

Mashreqbank PSC Group

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

These audited consolidated financial statements are subject to approval of the Central Bank of U.A.E. and adoption by shareholders at the annual general meeting.

Mashreqbank PSC Group

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BOARD OF DIRECTORS' REPORT

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

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management. These activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2024 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors has proposed a cash dividend of 211% for the year ended 31 December 2024 at the meeting held on 30 January 2025.

Directors

The following are the Directors of the Bank as at 31 December 2024:

Chairman:	Abdul Aziz Abdulla Al Ghurair
Vice Chairman:	Ahmad Ali Al Khallafi
Directors:	Rashed Saif Ahmed Al Ghurair John Gregory Iossifidis Iyad Mazher Saleh Malas Saeed Saif Ahmed Al Ghurair Mariam Saeed Ghobash

Auditors

The consolidated financial statements for the year ended 31 December 2024 have been audited by Deloitte & Touche (M.E.).

By order of the Board of Directors



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Abdul Aziz Abdulla Al Ghurair

Chairman

30 January 2025

INDEPENDENT AUDITOR'S REPORT

**The Shareholders
Mashreqbank PSC
Dubai
United Arab Emirates**

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **Mashreqbank PSC** (“the Bank”), **and its subsidiaries** (together “the Group”) which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITOR’S REPORT

to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Key Audit Matters (continued)

Key audit matter	Our audit approach
<i>Impairment of loans and advances at amortised cost</i>	
<p>The Group’s loans and advances at amortised cost (which comprises of loans and advances to customers and Islamic financing and investment products) are carried on the consolidated statement of financial position at AED 124.8 billion as at 31 December 2024. The expected credit loss (“ECL”) allowance was AED 2.6 billion as at this date, which comprises of an allowance of AED 1 billion against Stage 1 and 2 exposures and an allowance of AED 1.6 billion against exposures classified under Stage 3.</p> <p>The corporate portfolio of Loans and advances at amortised cost is assessed individually for the significant increase in credit risk (“SICR”) and measurement of ECL. This requires management to make a reasonable and supportive assessment to capture all qualitative and quantitative forward-looking information while assessing SICR or while assessing credit-impaired criteria for the exposure. Management judgement is also applied in manually overriding stages in accordance with the Group’s accounting policies.</p> <p>The measurement of ECL for exposures classified as Stage 1 and Stage 2 are carried out collectively by the ECL models with limited manual intervention or overrides. It is important that these ECL models and their parameters (Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation/monitoring process by an independent reviewer. However, the accuracy of the results produced from these ECL models is dependent on using reasonable parameters and up to date inputs to the PD, LGD, EAD and macroeconomic adjustments which are relevant for the reporting period.</p> <p>The exposures are classified as impaired as soon as there is doubt about the borrower’s ability to meet payment obligations to the Group in accordance with the original contractual terms.</p>	<p>We performed the following audit procedures on the computation and reasonableness/ appropriateness of the ECL included in the Group’s consolidated financial statements for the year ended 31 December 2024:</p> <p>We obtained a detailed business process understanding of the Group’s loans and advances measured at amortised cost including a review of the post model adjustments and management overlays in order to assess the reasonableness of these adjustments along with the other critical accounting estimates and judgments that management had applied. We have involved our subject matter experts to assist us in auditing the ECL models as at 31 December 2024.</p> <p>We assessed the relevant controls in the abovementioned business process to determine if they had been appropriately designed and implemented and, where applicable, also tested the operating effectiveness of those controls.</p> <p>We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the requirements of IFRS Accounting Standards. We tested the mathematical integrity of the ECL model by performing recalculations on a sample basis. We assessed the consistency and reasonableness of various inputs and assumptions used by the Group’s management to determine ECL.</p> <p>For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group’s methodology to determine the allowance, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Group’s determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the Group’s staging criteria, including the basis for movement between stages.</p> <p>For loans tested collectively, we also evaluated the design and implementation of relevant controls over the modelling process, including model inputs, monitoring, validation and approval. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data.</p> <p>We selected samples of loans and advances measured at amortised cost and assessed the accuracy of the EAD, appropriateness of the PD and calculations of the LGD used by management in their ECL calculations.</p>

