DOHA BANK (Q.P.S.C.) -
UNITED ARAB EMIRATES
(UAE) BRANCHES

Financial statements
For the year ended 31 December 2024

Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches

Financial statements
For the year ended 31 December 2024

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Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Doha Bank Q.P.S.C - United Arab Emirates (UAE) Branches (the "Branch") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

The Branch's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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

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

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

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

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Independent auditor's report to the Directors of Doha Bank (Q.P.S.C) - United Arab Emirates (UAE) Branches (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Branch's internal control.

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

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

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

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

Independent auditor's report to the Directors of Doha Bank (Q.P.S.C) - United Arab Emirates (UAE) Branches (continued)

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Limited Partnership Dubai Branch
27 March 2025

Stuart Alexander Scoular
Registered Auditor Number 5563
Dubai, United Arab Emirates

Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches

Statement of financial position

	Notes	As at 31 December 2024 AED '000	2023 AED '000
Assets			
Cash and balances with Central Bank of UAE	3	**1,164,541**	610,301
Due from Head Office and overseas branches	4	**94,509**	167,293
Due from banks and other financial institutions	10	**933,115**	590,097
Acceptances		**73,460**	238,745
Loans and advances	5	**1,086,679**	1,674,788
Investment securities	6	**345,562**	295,013
Deferred tax asset	7	**857**	857
Property and equipment	9	**8,738**	11,613
Other assets	8	**20,100**	9,225
Total assets		**3,727,561**	3,597,932
Liabilities and head office equity			
Liabilities			
Due to Head Office and overseas branches	4	**50,488**	545,232
Due to banks and other financial institutions	10	**679,505**	405,867
Acceptances		**73,460**	238,745
Customers' deposits	11	**2,517,614**	2,040,222
Other liabilities	12	**137,459**	133,622
Total liabilities		**3,458,526**	3,363,688
Head office equity			
Allocated capital	13	**1,150,000**	1,150,000
Statutory reserve	14	**6,174**	2,595
Fair value reserve	6	**(29,492)**	(28,486)
Accumulated losses		**(857,647)**	(889,865)
Total head office equity		**269,035**	234,244
Total liabilities and head office equity		**3,727,561**	3,597,932

Muhammad Jawaad Chawla
Doha Bank - UAE
27 March 2025

The Independent auditor's report is set out on page 1 to 3.
The attached notes on pages 9 to 61 form an integral part of the financial statements.

Statement of profit or loss

		For the year ended 31 December	
		2024	2023
	Notes	**AED ’000**	AED ’000
Interest income	15	**232,614**	150,668
Interest expense	16	**(157,812)**	(111,134)
Net interest income		**74,802**	39,534
Net fees and commission income	17	**14,754**	10,894
Other income	18	**18,180**	21,415
Operating income		**107,736**	71,843
Staff costs		**(9,208)**	(9,729)
Other operating expenses	19	**(15,815)**	(14,044)
Depreciation	9	**(1,567)**	(1,888)
Loss on litigation	27	**-**	(163,019)
Total operating expenses		**(26,590)**	(188,680)
Net operating profit / (loss)		**81,146**	(116,837)
Net impairment allowance on loans and advances	5	**(36,626)**	(30,232)
Net impairment (allowance) / reversal on other financial assets	25	**(5,219)**	183
Profit / (loss) for the year before tax		**39,301**	(146,886)
Tax for the year	7	**(3,504)**	(25,275)
Profit / (loss) for the year		**35,797**	(172,161)

The Independent auditor’s report is set out on page 1 to 3.
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Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches

Statement of comprehensive income

	For the year ended 31 December	
	2024	2023
	AED ’000	AED ’000
Profit / (loss) for the year	**35,797**	(172,161)
Other comprehensive income		
Items that are or may be subsequently reclassified to statement of income:		
Net change in fair value through OCI	**(1,015)**	(3,949)
ECL on investment securities measured at fair value through OCI	**9**	(214)
Other comprehensive loss for the year	**(1,006)**	(4,163)
Total comprehensive profit / (loss) for the year	**34,791**	(176,324)

The Independent auditor’s report is set out on page 1 to 3.
The attached notes on pages 9 to 61 form an integral part of the financial statements.

Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches

Statement of changes in Head Office equity

For the year ended 31 December 2024

	Notes	Allocated capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2023		900,000	2,595	(24,323)	(717,704)	160,568
Capital injection	13	250,000	-	-	-	250,000
Loss for the year		-	-	-	(172,161)	(172,161)
Other comprehensive loss		-	-	(4,163)	-	(4,163)
Total comprehensive loss for the year		-	-	(4,163)	(172,161)	(176,324)
Balance at 31 December 2023		1,150,000	2,595	(28,486)	(889,865)	234,244
Profit for the year	14	**-**	**3,579**	**-**	**32,218**	**35,797**
Other comprehensive loss		**-**	**-**	**(1,006)**	**-**	**(1,006)**
Total comprehensive loss for the year		**-**	**3,579**	**(1,006)**	**32,218**	**34,791**
Balance at 31 December 2024		**1,150,000**	**6,174**	**(29,492)**	**(857,647)**	**269,035**

The Independent auditor's report is set out on page 1 to 3.
The attached notes on pages 9 to 61 form an integral part of the financial statements.

Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches
Statement of cash flows

	Notes	For the year ended 31 December 2024 AED '000	2023 AED '000
Operating activities			
Profit for the year before tax		**39,301**	(146,885)
Adjustments for:			
Depreciation	9	**1,566**	1,888
Loss on disposal of fixed asset		**1,338**	-
Gain on disposal of investment		**-**	(2,000)
Finance cost	12	**474**	448
Provision for corporate tax	12	**3,504**	-
Change in fair value of FVOCI		**15,924**	-
Change in fair value for interest rate swap	8	**(11,505)**	-
Provision for interest rate swap	12	**5,784**	-
Net impairment allowance on loans and advances	5	**36,626**	30,232
Net impairment allowance on other financial assets	25	**5,219**	(183)
Operating profit before changes in operating assets and liabilities		**98,231**	(116,500)
Changes in operating assets and liabilities:			
Statutory cash reserve with Central Bank of UAE		**(27,367)**	(4,076)
Loans and advances		**551,483**	(664,914)
Due to Head Office after three months		**(422,395)**	55,095
Due from banks and other FI's over three months		**128,431**	75,185
Acceptances – assets		**165,285**	(238,745)
Other assets		**630**	(2,590)
Due to banks and other financial institutions		**273,638**	(131,614)
Acceptances – liabilities		**(165,285)**	238,745
Customer's deposits		**477,392**	913,120
Other liabilities		**(8,889)**	42,714
Cash generated from operations		**1,071,154**	166,421
Income tax paid	7	(3,504)	-
Net cash generated from operating activities		**1,067,650**	166,421
Investing activities			
Purchase of property and equipment	9	**(29)**	(50)
Purchase of investment securities		**(73,840)**	(68,008)
Proceeds received from sale of investments		**-**	72,065
Proceeds from maturities of investments		**7,386**	1,812
Net cash used in investing activities		**(66,483)**	5,819
Financing activities			
Capital injection	13	**-**	250,000
Payment of lease liabilities	12	**(3,217)**	(2,200)
Net cash (used in) / generated from financing activities		**(3,217)**	247,800
Net increase in cash and cash equivalents		**997,950**	420,038
Cash and cash equivalents at 1 January	20	**830,330**	410,292
Cash and cash equivalents at 31 December	20	**1,828,280**	830,330

The Independent auditor's report is set out on page 1 to 3.
The attached notes on pages 9 to 61 form an integral part of the financial statements.

1 Activities

The financial statements of Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches (the "Branch") relate to the activities of its Branch operating in the Emirate of Dubai of Doha Bank (Q.P.S.C.) (the "Head Office"). Doha Bank (Q.P.S.C.) is listed on the Doha Securities Market.

