,492	-	45,089	5,601,452
Investment in associates and joint ventures	487,272	-	114,978	-	232,084	834,334
Other assets	1,553,238	596,981	95,377	1,703	828,006	3,075,305
	<u>113,874,906</u>	<u>51,260,676</u>	<u>1,393,141</u>	<u>2,576,183</u>	<u>17,092,386</u>	<u>186,197,292</u>
Financial liabilities						
Due to financial institutions	1,107,684	1,126,384	67,754	153,161	100,021	2,555,004
Depositors' accounts	118,781,251	22,709,737	1,262,177	699,711	13,614,118	157,066,994
Other liabilities	2,983,577	860,877	15,541	48,492	1,218,089	5,126,576
Sukuk financing instrument	-	1,836,250	-	-	-	1,836,250
	<u>122,872,512</u>	<u>26,533,248</u>	<u>1,345,472</u>	<u>901,364</u>	<u>14,932,228</u>	<u>166,584,824</u>

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.4 Market risk (continued)

44.4.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's quoted investments in the investment portfolio.

The following table estimates the sensitivity to a possible change in equity markets on the Bank's consolidated other comprehensive income statement. The effect on equity (as a result of a change in the fair value of equity instruments held as investments carried at fair value through other comprehensive income at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	% Increase in market indices 2024	Effect on profit or loss 2024 AED '000	% Increase in market indices 2023	Effect on profit or loss 2023 AED '000
<i>Investments carried at fair value through profit or loss</i>				
Abu Dhabi Securities Exchange	10	1,130	10	865
Dubai Financial Market	10	444	10	-
Other markets	10	881	10	2,531

	% Increase in market indices 2024	Effect on Equity 2024 AED '000	% Increase in market indices 2023	Effect on equity 2023 AED '000
<i>Investments carried at fair value through other comprehensive income</i>				
Abu Dhabi Securities Exchange	10	2,436	10	2,658
Dubai Financial Market	10	52	10	49

44.4.4 Operational risk

Operational risk is the risk of negative financial and / or non- financial impacts arising from inadequate or failed internal processes, people, systems or external events.

The Bank has implemented a detailed operational risk framework in accordance with Basel III guidelines. The framework articulates clearly defined roles and responsibilities of individuals / business units and committees across the Group involved in the management of various operational risk elements. The Operational Risk Management Framework ensures that operational risks within the Group are properly identified, assessed, monitored, reported and actively managed. Key elements of the framework include risk reviews, "risk & control self-assessment", loss data management, key risk indicators, controls testing, issues & actions management and reporting. The Framework also fully encompasses and integrates elements of fraud risk prevention and quality assurance.

Unlike other types of risks such as credit and market business units are responsible for managing operational risks within their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of a comprehensive system of internal control with multi-layers of defense and dedicated systems and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

44 Risk management (continued)

44.5 Capital management

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ("CET1"), Additional Tier 1 ("AT1") and Total Capital.

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

CCB will be required to be maintained at 2.5% (2023: 2.5%) of the Capital base. CCyB is not required to be maintained for 2024 (2023: Nil). In December 2024, CB UAE has decided to increase the CCyB requirement to 0.50% on the private sector credit exposures in the UAE. The requirement will phase-in over 12 months beginning from 1 January 2025 with CCyB rate of 0.50% becoming effective on 1 January 2026.

The minimum capital adequacy ratio as per Basel III capital regulation is given below:

	<i>Minimum capital requirement 2024</i>	<i>Minimum capital requirement 2023</i>
Capital Ratio:		
a. Total for consolidated Group	13.00%	13.00%
b. Tier 1 ratio for consolidated Group	11.00%	11.00%
c. CET1 ratio for consolidated Group	9.50%	9.50%

The Group's regulatory capital is analysed into three tiers:

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines;
- AT 1 capital comprises an eligible non-common equity capital instrument; and
- T2 capital comprises qualifying subordinated instrument and undisclosed reserve.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

44 Risk management (continued)

44.5 Capital management (continued)

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or to adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

For credit and market risks, the Central Bank of the U.A.E. has issued guidelines for the implementation of Standardised approach. For operational risk, the Central Bank of the U.A.E. has given Banks the option to use either the Basic Indicator approach, or the Standardised approach. The Bank started applying the Standardised approach from 31 December 2024, previously the Bank was applying the Basic Indicator approach.

The below table shows summarises the composition of Basel III regulatory capital and the ratios of the Group for the years ended 31 December 2024 and 2023. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject:

	Basel III	
	2024	2023
	AED '000	AED '000
<i>Capital base</i>		
Common Equity Tier 1	19,316,205	16,898,461
Additional Tier 1 capital	4,843,132	4,754,375
Tier 1 capital	24,159,337	21,652,836
Tier 2 capital	1,776,107	1,564,480
Total capital base	25,935,444	23,217,316
<i>Risk weighted assets</i>		
Credit risk	142,088,529	125,158,385
Market risk	2,804,211	2,370,893
Operational risk	15,090,593	10,681,870
Total risk weighted assets	159,983,333	138,211,148
<i>Capital ratios</i>		
Common Equity Tier 1 ratio	12.07%	12.23%
Total Tier 1 capital ratio	15.10%	15.67%
Total capital ratio	16.21%	16.80%

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****45 Fair value of financial instruments****Fair value measurement recognized in the consolidated statement of financial position**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as Shari'a compliant alternatives of derivatives and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Financial instruments under this category mainly include sukuk, private equity instruments and funds measured at FVTPL. The carrying values of these investments are adjusted as follows:

- a) Sukuk – using latest available net book value; and
- b) Private equity instruments and Funds – based on the net asset value assessed internally.