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Key Audit Matters (continued)

Key audit matter	Our audit approach
<i>Impairment of loans and advances at amortised cost</i>	
<p>Impaired loans and advances at amortised cost are measured on the basis of the present value of estimated future cash flows (which in the case of stage 3 exposures also includes an assessment of the fair value and recoverability of the collaterals). The impairment loss is calculated based on the shortfall between the carrying value of loans and advances at amortised cost compared to the net present value of future estimated cash flows discounted using the original effective interest rate. The factors considered when determining impairment losses on individually assessed impaired accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts.</p> <p>The audit of the impairment of loans and advances measured at amortised cost is a key area of audit focus because of its size (representing 46.7 % of total assets) and due to the significance and complexity of the estimates and judgments which were used in classifying these loans and advances at amortised cost into various stages and determining the ECL allowance.</p> <p>Refer to Note 3 of the consolidated financial statements for the material accounting policy information, Note 4 for critical accounting judgements and estimates and Note 43 for disclosures on credit risk.</p>	<p>For exposures determined to be individually impaired, we tested on a sample basis, management's assessment of the future estimated cash flows, assessed their reasonableness and assessed the resultant allowance calculations, such as credit risk mitigation through discounted cash flows including collateral valuations and estimates of recovery as well as considered the consistency of the Group's application of its provisioning policy.</p> <p>We also, assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRS Accounting standards.</p>
<i>IT systems and controls over financial reporting</i>	
<p>We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of changes to an application or underlying data.</p>	<p>Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over the relevant IT systems:</p> <p>We obtained an understanding of the applications relevant to the financial reporting business process and the IT infrastructure supporting those applications.</p> <p>We tested the general IT controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations.</p> <p>We examined certain Information Produced by Entity (IPE) used in the financial reporting process from relevant applications and key controls over their report logics.</p> <p>We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.</p>

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the integrated report, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units with the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the board of Directors' report is consistent with the Group's books of account;
- Note 7 to the consolidated financial statements of the Group discloses its investments in shares during the financial year ended 31 December 2024;
- Note 37 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted;
- Note 32 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2024; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

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

Deloitte & Touche (M.E.)




Musa Ramahi
Registration No.: 872
30 January 2025
Dubai
United Arab Emirates

**Consolidated statement of financial position
as at 31 December**

	Notes	2024 AED'000	2024 USD'000	2023 AED'000	2023 USD'000
ASSETS					
Cash and balances with central banks	5	40,592,508	11,051,595	41,760,286	11,369,531
Loans and advances to banks	6	52,271,604	14,231,311	39,127,032	10,652,609
Financial assets measured at fair value	7	26,327,534	7,167,856	26,031,869	7,087,359
Securities measured at amortised cost	7	9,797,117	2,667,334	9,951,525	2,709,372
Loans and advances to customers	8	103,080,846	28,064,483	93,603,237	25,484,137
Islamic financing and investment products	9	21,677,551	5,901,865	16,752,242	4,560,915
Acceptances		3,495,184	951,588	3,536,930	962,954
Reinsurance contract assets	20	3,379,148	919,997	2,756,863	750,575
Investment in associate		296,878	80,827	36,498	9,937
Investment properties	11	151,620	41,280	502,047	136,686
Property and equipment	12	1,339,360	364,650	1,381,735	376,187
Intangible assets	13	374,333	101,915	360,611	98,179
Other assets	10	4,669,475	1,271,297	4,179,734	1,137,962
Total assets		267,453,158	72,815,998	239,980,609	65,336,403
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and balances due to banks	14	43,374,316	11,808,962	37,335,048	10,164,729
Repurchase agreements with banks	15	2,075,517	565,074	1,062,992	289,407
Customers' deposits	16	143,564,793	39,086,521	132,609,671	36,103,913
Islamic customers' deposits	17	17,374,901	4,730,439	13,622,484	3,708,817
Acceptances		3,495,184	951,588	3,536,930	962,954
Medium-term loans	19	2,071,501	563,981	5,158,701	1,404,493
Subordinated debt	48	1,831,027	498,510	1,831,027	498,510
Insurance and Investment contract liabilities	20	6,187,190	1,684,506	5,334,957	1,452,479
Other liabilities	18	9,698,535	2,640,494	8,171,009	2,224,614
Total liabilities		229,672,964	62,530,075	208,662,819	56,809,916
EQUITY					
<i>Capital and reserves</i>					
Issued and paid up capital	21	2,006,098	546,174	2,006,098	546,174
Tier 1 capital notes	46	2,938,400	800,000	1,101,900	300,000
Other reserves	21	(359,453)	(97,863)	567,248	154,437
Retained earnings		32,127,720	8,746,997	26,658,113	7,257,858
Equity attributable to owners of the Parent including noteholders of the Group		36,712,765	9,995,308	30,333,359	8,258,469
Non-controlling interests	22	1,067,429	290,615	984,431	268,018
Total equity		37,780,194	10,285,923	31,317,790	8,526,487
Total liabilities and equity		267,453,158	72,815,998	239,980,609	65,336,403