Doha Bank has been operating in the UAE through two branches under separate licences issued by the UAE Central Bank and are engaged in banking activities. Dubai branch was incorporated on 18 July 2007 and Abu Dhabi branch started its operations from 27 November 2012.

The registered address of the branches are as follows:

- Dubai Branch - P.O. Box 125465, Dubai, United Arab Emirates
- Abu Dhabi Branch - P.O. Box 27448, Abu Dhabi, United Arab Emirates

On 10 January 2024, the bank discontinued all of its operations at the Abu Dhabi Branch. The closure of the Abu Dhabi Branch was in line with the bank's strategic realignment and approved by the relevant regulatory authorities.

These financial statements reflect the activities of the Dubai Branch only and exclude all transactions, assets and liabilities of the Head Office and other branches of the Head Office outside United Arab Emirates.

2 Material accounting policies

2.1 Changes in accounting policies

The following amendments to standards, which became effective as of 1 January 2024, are relevant to the branch:

- Lease liability in sale and leaseback – Amendment to IFRS 16
- Classification of liabilities as current or non-current – Amendments to IAS 1
- Non-current liabilities with covenants – Amendments to IAS 1
- Classification of liabilities as current or non-current – Amendments to IAS 1
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The adoption of the above did not result in any changes to previously reported net profit or Head Office equity of the branch. 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 1 January 2024.

2.2 Basis of preparation

The financial statements of the Branch have been prepared in accordance with IFRS Accounting Standards and Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), and applicable requirements of the Decretal Federal Law No. (14) of 2018. The Branch has assessed their ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future.

2 Material accounting policies (continued)

2.2 Basis of preparation (continued)

The ability of the Branch to continue as a going concern are dependent upon the continuity of the regulatory permit granted to continue in operations. The Branch has full regulatory permit for such purposes and also the support from their Head Office in Doha to fund ongoing liquidity requirements. Accordingly, these financial statements have been prepared on a going concern basis. The Branch is not a separate legal entity but meets the definition of a reporting entity under the conceptual framework of IFRS Accounting Standards.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the branch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.17.

2.3 Basis of measurement

The financial statements are prepared under the historical cost basis except for derivative financial instruments which are carried at fair value through profit or loss ("FVTPL") and investments in bonds that have been measured at fair value through other comprehensive income ('FVOCI').

2.4 Functional and presentation currency

The financial statements have been presented in UAE Dirhams in thousands, which is the functional and presentation currency of the branch, rounded to the nearest thousand except when otherwise stated.

2.5 Financial assets and financial liabilities

(i) Recognition and initial measurement

The Branch initially recognizes loans and advances, and deposits on the date on which they are originated. All other financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Branch become a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

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

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

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

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- How the performance of the portfolio is evaluated and reported to the branch's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Business model assessment (continued)

- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the branch's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest ("the SPPI test"), the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, terms that limit the Branch claim to cash flows from specified assets and features that modify consideration of the time value of money. Instruments failing SPPI will be measured at FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets. The reclassification takes place from the start of the first reporting period following the change.

Financial liabilities

The Branch classifies its financial liabilities in the categories of fair value through profit or loss, and amortized cost.

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

Financial liabilities (continued)

(i) Financial liabilities at amortized cost

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR 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 on initial recognition.

(ii) Derecognition

Derecognition of financial assets

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

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

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

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities

Derecognition of financial liabilities (continued)

(ii) Derecognition (continued)

The Branch derecognizes financial liabilities when, and only when, the branch's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the income statement.

(iii) Modification of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Branch evaluate whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Branch recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial assets and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as income.

Financial liabilities

The Branch derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the income statement.

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position.

(vs) Measurement principles

Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Fair value measurement

For those assets and liabilities carried at fair value, the Branch measures fair value at each reporting date. 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 of a liability reflects its non-performance risk.

The fair value measurement of financial instruments 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 Branch 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.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price in an active market for that instrument. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments including instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

Fair value measurement (continued)

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates.

All assets and liabilities for which fair value is measured are categorised and disclosed in the financial statements as follows:

- Level 1 - Traded in the active market based on closing bid price.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Valuation is derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exists.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Valuation techniques include discounted cash flow method, book value method or other relevant valuation techniques commonly used by market participants.

(vi) Identification and measurement of impairment

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

- Financial assets that are debt instruments; and
- Loan commitments and financial guarantee contracts.

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

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

12-month ECL are the portion of ECL that result from default events on financial instruments that are possible with the 12 months after the reporting date.

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expect to receive);

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

Measurement of ECL (continued)

(vi) Identification and measurement of impairment (continued)

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Branch if the commitment is drawn down and the cash flows that the Branch expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Branch expects to recover.

Restructured financial assets

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

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

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI 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 borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Branch on terms that the Branch would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

2 Material accounting policies (continued)

2.5 Financial assets and financial liabilities (continued)

Credit-impaired financial assets (continued)

Loans and advances to customers (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income and expense

Interest income and expense for all interest-bearing financial instruments except at FVTPL, are presented in 'interest income' and 'interest expense' in the income statement on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities.

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Fees and commission income and expense

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

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized over time as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized over time on a straight-line basis over the commitment period. In case of these services, the control is considered to be transferred over time as the customer is benefited from these services over the tenure of the service period. Other fee and commission expense relate mainly to transaction the services are received.

2 Material accounting policies (continued)

2.7 Cash and cash equivalents

Cash and cash equivalents consist of notes and coins on hand, due from banks including head office and overseas branches, and unrestricted balances with UAE Central Bank with original maturity of less than three months or less with insignificant credit risk net of due to banks including head office and overseas branches with original maturity not exceeding three months.

2.8 Due from banks

Due from banks and loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except for the financial assets which are classified to be measured at FVTPL.

The effective interest rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability.

2.9 Investment securities

The 'investment securities' include debt securities measured at FVOCI.

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

- Interest income using the effective interest method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit or loss.

2.10 Property and equipment

Property and equipment other than freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in the statement of profit or loss.

2 Material accounting policies (continued)

2.10 Property and equipment (continued)

Depreciation is provided on all property and equipment, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful lives and generally recognized in statement of profit and loss.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Office equipment	5 years
Furniture and fixtures	7 years
Computer equipment	3 years
Motor vehicles	5 years
Right of use of assets	1 to 2 years

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognized in the statement of profit or loss.

2.11 Taxation

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity, or in statement of comprehensive income, in which case it is recognized in statement of comprehensive income.

Current tax comprises the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date by the tax laws and regulation issued by the Emirate of Dubai, and any adjustments to tax payable in respect of previous years.

Current tax assets and liabilities are offset only if certain criteria are met.

2.12 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the branch are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

2 Material accounting policies (continued)

2.12 Deferred tax (continued)

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the branch.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the branch expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

2.13 Provisions

Provisions are recognized when the Branch has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and where appropriate, the risk specific to the liability.

2.14 End of service benefits

With respect to the branch's national employees, the Branch contribute to the pension scheme for UAE nationals under the UAE General Pension and Social Security law in accordance with Federal Law No. (7), 1999 for Pension and Social Security. This is a defined contribution pension plan and the branch's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Branch have an obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

2 Material accounting policies (continued)

2.14 End of service benefits (continued)

The Branch provides for end of services benefits to other employees based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement, subject to completion of minimum services period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under the UAE Labour Laws.

2.15 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at value dates of the transaction. All monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into UAE Dirhams at rates of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated into UAE Dirhams using the spot exchange rate at the date the values were determined. Gains or losses on translation are included in the statement of profit or loss. Non-monetary assets and liabilities carried at cost are not re translated subsequent to their initial recognition. Any resultant gains or losses are taken to the statement of profit or loss.