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

The valuation methodologies considered by valuers include:

- a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.
- b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

45 Fair value of financial instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2024				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	24,546	-	-	24,546
Sukuk	1,899,327	-	-	1,899,327
	<u>1,923,873</u>	<u>-</u>	<u>-</u>	<u>1,923,873</u>
Unquoted sukuk	-	-	327,586	327,586
	<u>1,923,873</u>	<u>-</u>	<u>327,586</u>	<u>2,251,459</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	24,882	-	-	24,882
Sukuk	2,924,449	-	-	2,924,449
	<u>2,949,331</u>	<u>-</u>	<u>-</u>	<u>2,949,331</u>
<i>Unquoted investments</i>				
Sukuk	-	-	68,686	68,686
Funds	-	-	214,338	214,338
Private equities	-	-	115,827	115,827
	<u>-</u>	<u>-</u>	<u>398,851</u>	<u>398,851</u>
	<u>2,949,331</u>	<u>-</u>	<u>398,851</u>	<u>3,348,182</u>
	<u>4,873,204</u>	<u>-</u>	<u>726,437</u>	<u>5,599,641</u>
Shari'a compliant alternatives of swap (note 39)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Shari'a compliant alternatives of swap (note 39)	-	11,188	-	11,188
	<u>-</u>	<u>11,188</u>	<u>-</u>	<u>11,188</u>
Assets for which fair values are disclosed:				
Investment properties (note 23)	-	-	1,639,698	1,639,698
	<u>-</u>	<u>-</u>	<u>1,639,698</u>	<u>1,639,698</u>
Investment carried at amortised cost - Sukuk	22,925,497	-	-	22,925,497
	<u>22,925,497</u>	<u>-</u>	<u>-</u>	<u>22,925,497</u>
Assets acquired in satisfaction of claims	-	135,685	-	135,685
	<u>-</u>	<u>135,685</u>	<u>-</u>	<u>135,685</u>

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

45 Fair value of financial instruments (continued)

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2023				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	33,956	-	-	33,956
Sukuk	1,982,758	-	-	1,982,758
	<u>2,016,714</u>	<u>-</u>	<u>-</u>	<u>2,016,714</u>
Unquoted sukuk	-	-	307,182	307,182
	<u>2,016,714</u>	<u>-</u>	<u>307,182</u>	<u>2,323,896</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	27,063	-	-	27,063
Sukuk	3,119,326	-	-	3,119,326
	<u>3,146,389</u>	<u>-</u>	<u>-</u>	<u>3,146,389</u>
<i>Unquoted investments</i>				
Sukuk	-	-	67,726	67,726
Funds	-	-	27,581	27,581
Private equities	-	-	110,787	110,787
	<u>-</u>	<u>-</u>	<u>206,094</u>	<u>206,094</u>
	<u>3,146,389</u>	<u>-</u>	<u>206,094</u>	<u>3,352,483</u>
	<u>5,163,103</u>	<u>-</u>	<u>513,276</u>	<u>5,676,379</u>
Shari'a compliant alternatives of swap (note 39)	-	6,415	-	6,415
	<u>-</u>	<u>6,415</u>	<u>-</u>	<u>6,415</u>
Financial liabilities				
Shari'a compliant alternatives of swap (note 39)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assets for which fair values are disclosed:				
Investment properties (note 23)	-	-	1,550,816	1,550,816
	<u>-</u>	<u>-</u>	<u>1,550,816</u>	<u>1,550,816</u>
Investment carried at amortised cost - Sukuk	18,138,506	-	-	18,138,506
	<u>18,138,506</u>	<u>-</u>	<u>-</u>	<u>18,138,506</u>
Assets acquired in satisfaction of claims	-	138,047	-	138,047
	<u>-</u>	<u>138,047</u>	<u>-</u>	<u>138,047</u>

There were no transfers between level 1, 2 and 3 during the year.

A significant part of the investments classified under Level 3 are valued using inputs from investment managers and in the opinion of the management it is not practical to disclose the sensitivity of inputs to the valuation techniques used.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)**

45 Fair value of financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 of financial assets which are recorded at fair value:

	2024 AED ‘000	2023 AED ‘000
At 1 January	206,094	203,963
Net purchases	183,625	-
Gain recorded in equity	29,563	2,929
Foreign currency translation	(20,431)	(798)
	<hr/>	<hr/>
At 31 December	398,851	206,094
	<hr/> <hr/>	<hr/> <hr/>

46 Social contributions

The social contributions (including donations and charity) made during the year amount to AED 20,000 thousand.