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


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Abdul Aziz Abdulla Al Ghurair
Chairman


.....
Ahmed Abdelaal
Group Chief Executive Officer

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

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

	Notes	2024 AED'000	2024 USD'000	2023 AED'000	2023 USD'000
Interest income	24	14,271,348	3,885,475	11,966,493	3,257,962
Income from Islamic financing and investment products	25	1,666,868	453,816	1,290,888	351,453
Total interest income and income from Islamic financing and investment products		15,938,216	4,339,291	13,257,381	3,609,415
Interest expense	26	(6,892,160)	(1,876,439)	(5,051,561)	(1,375,323)
Distribution to depositors - Islamic products	27	(657,945)	(179,130)	(496,170)	(135,086)
Net interest income and income from Islamic products net of distribution to depositors		8,388,111	2,283,722	7,709,650	2,099,006
Fee and commission income	28	4,560,133	1,241,528	4,239,746	1,154,301
Fee and commission expense	28	(3,095,628)	(842,806)	(2,807,197)	(764,279)
Net fee and commission income		1,464,505	398,722	1,432,549	390,022
Net investment income	29	228,576	62,231	29,712	8,089
Other income, net	30	3,334,511	907,844	1,631,156	444,094
Operating income		13,415,703	3,652,519	10,803,067	2,941,211
General and administrative expenses	32	(3,695,864)	(1,006,225)	(3,341,855)	(909,843)
Operating profit before impairment		9,719,839	2,646,294	7,461,212	2,031,368
Net impairment reversal	31	166,065	45,212	1,368,794	372,664
Profit before tax		9,885,904	2,691,506	8,830,006	2,404,032
Tax expense		(868,527)	(236,463)	(153,590)	(41,818)
Profit for the year		9,017,377	2,455,043	8,676,416	2,362,214
<i>Attributable to:</i>					
Owners of the Parent		8,917,202	2,427,770	8,589,356	2,338,512
Non-controlling interests		100,175	27,273	87,060	23,702
		9,017,377	2,455,043	8,676,416	2,362,214
Earnings per share	33	AED 44.45	USD 12.10	AED 42.82	USD 11.66

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

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

	2024 AED'000	2024 USD'000	2023 AED'000	2023 USD'000
Profit for the year	9,017,377	2,455,044	8,676,416	2,362,214
<i>Other comprehensive income/(loss)</i>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments), net of tax	46,908	27,837	27,130	7,387
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Changes in currency translation reserve, net of tax [Note 21(d)]	(242,447)	(66,008)	(1,283)	(349)
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments), net of tax	(279,751)	(91,230)	29,260	7,966
Loss on hedging instruments designated as hedges of net investment in foreign operations	-	-	(2,228)	(607)
Changes in insurance finance income and expenses reserve	(1,137)	(310)	1,605	437
Total other comprehensive (loss)/income for the year	(476,427)	(129,711)	54,484	14,834
Total comprehensive income for the year	8,540,950	2,325,333	8,730,900	2,377,048
<i>Attributed to:</i>				
Owners of the Parent	8,421,662	2,292,856	8,630,169	2,349,624
Non-controlling interests	119,288	32,477	100,731	27,424
	8,540,950	2,325,333	8,730,900	2,377,048