2.16 Contingent liability

To meet the financial needs of customers, the Branch enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the branch.

Letters of credit and guarantees (including standby letters of credit) commit the Branch to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. For details, refer note 22.

2.17 Use of estimates and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2 Material accounting policies (continued)

2.17 Use of estimates and judgements (continued)

The basis used by management in determining the carrying values of loans and advances and the underlying risk therein are discussed below:

(i) Income taxes/ deferred tax asset

The Branch is subject to income taxes in the Emirates of Dubai that it operates in beside the Federal level Corporate Tax. There are certain transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Branch recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(i) Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

(ii) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Branch take into account qualitative and quantitative reasonable and supportable forward-looking information.

(iii) Models and assumptions used

The Branch uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECLs. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 2.5 (vi) for more details on ECL.

2 Material accounting policies (continued)

2.17 Use of estimates and judgements (continued)

(iv) Establishing groups of assets with similar credit risk characteristics (continued)

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 2.5 (vi) for details of the characteristics considered in this judgement. The Branch monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is an appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Branches of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

2.18 Leases

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

The Branch recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any prepaid and accrued lease expenses. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term and their useful lives unless it is reasonably certain that the Branch will obtain ownership by the end of the lease term. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and is adjusted for extension in lease terms or cancellation of the leases.

Rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate, which is based on the weighted average rate applied in the Branch's principal markets adjusted for the nature of the asset, lease term, security and any other relevant assumptions. The lease liability is subsequently measured at amortised cost using the effective interest method. The finance cost incurred related to the lease liabilities is included in the 'interest expense' in the consolidated income statement.

The Branch presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

2 Material accounting policies (continued)

2.19 Financial guarantees

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

Financial guarantees are initially recognized in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Branch liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognize in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

2.20 Derivatives

The Branch derivative trading instruments include forward foreign exchange contracts. The Branch sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the statement of profit or loss.
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Branch designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships through its Group.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. The Branch has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of Interest Rate Swaps, the Branch enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Branch therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Branch uses the hypothetical derivative method to assess effectiveness. In hedges of Interest Rate Swaps, ineffectiveness may arise if the rate of interest changes from what was originally estimated, or if there are changes in the credit risk of the Bank or the derivative counterparty.

2 Material accounting policies (continued)

2.20 Derivatives (continued)

Hedge accounting (continued)

The Branch enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Branch does not hedge 100% of its exposure, therefore the hedged item is identified as a proportion of the outstanding exposure up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship. Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2024 and 2023.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.

2.21 Impairment of non-financial assets

The carrying amounts of the Branch non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.22 New standards and interpretations issued but not yet effective

A number of standards and amendments to standards are issued but not yet effective and the Bank has not adopted these in the preparation of these financial statements. The below standards may have an impact on the Bank's financial statements, however, the Bank is currently evaluating the impact of these new standards. The Bank will adopt these new standards on the respective effective dates.

- Lack of exchangeability – Amendment to IAS 21 (effective 1 January 2025, early adoption is available)
- Amendment to the classification and measurement of financial instruments, Amendment to IFRS 9 and IFRS 7 (effective 1 January 2026, early adoption is available)
- Presentation and Disclosure in Financial Statements- IFRS 18 (effective 1 January 2027 with earlier application permitted)

2 Material accounting policies (continued)

2.22 New standards and interpretations issued but not yet effective (continued)

- Subsidiaries without Public Accountability: Disclosures'- IFRS 19 (effective 1 January 2027, early adoption is available)
- Annual improvements to IFRS – Volume 11 (effective 1 January 2026 with earlier application permitted)

3 Cash and balances with Central Bank of UAE

	2024	2023
	AED '000	AED '000
Cash on hand	**5,667**	9,241
Balances with the Central Bank of UAE		
- Current accounts	**12,505**	1,058
- Statutory cash reserve	**56,369**	29,002
- Placement with CBUAE	**1,090,000**	571,000
	1,164,541	610,301

Cash and balances with Central Bank of UAE are classified under stage 1 as per IFRS 9. Impairment on cash and balances with Central Bank of UAE has been measured on 12-month expected loss basis and reflects the short maturities of exposures. The Branch considers that these balances have low credit risk based on external credit ratings of the counterparties. Accordingly, the resulting ECL would be immaterial hence not recorded.

4 Related party transactions

Related party

A party is considered to be related to the Branch if:

- The party, directly or indirectly through one or more intermediaries,
  - controls, is controlled by, or is under common control with, the Branch;
  - has an interest in the Branch that gives it significant influence over the Branch; or
  - has joint control over the Branch;
- The party is an associate.
- The party is a jointly controlled entity.
- The party is a member of the key management personnel of the Branch.
- The party is a close member of the family of key management personnel.
- The party is an entity that is controlled, jointly controlled, or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any key management personnel.
- The party is a post-employment benefit plan for the benefit of the employees of the Branch, or of any entity that is a related party of the Branch.

4 Related party transactions (continued)

Related parties represent the Head Office and its branches, directors and key management personnel of the Head Office and its branches, and entities controlled, jointly controlled, or significantly influenced by such parties. The terms of these transactions are approved by the Head Office management.

The Branch maintains current accounts with the Head Office in Doha and other branches abroad and conducts banking transactions with them as part of its normal activities on terms approved by the head office management.

	2024 AED '000	2023 AED '000
Due from Head Office and overseas branches:		
Due within three months	**94,509**	167,293
Due to Head Office and overseas branches:		
Due within three months	**50,488**	122,837
Due after three months	**-**	422,395
	50,488	545,232

No expected credit loss on due from Head Office and its branches as credit risk is very low.

Related party transactions, which arise in the ordinary course of business, included in the statement of profit or loss are as follows:

	2024 AED '000	2023 AED '000
Transactions with Head Office and its branches		
Interest income (Note 15)	**5,569**	2,863
Interest expense (Note 16)	**12,034**	20,168
Head Office charges (Note 19) *	**5,000**	5,000

* Head Office charges are set based on the services provided by the respective functions.

Compensation of key management personnel is as follows:

	2024 AED '000	2023 AED '000
Salaries and other benefits	**1,012**	968
End of service benefits	**34**	41
	1,046	1,009

Loans and advances to Directors of the Head Office granted on 16 November 2015 Amounting to AED 4,285 thousand (2023: AED 6,528 thousand) has an interest rate of 3.25% and maturity is on 29 October 2026.

5 Loans and advances

The composition of the loans and advances portfolio is as follows:

(a) By type

	2024 AED '000	2023 AED '000
Term loans	**794,300**	1,034,648
Overdrafts	**8,648**	17,298
Bills discounting	**374,466**	664,505
	1,177,414	1,716,451
Less:		
Expected credit losses (ECL) allowance on stage 1 and 2	**(9,948)**	(18,422)
Allowance for impairment of loans and advances on stage 3	**(80,787)**	(23,241)
	(90,735)	(41,663)
	1,086,679	1,674,788

An analysis of change in ECL allowances is as follows:

	Stage 1 AED '000	**Stage 2 AED '000**	**Stage 3 AED '000**	**Total AED '000**
ECL allowance at 1 January 2024	**1,648**	**16,774**	**23,241**	**41,663**
Net impairment charge / (reversal)	**8,178**	**(16,652)**	**45,140**	**36,666**
Interest in suspense	**-**	**-**	**12,446**	**12,446**
Recoveries	**-**	**-**	**(40)**	**(40)**
Amounts written off	**-**	**-**	**-**	**-**
As at 31 December 2024	**9,826**	**122**	**80,787**	**90,735**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
ECL allowance at 1 January 2023	8	19,393	79,582	98,983
Net impairment charge / (reversal)	1,640	(2,619)	8,537	7,558
Interest in suspense	-	-	12,939	12,939
Recoveries	-	-	(2,355)	(2,355)
Amounts written off	-	-	(75,462)	(75,462)
As at 31 December 2023	1,648	16,774	23,241	41,663