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

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

	Issued and paid up capital AED'000	Tier 1 capital notes AED'000	Other reserves AED'000	Retained Earnings AED'000	Equity attributable to owners of the Parent AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2023 "as previously reported"	2,006,098	1,101,900	(605,091)	21,038,417	23,541,324	877,315	24,418,639
Changes on initial application of IFRS17	-	-	7,380	50,792	58,172	32,068	90,240
Balance at 1 January 2023 (Restated)	2,006,098	1,101,900	(597,711)	21,089,209	23,599,496	909,383	24,508,879
Profit for the year	-	-	-	8,589,356	8,589,356	87,060	8,676,416
Other comprehensive income	-	-	40,813	-	40,813	13,671	54,484
Total comprehensive income for the year	-	-	40,813	8,589,356	8,630,169	100,731	8,730,900
Coupon payment to Tier 1 note holders	-	-	-	(93,662)	(93,662)	-	(93,662)
Transfer to impairment reserve - General	-	-	1,130,000	(1,130,000)	-	-	-
Transfer from investment revaluation reserve to retained earnings	-	-	(5,854)	5,854	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	(1,805,488)	(1,805,488)	(32,955)	(1,838,443)
Transaction with NCI	-	-	-	2,844	2,844	(8,250)	(5,406)
Non-controlling interests on acquisition of an indirect subsidiary	-	-	-	-	-	15,522	15,522
Balance at 31 December 2023	2,006,098	1,101,900	567,248	26,658,113	30,333,359	984,431	31,317,790
Balance at 1 January 2024 "as previously reported"	2,006,098	1,101,900	567,248	26,658,113	30,333,359	984,431	31,317,790
Profit for the year	-	-	-	8,917,202	8,917,202	100,175	9,017,377
Other comprehensive income/(loss)	-	-	(495,540)	-	(495,540)	19,113	(476,427)
Total comprehensive income/(loss) for the year	-	-	(495,540)	8,917,202	8,421,662	119,288	8,540,950
Issue of tier 1 Capital	-	1,836,500	-	(8,022)	1,828,478	-	1,828,478
Payment of dividends [Note 21 (f)]	-	-	-	(3,711,282)	(3,711,282)	(32,675)	(3,743,957)
Transfer between investment revaluation reserve to retained earnings	-	-	(3,556)	3,556	-	-	-
Transfer from retained earnings to impairment reserve	-	-	365,000	(365,000)	-	-	-
Coupon payment to Tier 1 note holders	-	-	-	(159,089)	(159,089)	-	(159,089)
Other movements [Note 21(d)]	-	-	(792,605)	792,605	-	-	-
Transaction with non-controlling interests	-	-	-	(363)	(363)	(3,615)	(3,978)
Balance at 31 December 2024	2,006,098	2,938,400	(359,453)	32,127,720	36,712,765	1,067,429	37,780,194