5 Loans and advances (continued)

(a) *By type* (continued)

	2024 AED '000	2023 AED '000
(a) Impairment allowance on loans and advances, net		
Net impairment charge for the year	**36,666**	12,501
Recoveries during the year	**(40)**	(2,355)
Recoveries during the year - from written off	**-**	-
Charges associated with Loans settlements	**-**	20,086
	36,626	30,232

(b) *By sector*

	2024 AED '000	2023 AED '000
Corporate lending	**1,166,765**	1,700,271
Retail lending	**10,649**	16,180
	1,177,414	1,716,451

(c) *By economic segment*

	2024 AED '000	2023 AED '000
Wholesale and retail trade	**170,736**	350,000
Services	**583,166**	759,997
Construction	**134,092**	214,699
Transport and telecommunication	**-**	146,654
Personal loans	**10,649**	16,180
Manufacturing	**131,391**	83,838
Government	**147,380**	145,083
	1,177,414	1,716,451

(d) *By geographic area*

	2024 AED '000	2023 AED '000
Within UAE	**557,834**	975,485
Outside UAE	**619,580**	740,966
	1,177,414	1,716,451

5 Loans and advances (continued)

(e) By currency

	2024	2023
	AED '000	AED '000
UAE Dirhams	**352,338**	618,032
US Dollars	**812,278**	1,098,419
Euro	**12,798**	-
	1,177,414	1,716,451

Set out below are the gross loans and advances by past due and non-past due balances:

	2024	2023
	AED '000	AED '000
Impaired	**143,829**	44,885
Past due but not impaired	**53,677**	201,317
Neither past due nor impaired	**979,908**	1,470,249
	1,177,414	1,716,451

6 Investment securities

The analysis of investment securities is detailed below:

	2024	2023
	AED '000	AED '000
Investment securities (Bonds) measured at FVOCI	**345,562**	295,013

	2024	2023
	AED '000	AED '000
By geographic area		
Within UAE	**328,939**	269,759
Outside UAE	**16,623**	25,254
	345,562	295,013

6 Investment securities (continued)

(a) Fair value reserve

The reserve comprises of fair value changes recognized on fair value through other comprehensive income (FVOCI):

	2024 **AED '000**	2023 AED '000
Balance at 1 January	**(28,486)**	(24,323)
Impact of bonds revaluation	**(15,924)**	4,920
Impact of interest rate swap revaluation	**14,909**	(8,869)
ECL on investment at fair value through OCI	**9**	(214)
Balance at 31 December	**(29,492)**	(28,486)

The fair value reserve as of 31 December 2024 contains an ECL amount of AED 49 thousand (2023: AED 40 thousand), which consists of AED 49 thousand of Stage 1 ECL (2023: AED 40 thousand) and no Stage 2 ECL (2023: Nil).

(b) Below table sets out the credit quality of investment securities

	2024 **AED '000**	2023 AED '000
Investment grade - Aaa to Baa3	**345,562**	295,013

7 Taxation

On 9 December 2022, UAE Ministry of Finance (MoF) released Federal Decree Law No. (47) of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Bank'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. The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000.

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	2024	2023
	AED '000	AED '000
Statement of profit and loss		
Current income tax:		
Current UAE CT income tax charge	**3,504**	-
Current Federal Emirate income tax charge	**-**	-
Adjustment in respect of current income tax of previous year	**-**	-
	3,504	-
Deferred tax:		
Deferred tax for the year	**-**	(25,275)
The relationship between the tax expense and the accounting profit		
Accounting profit / (loss) before tax	**39,301**	(146,886)
Tax at the applicable rate of 20%	**7,860**	(29,377)
Reduction in DTA due to write off of provisions previously disallowed	**-**	25,275
DTA not recognized on current year loss	**-**	29,377
Utilization of brought forward losses	**(7,860)**	-
Current UAE CT income tax expense	**3,504**	-
Income tax expense	**3,504**	25,275

Taxation is provided at 20% (2023: 20%) on the taxable profits for the year in the Emirate of Dubai in which the Branch operates. The taxable profit is calculated after adding back certain provisions to the profit before taxation which management believes are likely to be disallowed as deduction by the tax authorities. The tax payable under the Federal Emirate income tax for the year ended 31 December 2024 is nil due to the utilisation of brought forward tax losses. These tax losses are not available to be utilised against the UAE corporate income tax as they were incurred prior to the UAE corporate income tax regime being effective.

7 Taxation (continued)

Movements in the income tax payable during the year are as follows:

	2024 AED '000	2023 AED '000
Balance at 1 January	-	-
Provided during the year	3,504	-
Income tax paid	-	-
Balance at 31 December	3,504	-

The effective tax rate for UAE CT income tax is 8.90% (2023: 0%) in line with the UAE corporate tax regulations.

Movements in the deferred tax asset during the year are as follows:

	2024 AED '000	2023 AED '000
Balance at 1 January	857	26,132
Reversal of DTA due to write-off of impaired loans and advances	-	(25,275)
Balance at 31 December	857	857

The Branch has recorded nil net deferred tax assets during the year on temporary differences.

8 Other assets

	2024 AED '000	2023 AED '000
Positive fair value of interest rate swap	11,505	-
Accrued interest receivable	4,903	4,160
Advance payments	555	488
Positive fair value of forward exchange contracts	404	95
Others	2,733	4,482
	20,100	9,225

9 Property and equipment

	Office equipment AED '000	Furniture and fixtures AED '000	Computer equipment AED '000	Motor vehicles AED '000	Right of use assets AED '000	Total AED '000
Cost						
At 1 January 2024	**856**	**15,609**	**9,483**	**292**	**23,831**	**50,071**
Additions	**14**	**11**	**5**	**-**	**55**	**85**
Disposals	**(83)**	**(8,804)**	**(2,092)**	**-**	**(1,393)**	**(12,372)**
At 31 December 2024	**787**	**6,816**	**7,396**	**292**	**22,493**	**37,784**
Depreciation:						
At 1 January 2024	**834**	**15,575**	**9,446**	**292**	**12,311**	**38,458**
Charge for the year	**9**	**16**	**16**	**-**	**1,526**	**1,567**
Disposals	**(83)**	**(8,804)**	**(2,092)**	**-**	**-**	**(10,979)**
At 31 December 2024	**760**	**6,787**	**7,370**	**292**	**13,837**	**29,046**
Net book value						
At 31 December 2024	**27**	**29**	**26**	**-**	**8,656**	**8,738**

9 Property and equipment (continued)

	Office equipment AED '000	Furniture and fixtures AED '000	Computer equipment AED '000	Motor vehicles AED '000	Right of use assets AED '000	Total AED '000
Cost						
At 1 January 2023	849	15,744	9,440	292	23,392	49,717
Additions	7	-	43	-	439	489
Disposals	-	(135)	-	-	-	(135)
At 31 December 2023	856	15,609	9,483	292	23,831	50,071
Depreciation:						
At 1 January 2023	827	15,681	9,416	292	10,489	36,705
Charge for the year	7	29	30	-	1,822	1,888
Disposals	-	(135)	-	-	-	(135)
At 31 December 2023	834	15,575	9,446	292	12,311	38,458
Net book value						
At 31 December 2023	22	34	37	-	11,520	11,613

10 Due from banks / due to banks and other financial institutions

	2024 **AED '000**	2023 AED '000
Due from banks		
Placement with banks	**908,978**	558,419
Current account	**24,218**	31,821
Less: expected credit loss	**(81)**	(143)
	933,115	590,097

	2024 **AED '000**	2023 AED '000
Due to banks		
Time deposits	**679,505**	405,867
	679,505	405,867

11 Customers' deposits

	2024 **AED '000**	2023 AED '000
By type		
Current accounts	**89,261**	259,588
Call accounts	**18,624**	29,791
Saving accounts	**28,502**	23,028
Term deposits	**2,371,619**	1,717,464
Margin deposits	**9,608**	10,351
	2,517,614	2,040,222

	2024 **AED '000**	2023 AED '000
By sector		
Corporate	**2,389,343**	1,914,142
Retail	**128,271**	126,080
	2,517,614	2,040,222

	2024 **AED '000**	2023 AED '000
By currency		
UAE Dirham	**1,435,124**	835,600
US Dollar	**957,097**	1,038,839
Others	**125,393**	165,783
	2,517,614	2,040,222

11 Customers' deposits (continued)

Time/call deposits under lien as security for loans and advances (funded and unfunded) as at 31 December 2024 amounted to AED 83,926 (2023: AED 254,691 thousand). The interest rate on the deposits averaged 4.77% in 2024 (2023: 4.51%) per annum.