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

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

	2024 AED'000	2024 USD'000	2023 AED'000	2023 USD'000
<i>Cash flows from operating activities</i>				
Profit before taxation for the year	9,885,904	2,691,507	8,830,006	2,404,032
<i>Adjustments for:</i>				
Depreciation and amortisation	277,708	75,608	269,883	73,478
Allowances for impairment, net	(166,065)	(45,212)	(1,368,794)	(372,664)
Gain on disposal of property and equipment	(12,857)	(3,500)	(56,324)	(15,334)
Gain on disposal of investment properties	7,897	2,150	2,295	625
Unrealised (gain)/loss on other financial assets held at FVTPL	(16,077)	(4,377)	(15,805)	(4,303)
Fair value adjustments of investment properties	(10,426)	(2,839)	(13,005)	(3,541)
Net realized gain from sale of financial assets measured at FVTPL	(107,720)	(29,328)	(63,697)	(17,342)
Dividend income from financial assets measured at FVTOCI	(65,926)	(17,949)	(48,537)	(13,215)
Net realised loss/(gain) from sale of financial assets measured at FVTOCI and securities measured at amortised cost	(38,023)	(10,352)	99,711	27,147
Share of loss on investment in associate	-	-	7,135	1,943
Unrealised loss/(gain) on derivatives	(17,248)	(4,696)	8,548	2,327
Gain on sale/bargain purchase	(1,211,017)	(329,708)	(7,700)	(2,096)
Gain on revaluation of Forex	(167,589)	(45,627)	-	-
Operating cash flows before tax paid and changes in operating assets and liabilities	8,358,561	2,275,677	7,643,716	2,081,057
Tax paid	(138,346)	(37,666)	(184,080)	(50,117)
<i>Changes in operating assets and liabilities</i>				
Increase in deposits with central banks	(4,574,606)	(1,245,469)	(5,012,257)	(1,364,622)
Increase in loans and advances to banks with original maturity after three months	(6,541,729)	(1,781,032)	(15,705,470)	(4,275,924)
Increase in loans and advances to customers	(9,652,081)	(2,627,847)	(16,782,916)	(4,569,267)
Increase in Islamic financing and investment products	(4,670,555)	(1,271,591)	(1,936,435)	(527,208)
Increase in reinsurance assets	(622,285)	(169,421)	(364,181)	(99,151)
Decrease/(increase) in other assets	(612,548)	(166,770)	1,719,600	468,173
Decrease/(increase) in financial assets carried at FVTPL	712,508	193,985	(103,529)	(28,186)
Increase/(decrease) in repurchase agreements with banks	1,012,526	275,667	(863,190)	(235,010)
Increase in customers' deposits	10,955,102	2,982,603	33,782,349	9,197,481
(Decrease)/increase in Islamic customers' deposits	3,752,418	1,021,622	(1,356,457)	(369,305)
Increase in deposits and balances due to banks	6,039,268	1,644,233	8,935,592	2,432,778
Increase in Insurance and Investment contract liabilities	852,232	232,026	569,702	155,105
Increase in other liabilities	1,096,849	298,625	642,635	174,962
Net cash generated from operating activities	5,967,314	1,624,642	10,985,079	2,990,766
<i>Cash flows from investing activities</i>				
Purchase of property and equipment	(167,298)	(45,548)	(136,841)	(37,256)
Purchase on intangible assets	(149,055)	(40,581)	(201,174)	(54,771)
Proceeds from sale of property and equipment	37,927	10,326	7,268	1,979
Purchase of other financial assets measured at fair value or amortised cost	(57,027,475)	(15,526,130)	(70,415,067)	(19,170,996)
Proceeds from sale of other financial assets measured at fair value or amortised cost	56,104,272	15,274,781	61,378,480	16,710,721
Dividend income from other financial assets measured at FVTOCI	65,926	17,949	48,537	13,215
Proceeds from sale of investment properties	352,956	96,095	106,167	28,905
(Purchase)/disposal of subsidiary	845,800	230,275	(165,309)	(45,007)
Net cash used in investing activities	63,053	17,167	(9,377,939)	(2,553,210)

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

**Consolidated statement of cash flows
for the year ended 31 December (continued)**

	2024 AED'000	2024 USD'000	2023 AED'000	2023 USD'000
<i>Cash flows from financing activities</i>				
Transaction with NCI	(3,978)	(1,083)	(5,406)	(1,472)
Dividends paid	(3,743,957)	(1,019,319)	(1,838,443)	(500,529)
Medium term notes issued	933,476	254,145	480,586	130,843
Medium term notes redeemed	(4,020,676)	(1,094,657)	(545,450)	(148,503)
Tier 1 notes issued	1,828,478	497,816	-	-
Coupon payment to Tier 1 note holders	(159,089)	(43,313)	(93,662)	(25,500)
Net cash (used in)/ generated from financing activities	(5,165,746)	(1,406,411)	(2,002,375)	(545,161)
Net (decrease)/increase in cash and cash equivalents	864,621	235,398	(395,235)	(107,605)
Net foreign exchange difference	(20,715)	(5,640)	(3,511)	(956)
Cash and cash equivalents at beginning of the year	38,106,460	10,374,751	38,505,206	10,483,312
Cash and cash equivalents at end of the year (Note 35)	38,950,366	10,604,509	38,106,460	10,374,751

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

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

1. General information

Mashreqbank PSC (the “Bank”) was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America. The address of the Bank’s registered office is P.O. Box 1250, Dubai, United Arab Emirates.

2. Application of new and revised International Financial Reporting Standards (“IFRS Accounting Standards”)

2.1 New and revised IFRS adopted in the consolidated financial statements

In the current year, the group has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

<u><i>New and revised IFRS</i></u>	<i>Effective for annual periods beginning on or after</i>
<i>Lack of Exchangeability (Amendments to IAS 21)</i>	1 January 2025
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	
<i>Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments</i>	1 January 2026
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 <i>Financial Instruments</i> .	
<i>IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	
<i>IFRS 18 Presentation and Disclosures in Financial Statements</i>	1 January 2027
IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	

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

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information****3.1 Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by International Accounting Standards Board (“IASB”) and also complies with the applicable requirements of the laws in the U.A.E including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

3.2 Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments, including derivatives, investment properties and reserves for unit linked policies which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands AED, except where otherwise indicated.

The accounting policies used in the preparation of this consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2023.

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

3.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries made up to 31 December each year. Control is achieved when the Bank:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.3 Basis of consolidation (continued)**

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss of each component of other comprehensive income is attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

Business combinations

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture,

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.3 Basis of consolidation (continued)**

any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method of accounting, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

If there is objective evidence that the group's net investment in an associate or joint venture is impaired, the requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 *Investments in Associates and Joint Ventures* (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

3.4 Revenue recognition*(a) Interest income and expense*

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' and 'interest expense' in the consolidated statement of profit or loss.

(b) Income from Islamic financing and investments products

The Group's policy for recognition of income from Islamic financing and investments products is described in Note 3.18 (iii).

(c) Fee and commission income and expenses

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- i) Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

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

3. Summary of material accounting policy information (continued)

3.4 Revenue recognition (continued)

- ii) Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(d) Dividend income

Dividend income from investments is recognised in the consolidated statement of profit or loss when the Group's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of Income can be measured reliably).

(e) Gain or loss from redemption of medium-term loans

Gain or loss from redemption of medium-term loans represents the difference between the amount paid and the carrying amount of the liability on the date of redemption.

(f) Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Leasing

The Group leases various branches, offices and premises for ATMs. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The group assesses whether a contract is, or contains, a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

3.6 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in UAE Dirham (AED), which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

The presentation currency of the Group is the UAE Dirham (AED); however, for presentation purposes only, additional columns for US Dollar (USD) equivalent amounts have been presented in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows and certain notes to the consolidated financial statements using a fixed conversion rate of USD 1.00 = AED 3.673.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's Currency translation reserve.

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

3. Summary of material accounting policy information (continued)

3.6 Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Bank losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting)
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****Taxation (continued)**

excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

3. Summary of material accounting policy information (continued)

3.8 Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and capital work in progress are not depreciated.

Depreciation is recognised so as to write off the cost of assets or valuation of assets (other than land and capital work in progress), less their residual values over their useful lives, using the straight-line method, over the estimated useful lives of the respective assets, as follows:

	<u>Years</u>
Properties for own use	20 - 50
Furniture, fixtures, equipment and vehicles	4 - 15
Improvements to freehold properties and others	5 - 10

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.10 Impairment of non-financial assets (continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3.11 Intangible assets

Intangible assets consists of software which are stated at cost less amortisation and any accumulated impairment losses. Amortisation is charged on a straight lines over the estimated useful lives of 5 to 10 years. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated statement of profit or loss. Immediately after initial recognition, an expected credit loss (“ECL”) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, as described in note 43, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

i) Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Debt instruments:

Debt instruments, including loans and advances and Islamic financing and investments products, are measured at amortised cost if both of the following conditions are met:

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

All other financial assets except for debt instruments carried at amortized cost are subsequently measured at fair value.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss (FVTPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 43.
- Fair value through other comprehensive income (FVTOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movements in carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Net investment income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.13 Financial instruments (continued)**

3.13.1 Financial assets (continued)

i) Classification of financial assets (continued)

measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and there were no material reclassification during the year.