12 Other liabilities

	2024 AED '000	2023 AED '000
Allowance for impairment for loan commitments and financial guarantee	**61,482**	56,209
Interest payable	**44,350**	44,854
Lease liability (Note 12.1)	**9,038**	11,781
Negative fair value of derivatives	**5,784**	-
Staff related and other provisions	**3,943**	3,903
Provision for taxation (Note 7)	**3,504**	-
Accounts payable	**2,192**	2,468
Unearned commission	**1,058**	1,620
Others	**6,108**	12,787
	137,459	133,622

Staff related and other provision includes employees' end of service benefits and pension and national insurance.

12.1 Lease liability

	2024 AED '000	2023 AED '000
At 1 January	**11,781**	13,094
Additions for the year	**-**	439
Finance charge for the year	**474**	448
Payment made during the year	**(1,824)**	(2,200)
Write-off	**(1,393)**	-
Closing at 31 December	**9,038**	11,781

13 Allocated capital

During October 2023, in accordance with the letter to Central Bank of U.A.E. the Head office injected additional capital amounting to AED 250 million. The assigned capital of the Branch from the Head Office as of 31 December 2024 is AED 1,150 million (2023: AED 1,150 million).

14 Statutory reserve

As required by the UAE Federal Law No. 14 of 2018, as amended, 10% of the profit for the year is to be transferred to a statutory reserve. As such, transfers may be discontinued when the reserve equals 50% of the allocated capital. During the year the Branch generated profit of AED 35,797 thousand (2023: loss of AED 172,161 thousand), therefore AED 3,579 thousand is transferred to the reserve (2023: Nil). This reserve is not available for distribution, except under the circumstances stipulated by the Law.

15 Interest income

	2024 **AED '000**	2023 AED '000
Loans and advances	**165,346**	116,978
Investment securities	**14,186**	12,301
Money market deposits	**47,695**	18,810
Head Office (note 4)	**5,387**	2,579
	232,614	150,668

16 Interest expense

	2024 **AED '000**	2023 AED '000
Customers' deposits	**108,250**	67,930
Head Office (note 4)	**12,034**	20,168
Money market deposits	**37,054**	22,588
Finance cost	**474**	448
	157,812	111,134

17 Net fees and commission income

	2024 **AED '000**	2023 AED '000
Advising charges	**7,833**	5,707
Commission income on letter of guarantee	**463**	451
Commission income on letters of credit	**9**	16
Management fees – loans	**811**	642
Others	**5,638**	4,078
	14,754	10,894

18 Other income

	2024 **AED '000**	2023 AED '000
Recoveries of bad debts early written off	**5,976**	12,043
Derivative income	**9,661**	11,471
Foreign exchange gains	**2,017**	2,055
Others	**526**	303
Loss on sale of bonds	**-**	(4,457)
	18,180	21,415

19 Other operating expenses

	2024 AED '000	2023 AED '000
Legal and professional	**7,595**	3,939
Head Office charges (note 4)	**5,000**	5,000
Communication, utilities and insurance	**1,357**	1,547
Fines	**-**	880
Others	**1,863**	2,678
	15,815	14,044

20 Cash and cash equivalents

Cash and cash equivalents for the purpose of the Statement of cash flows with original maturity less than three months, comprise the following:

	2024 AED '000	2023 AED '000
Cash and bank balances	5,667	9,241
Balances with Central Bank - current account	12,506	1,058
Due from Head Office and overseas branches	94,509	167,293
Due from banks and other financial institutions	676,086	204,575
Placement with CBUAE	1,090,000	571,000
	1,878,768	953,167
Less: Due to Head Office and overseas branches	(50,488)	(122,837)
Cash and cash equivalents	1,828,280	830,330

Cash and cash equivalents comprise cash on hand, central bank current account, due from banks and financial institutions, due from Head Office and branches abroad, certificate of deposits and other short-term liquid investments that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and have an original maturity of not less than 3 months, less due to banks and due to Head Office and overseas branches which have a maturity of not more than 3 months.

21 Concentration of assets, liability, head office equity and off-balance sheet items

Geographic regions

	Assets AED '000	Liabilities & H.O equity AED '000	Off Balance sheet items AED '000
2024			
U.A.E	2,313,939	2,664,596	152,276
Other G.C.C countries	583,000	277,909	2,243
Rest of the world	830,622	785,056	303,177
Total	3,727,561	3,727,561	457,696

21 Concentration of assets, liability, head office equity and off-balance sheet items (continued)

Geographic regions (continued)

	Assets AED '000	Liabilities & H.O equity AED '000	Off Balance sheet items AED '000
2023			
U.A.E	2,262,473	1,492,518	130,620
Other G.C.C countries	295,552	2,104,467	10,468
Rest of the world	1,039,907	947	167,343
Total	3,597,932	3,597,932	308,431

22 Commitments and contingent liabilities

The Branch's contractual amounts in respect of letters of credit, letters of guarantees and acceptances commit the Branch to make specified payments on behalf of customers and are contingent upon the customer satisfying the terms of the contract. The contractual amounts represent the credit risks, assuming that the amounts are fully advanced guarantees that are called for the full amount following performance failure, and that any collateral or other security is of no value. However, the total contractual amount of commitments to extend credit does not necessarily represent future cash requirements as many of these commitments may expire or terminate without being funded.

The total outstanding contingent liabilities and commitments were as follows:

	2024 AED '000	2023 AED '000
Letters of guarantees	**403,213**	308,183
Unused facilities	**-**	-
Letters of credit	**53,195**	-
Bills for collection	**1,288**	248
	457,696	308,431
Other commitments		
Forward foreign exchange contracts	**99,183**	385,665
Interest rate swap contracts	**315,143**	278,781
	414,326	664,446

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

22 Commitments and contingent liabilities (continued)

Unused facilities (continued)

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Branch monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Contingent liability arising from litigations

Where appropriate, the Branch recognizes a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The Branch seeks to comply with all applicable laws and regulations but may be subject to regulatory actions and investigations from time to time, the outcome of which are generally difficult to predict and can be material. As at 31 December 2024, the Branch does not have contingent liability arising from litigation (2023: Nil).

23 Derivative financial instruments

In the normal course of its business, the Branch utilise derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Derivative financial instruments used include currency forwards, futures, and options. During the year, the Branch only entered into forward foreign exchange contracts. Derivative transactions result, to varying degrees, in credit as well as market risks.

The Branch's measures of derivative related credit risk is the cost of replacing contracts at current market rates should the counterparty default on or prior to the settlement date and is limited to the positive fair value of instruments that are favourable to the Branch.

Market risk arises as interest and foreign exchange rates fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Branch has established appropriate procedures and limits approved by the Head Office.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their contractual amounts. The contractual amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The contractual amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

23 Derivative financial instruments (continued)

	2024			2023		
	Positive fair value AED '000	**Negative fair value AED '000**	**Notional amounts AED '000**	Positive fair value AED '000	Negative fair value AED '000	Notional amounts AED '000
Derivatives						
Interest rate Swap	211,211	(103,932)	315,143	211,198	(67,583)	278,781
Forward foreign exchange contracts	-	(404)	99,183	-	(95)	385,665

Forward foreign exchange contracts are contractual agreements to buy, sell or exchange a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market and are settled on a gross basis.

24 Fair values of financial instruments

Derivative financial instruments and investment in bonds are measured on a fair value basis. Derivatives are categorized within level 2 of fair value hierarchy and the fair value of financial instruments (investment in bonds) measured at fair value through other comprehensive income are categorized as Level 1 in the fair value hierarchy.

Other financial assets and liabilities are stated at amortized cost. These include balances with Central Bank of UAE, due from Head office and overseas branches, due from bank and other financial institutions, loans and advances, other assets (excluding derivative assets), due to head office and overseas branches, due to banks and financial institutions, customer deposits and other liabilities (excluding derivative liabilities). The fair values of these financial assets and liabilities are not materially different from the respective carrying values at 31 December 2024 since assets and liabilities are either short-term in nature or in the case of loans and advances and deposits, frequently re-priced.

25 Risk management

The strategy of the Branch is to maintain a strong risk management culture and manage the risk/reward relationship within and across each of the branch's major risk-based lines of business.

The following sections describe the several risks inherent in the banking process, their nature and how they are managed.

25 Risk management (continued)

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 Branch manages credit risk by setting limits for individual borrowers and Branches of borrowers and for geographical and industry segments. The Branch also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Branch obtains security where appropriate; enter into master netting arrangements and collateral arrangements with counterparties and limits the duration of exposures.

The maximum exposure to credit risk, as at the reporting date, is represented by the carrying amount of each financial asset in the statement of financial position.

For details of the composition of the loans and advances portfolio refer to Note 5.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the branch's performance to developments affecting a particular industry or geographic location.

The Head Office has an internal committee which is composed of competent professional staff responsible for the study and evaluation of the existing credit facilities of each customer of the Bank. This committee is required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

Derivative financial instruments

Credit risk in respect of derivative financial instruments is limited to those with positive fair values, as recorded in the statement of financial position.

Maximum exposure and credit quality of financial instruments

The Branch's balances with Central Bank of UAE, due from Head office, due from banks and other financial institution and other receivables are neither past due nor impaired. The credit risk exposures relating to contingencies amounts to AED 457,696 (2023: AED 308,431).

Inputs, assumptions, and techniques used for estimating impairment

The IFRS 9 model was developed at the Head Office level and decisions related to significant assumptions and techniques used for estimating impairment are carried out at the Head Office level with support from the Branch for relevant inputs.

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Branch may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

In determining whether credit risk has increased significantly since initial recognition the following criteria are considered:

(i) Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa
(ii) Facilities restructured during previous twelve months
(iii) Facilities overdue by 60 and 30 days as at the reporting date for corporate and retail loans respectively.

Credit risk grades

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of Probability of Default (PD)

The Branch employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Branch has exposures.

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Renegotiated financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value. Where possible, the Branch seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

The accounts which are restructured due to credit reasons in past 12 months are classified under Stage 2 based on cooling-off period.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the branch; or
- the borrower is rated 9 or 10.

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

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

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

Incorporation of forward-looking information

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the expected credit loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Incorporation of forward-looking information (continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are updated from the World economic outlook: IMF country data and economic forecast periodically published by Economic Intelligence Unit, which provide the best estimate view of the economy and commodity prices over the coming one to five years

The Branch also considers internal forecasts based on time series analysis for variables for which forecasts are not available. The macro-economic variable forecasts till remaining lifetime of the exposures post five years is obtained through time series analysis i.e. moving average/ mean reversion as applicable. The impact of these economic variables on the PD is obtained by using the merton-vasicek structural model for all the portfolio. Correlation analysis has been performed for selection of the key macro-economic variables based on the observed portfolio default rate.

In addition to the base economic scenario, the branch' credit risk team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure plausible events are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2024 and 31 December 2023, for all portfolios the Branch concluded that three scenarios that appropriately captured the uncertainties in the macro-economic forecasts i.e. Base scenario: considering the published macro-economic forecasts, improved scenario and stressed scenario: considering the long term observed volatility in macro-economic forecast.The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The scenario weights considered for the ECL calculation as of 31 December 2024 are Base Scenario:70%, Improved Scenario:15% and Stressed Scenario:15% (2023: Base Scenario: 65%, Improved Scenario: 10% and Stressed Scenario: 25%). The assessment of SICR is performed based on credit risk assessment following management assessment under each of the base, and the other scenarios, multiplied by the associated scenario weightings. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Branch measures ECL as either a 12-month ECL (Stage 1), or lifetime ECL (Stages 2).

These ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting. As with any economic forecasts, the likelihoods of the base forecast are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

The Branch considers these forecasts to represent its best estimate of the possible outcomes and the scenarios are considered to be capturing the uncertainties in the Base forecast.

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 were oil price $81/barrel (2023: $92/barrel) and Private Sector Credit Concentration 69.6% (2023: 65.5%).

Measurement of ECL

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

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD estimates consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. EAD is determined by the exposure at reporting date.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Loss allowance (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
Exposures subject to ECL – as at 31 December 2024				
Loans and advances to customers	**980,581**	**53,019**	**143,814**	**1,177,414**
Investment securities (debt)	**345,562**	**-**	**-**	**345,562**
Loan commitments and financial guarantees	**363,430**	**22,219**	**72,047**	**457,696**
Due from banks and balances with Central Bank	**2,186,580**	**-**	**-**	**2,186,580**
	3,876,153	**75,238**	**215,861**	**4,167,252**
Opening balance of impairment – as at 1 January 2023				
Loans and advances to customers	1,648	16,774	23,241	41,663
Investment securities (debt)	40	-	-	40
Loan commitments and financial guarantees	134	55	56,020	56,209
Due from banks and balances with Central Bank	-	143	-	143
	1,822	**16,972**	**79,261**	**98,055**
Charge and net transfer between stages for the year (net of foreign exchange translation)				
Loans and advances to customers	**8,178**	**(16,652)**	**45,140**	**36,666**
Investment securities (debt)	**9**	**-**	**-**	**9**
Loan commitments and financial guarantees	**(67)**	**5,339**	**-**	**5,272**
Due from banks and balances with Central Bank	**81**	**(143)**	**-**	**(62)**
Recoveries during the year	**-**	**-**	**(40)**	**(40)**
	8,201	**(11,456)**	**45,100**	**41,845**
Other adjustments				
Loans and advances to customers - Write off	**-**	**-**	**-**	**-**
Loans and advances to customers - Interest suspense	**-**	**-**	**12,446**	**12,446**
Investment securities (debt)	**-**	**-**	**-**	**-**
Loan commitments and financial guarantees	**-**	**-**	**-**	**-**
Due from banks and balances with Central Bank	**-**	**-**	**-**	**-**
	-	**-**	**12,446**	**12,446**
Closing balance of impairment as at 31 December 2024				
Loans and advances to customers	**9,826**	**122**	**80,787**	**90,735**
Investment securities (debt)	**49**	**-**	**-**	**49**
Loan commitments and financial guarantees	**67**	**5,394**	**56,020**	**61,481**
Due from banks and balances with Central Bank	**81**	**-**	**-**	**81**
	10,023	**5,516**	**136,807**	**152,346**

25 Risk management (continued)

Credit risk (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Loss allowance (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
Exposures subject to ECL – as at 31 December 2023				
Loans and advances to customers	635,706	1,035,860	44,885	1,716,451
Investment securities (debt)	295,013	-	-	295,013
Loan commitments and financial guarantees	46,063	190,491	71,877	308,431
Due from banks and balances with Central Bank	1,104,202	86,957	-	1,191,159
	2,080,984	**1,313,308**	**116,762**	**3,511,054**
Opening balance of impairment – as at 1 January 2022				
Loans and advances to customers	8	19,393	79,582	98,983
Investment securities (debt)	245	9	-	254
Loan commitments and financial guarantees	72	80	51,078	51,230
Due from banks and balances with Central Bank	-	150	-	150
	325	**19,632**	**130,660**	**150,617**
Charge and net transfer between stages for the year (net of foreign exchange translation)				
Loans and advances to customers	1,640	(2,619)	8,537	7,558
Investment securities (debt)	(205)	(9)	-	(214)
Loan commitments and financial guarantees	62	(25)	4,942	4,979
Due from banks and balances with Central Bank	-	(7)	-	(7)
Recoveries during the year	-	-	(2,355)	(2,355)
	1,497	**(2,660)**	**11,124**	**9,961**
Other adjustments				
Loans and advances to customers - Write off	-	-	(75,462)	(75,462)
Loans and advances to customers - Interest suspense	-	-	12,939	12,939
Investment securities (debt)	-	-	-	-
Loan commitments and financial guarantees	-	-	-	-
Due from banks and balances with Central Bank	-	-	-	-
	-	**-**	**(62,523)**	**(62,523)**
Closing balance of impairment as at 31 December 2023				
Loans and advances to customers	1,648	16,774	23,241	41,663
Investment securities (debt)	40	-	-	40
Loan commitments and financial guarantees	134	55	56,020	56,209
Due from banks and balances with Central Bank	-	143	-	143
	1,822	**16,972**	**79,261**	**98,055**

25 Risk management (continued)

Credit risk (continued)

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 cash, securities, and charges over real estate properties and counter-guarantees.

Management monitors the market value of collateral on an on-going basis and requests additional collateral, when necessary, in accordance with underlying loan agreements. At 31 December 2024, the Branch held collateral with a fair value of AED 1,302,254 (2023: AED 2,471,523 thousand) against loans and advances.

Set out below are the collateral by impaired and non-impaired due balances:

	2024	2023
	AED ’000	AED ’000
Impaired	**124,785**	83,571
Not impaired	**1,177,469**	2,387,952
	1,302,254	2,471,523

Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE (“the guidance”). Pursuant to clause 6.4 of the guidance, provision is not required to be transferred to impairment reserve as provision required under IFRS 9 is more than requirement under CBUAE requirement.

The Branch acknowledges that the Central Bank of UAE has issued the Credit Risk Management Standards in October 2024. The branch is committed to meet all the requirements by the stipulated timelines.

Liquidity risk

Liquidity is the on-going ability to accommodate maturing liabilities and deposit withdrawals; fund asset growth and business operations; and meet contractual obligations through unconstrained access to funding at reasonable market rates.

Liquidity risk is the risk that the Branch will encounter difficulty in raising funds to meet commitments associated with financial investments. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind and the management monitors liquidity on a daily basis. The Branch have support from Head office to meet their liquidity requirements.

25 Risk management (continued)

Liquidity risk (continued)

The table below presents the maturity profile of the undiscounted, contractual cash flows of the branch's financial liabilities.

	Within three months AED '000	**Three months to one year AED '000**	**One year to five years AED '000**	**Total AED '000**
31 December 2024				
Due to Head Office and overseas branches	**50,488**	**-**	**-**	**50,488**
Due to banks and other financial institutions	**365,641**	**339,451**	**-**	**705,092**
Acceptances	**-**	**73,460**	**-**	**73,460**
Customers deposits	**652,106**	**1,894,639**	**-**	**2,546,745**
Other liabilities	**81,700**	**-**	**9,038**	**90,738**
Total undiscounted liabilities	**1,149,935**	**2,307,550**	**9,038**	**3,466,523**

	Within three months AED '000	Three months to one year AED '000	One year to five years AED '000	Total AED '000
31 December 2023				
Due to Head Office and overseas branches	306,486	-	-	306,486
Due to banks and other financial institutions	299,942	355,588	-	655,530
Acceptances	238,745	-	-	238,745
Customers deposits	803,008	1,444,497	-	2,247,505
Other liabilities	68,068	-	11,781	79,849
Total undiscounted liabilities	1,716,249	1,800,085	11,781	3,528,115

Substantially all letters of credit and acceptances commitments expire within a period not exceeding one year, and as at 31 December 2024, 80% of the guarantees expire within one year (2023: 72%).

The table below summarises the maturity profile of the Branch's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the expected maturity date. The actual maturities may differ from the maturities shown below since the borrower may have the right to prepay obligations with or without prepayment penalties, and customers' deposits might have to be repaid on demand.

25 Risk management (continued)

Liquidity risk (continued)

The maturity profile of the assets and liabilities net of ECL are as follows:

	Within three months AED '000	Three months to one year AED '000	One year to five years AED '000	Over Five years AED '000	On Demand AED '000	Total AED '000
31 December 2024						
Cash and balances with Central Bank of UAE	-	-	-	56,369	1,108,172	1,164,541
Due from Head Office and overseas branches	-	-	-	-	94,509	94,509
Due from banks and other financial institutions	651,798	257,099	-	-	24,218	933,115
Acceptances	-	73,460	-	-	-	73,460
Loans and advances	282,679	244,127	559,873	-	-	1,086,679
Investment securities	-	-	-	345,562	-	345,562
Deferred tax asset	-	-	-	-	857	857
Property and equipment	-	-	-	-	8,738	8,738
Other assets	20,100	-	-	-	-	20,100
Total assets	954,577	574,686	559,873	401,931	1,236,494	3,727,561
Due to Head Office and overseas branches	-	-	-	-	50,488	50,488
Due to banks and other financial institutions	37,842	330,570	-	-	311,093	679,505
Acceptances	-	73,460	-	-	-	73,460
Customers deposits	648,829	1,868,785	-	-	-	2,517,614
Other liabilities	132,630	-	4,919	-	-	137,549
Total liabilities	819,301	2,272,815	4,919	-	361,581	3,458,616

25 Risk management (continued)

Liquidity risk (continued)

	Within three months AED '000	Three months to one year AED '000	One year to five years AED '000	Over Five years AED '000	On Demand AED '000	Total AED '000
31 December 2023						
Cash and balances with Central Bank of UAE	-	-	-	-	610,301	610,301
Due from Head Office and overseas branches	-	-	-	-	167,293	167,293
Due from banks and other financial institutions	204,576	-	385,521	-	-	590,097
Acceptances	238,745	-	-	-	-	238,745
Loans and advances	711,121	290,841	155,977	516,849	-	1,674,788
Investment securities	-	7,345	-	287,668	-	295,013
Deferred tax asset	-	-	-	-	857	857
Property and equipment	-	-	-	-	11,613	11,613
Other assets	9,225	-	-	-	-	9,225
Total assets	1,163,667	298,186	541,498	804,517	790,064	3,597,932
Due to Head Office and overseas branches	-	422,395	-	-	122,837	545,232
Due to banks and other financial institutions	56,932	348,935	-	-	-	405,867
Acceptances	238,745	-	-	-	-	238,745
Customers deposits	776,737	1,263,485	-	-	-	2,040,222
Other liabilities	120,528	-	13,094	-	-	133,622
Total liabilities	1,192,942	2,034,815	13,094	-	122,837	3,363,688

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The Head Office has established limits on the interest rate gaps for stipulated periods. The Branch manages this risk by matching the repricing of assets and liabilities through risk management strategies. The sensitivity of the statement of profit and loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2024. The table below summarises the Branch’s exposure to interest rate risks. It includes the Branch’s financial instruments at carrying amounts net of ECL, categorised by the earlier of contractual re pricing or maturity dates.

25 Risk management (continued)

Interest rate risk (continued)

	Within three months AED '000	Three months to one year AED '000	Above one year AED '000	Non- interest sensitive AED '000	Total AED '000
31 December 2024					
Cash and balances with Central Bank of UAE	1,108,172	-	-	56,369	1,164,541
Due from Head Office and overseas branches	-	-	-	94,509	94,509
Due from banks and other financial institutions	676,015	202,005	55,095	-	933,115
Acceptances	-	73,460	-	-	73,460
Loans and advances	282,679	244,127	559,873	-	1,086,679
Investment securities	-	-	-	345,562	345,562
Deferred tax asset	-	-	-	857	857
Property and equipment	-	-	-	8,738	8,738
Other assets	-	-	-	20,100	20,100
Total assets	2,066,866	519,592	614,968	526,135	3,727,560
Due to Head Office and overseas branches	-	-	-	50,488	50,488
Due to banks and other financial institutions	37,842	330,570	-	311,093	679,505
Acceptances	-	73,460	-	-	73,460
Customers deposits	648,829	1,868,785	-	-	2,517,614
Other liabilities	-	-	-	137,549	137,549
Head Office equity	-	-	-	268,945	268,945
Total liabilities and Head Office equity	686,671	2,272,815	-	768,074	3,727,561
Total interest rate sensitivity gap	1,380,195	(1,753,223)	614,968	(241,940)	
Cumulative interest rate sensitivity gap	1,380,195	(373,028)	241,940	-	

25 Risk management (continued)

Interest rate risk (continued)

	Within three months AED '000	Three months to one year AED '000	Above one year AED '000	Non- interest sensitive AED '000	Total AED '000
31 December 2023					
Cash and balances with Central Bank of UAE	569,743	-	-	40,558	610,301
Due from Head Office and overseas branches	-	-	-	167,293	167,293
Due from banks and other financial institutions	204,576	-	385,521	-	590,097
Acceptances	-	-	-	238,745	238,745
Loans and advances	711,121	290,841	672,826	-	1,674,788
Investment securities	-	7,345	287,668	-	295,013
Deferred tax asset	-	-	-	857	857
Property and equipment	-	-	-	11,613	11,613
Other assets	-	-	-	9,225	9,225
Total assets	1,485,440	298,186	1,346,015	468,291	3,597,932
Due to Head Office and overseas branches	-	422,395	-	122,837	545,232
Due to banks and other financial institutions	56,932	348,935	-	-	405,867
Acceptances	-	-	-	238,745	238,745
Customers deposits	521,796	1,263,485	-	254,941	2,040,222
Other liabilities	-	-	-	133,622	133,622
Head Office equity	-	-	-	234,244	234,244
Total liabilities and Head Office equity	578,728	2,034,815	-	984,389	3,597,932
Total interest rate sensitivity gap	906,712	(1,736,629)	1,346,015	(516,098)	
Cumulative interest rate sensitivity gap	906,712	(829,917)	516,098	-	

25 Risk management (continued)

Interest rate risk (continued)

The following table reflects the effect of 25 basis points change in interest rates, with all other variables held constant on the profit and loss statement.

	2024	2023
	AED ’000	AED ’000
All currencies	**605**	410

Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Head Office has set limits on positions by currencies, which are monitored daily. The Branch’s assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. The Branch manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. At the end of the year, the Branch had the following significant net exposures denominated in foreign currencies:

	Euro AED '000	**GBP AED '000**	**USD AED '000**	**Other AED '000**	**Total AED '000**
As at 31 December 2024					
Assets and long positions	12,798	64	1,779,285	124,709	1,916,856
Liabilities, Head Office funds and short positions	(12,793)	(65)	(1,781,262)	(125,187)	(1,919,307)
Net open position of the currencies	**5**	**(1)**	**(1,977)**	**(478)**	**(2,451)**
As at 31 December 2023					
Assets and long positions	1,800	317	2,040,711	165,176	2,208,004
Liabilities, Head Office funds and short positions	(1,815)	(317)	(2,038,196)	(163,705)	(2,204,033)
Net open position of the currencies	(15)	-	2,515	1,471	3,971

25 Risk management (continued)

Currency risk (continued)

The following table represents the Branch sensitivity to a percentage increase or decrease in the UAE Dirhams against the relevant foreign currencies with the exception of US Dollars since it is pegged to the UAE Dirhams. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the impact of a reasonable possible movement in the exchange rates were as follows

Currency	**Percentage**	**2024** **AED '000**	2023 AED '000
Euro	± 3%	±0	±0
GBP	± 3%	±0	±0
AUD	± 3%	±0	±0
KWD	± 3%	±0	±0
USD	± 3%	±59	±75
Other currencies	± 3%	±14	±44

Market risk

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices and volatilities. Due to the limited operations of the Branch in Dubai, U.A.E. (Retail and Corporate Banking) market risk exposure is measured by sensitivity analysis. There has been no change in Branch's exposure to market risk and the manner in which these risks are managed and measured.

The centralized Investment Committee at Head Office approves all the investment decision for the Branch. The performance of the portfolio is updated regularly to senior management including ALCO and investment committee by Financial Risk Management department at Head Office.

Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact.

The Branch seeks to minimize actual or potential losses from operational risk failures through the operations risk management department by having a framework of policies and procedures to control and manage risks. In addition, an independent internal audit function identifies, assesses, and submits reports on these risks.

25 Risk management (continued)

Operational risk (continued)

Other risks to which the Branch is exposed are regulatory risk, legal risk, and reputation risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the branch, with guidelines and policies being issued as appropriate.

26 Capital management

Regulatory capital

The Branch objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

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

The Central Bank of UAE ('CBUAE') supervises the Branch on a standalone basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Branch as a whole. Effective from 2017, the capital is computed at the Branch level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

The Branch's regulatory capital is analysed into two tiers:

CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.

Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

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

26 Capital management (continued)

Regulatory capital (continued)

Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).

- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.
- Capital conservation buffer – 2.5% of RWAs.
- Countercyclical buffer – 0.00% of RWAs.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the branch's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a quarterly basis.

The UAE Central Bank issued Basel III capital regulation vide its notice no. CBUAE/BSD/N/2020/66 dated 7 January 2020 which was effective as at 31 December 2019 (as per the regulation, only Pillar II is applicable in December 2019 and the rest will be applicable from June 2020.

During the years ended 31 December 2024 and 2023, the Branch had complied in full with all its externally imposed capital requirements.

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

	2024	2023
	AED '000	AED '000
Tier 1 capital		
Allocated capital	**1,150,000**	1,150,000
Statutory reserve	**6,174**	2,595
Accumulated loss	**(857,647)**	(889,865)
	298,527	262,730
Threshold deductions	**-**	-
Total CET1 after regulatory adjustments / Tier 1 capital	**298,527**	262,730
Tier 2 capital		
Collective impairment provision on loans and advances	**12,965**	19,049
Total capital base	**311,492**	281,779
Risk-weighted assets		
Credit risk	**1,037,214**	1,523,960
Market risk	**495**	1,471
Operational risk	**118,106**	113,083
Total risk-weighted assets	**1,155,815**	1,638,513
Capital adequacy ratio	**26.95%**	17.20%
Tier 1 capital to total risk-weighted assets	**25.83%**	16.03%

26 Capital management (continued)

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk and Credit Facility Department, and is subject to review by ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Branch to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the branch's longer term strategic objectives. The Branch's policies in respect of capital management and allocation are reviewed regularly.

27 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Branch has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Branch makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Branch is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

28 Subsequent events

Other than the above matter the management is not aware of any other matter or circumstance arising since reporting date up to the date of this report, not otherwise dealt with in this financial statements.