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

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

Amortised cost and effective interest method

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.13 Financial instruments (continued)**

3.13.1 Financial assets (continued)

i) Impairment of financial assets

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

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

Note 43 provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

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

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

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

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

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

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.13 Financial instruments (continued)**

3.13.1 Financial assets (continued)

These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Group:

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

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retain a subordinated residual interest.

3.13.2 Financial liabilities

Classification and subsequent measurement

Financial liabilities (including deposits and balances due to banks, repurchase agreements with banks, medium term loans, subordinated debt and customer deposits) are initially recognised as fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

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

Derecognition

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

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS Accounting Standards) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is “substantial” or whether the original debt has been replaced by another debt with “substantially” different terms.

3.13.3 Financial guarantee contracts and loan commitments

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

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.13 Financial instruments (continued)**

3.13.3 Financial guarantee contracts and loan commitments (continued)

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

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

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note 43).

3.13.4 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss;
- for financial assets that are monetary items and designated as at FVTOCI, any foreign exchange component is recognized in consolidated statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVTOCI, any foreign exchange component is recognised in the consolidated statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

3.14 Offsetting of financial assets and liabilities

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

3.15 Derivative financial instruments

The Group deals with derivatives such as forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased). Further details of derivatives financial instruments are disclosed in Note 41. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 41.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.15 Derivative financial instruments (continued)**

remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both a legally enforceable right and intention to offset.

(a) Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3.16 Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 41 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss, and is included in the other income line item.

Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects in the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognised in consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operation.

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

3.17 Insurance contracts

To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts. IFRS 17 consists of 3 measurement models:

- The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin (CSM).
- The variable fee approach (VFA) is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate insurance contracts with direct participating features.
- The premium allocation approach is an optional simplified approach for the measurement of the liability for remaining coverage. An entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

The Group applies the premium allocation approach (PAA) to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its contracts to be eligible for PAA measurement model, except for long term individual life business which will be measured under the GMM. The Group plans to apply the GMM for long term individual life insurance policies and the (VFA) for unit linked insurance policies.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money

For all contracts measured under the PAA, there is no allowance as the premiums are expected to be received within one year of the coverage period.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.17 Insurance contracts (continued)***Liability for Incurred Claims ("LIC") adjusted for time value of money*

The LIC is discounted and adjusted for the time value of money.

Insurance finance income and expenses

For contracts measured under the PAA, The Group applies the changes in discount rates and other financial changes within OCI. For contracts measured under the GMM and VFA, the Group includes all insurance finance income or expenses for the period in profit or loss.

Disaggregation of risk adjustment

The Group disaggregates changes in the risk adjustment for non financial risk between insurance service result and insurance finance income or expenses.

Discount rates

The Group uses the bottom-up approach for the groups of contracts measured under PAA and GMM and the top-down approach for the groups of contracts measured under VFA to derive the discount rates.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - i. The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - ii. The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

Reinsurance contracts held

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss. Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group aggregates contracts for which there is a net gain at initial recognition, if any, contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and remaining contracts in the portfolio, if any.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.17 Insurance contracts (continued)***Modification and derecognition*

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3.18 Islamic financing and investment products

In addition to conventional banking products, the Group offers its customers a variety of non-interest based banking products, which are approved by its Internal Shari'ah Supervision Committee.

Any conventional terminologies that are used only for reasons of legal requirement, explanation and/or clarity will be considered as replaced with its Shari'ah compliant equivalent and will not impact the Islamic products or documentation in terms of their Shari'ah compliance.

All Islamic banking products are accounted for in conformity with the accounting policies described below:

(i) Definitions

The following terms are used in Islamic financing:

Murabaha

Murabaha is a sale of goods with an agreed upon profit mark-up on the cost.

The arrangement is referred to as a Murabaha to the Purchase Orderer where the company sells to a customer a commodity or an asset, which the company has purchased and acquired, based on a promise received from customer.

Commodity Murabaha

Commodity Murabaha is a financing transaction based on purchase and sale, whereby the bank purchases a commodity from a broker and sells it to the customer through the Murabaha agreement with a disclosed cost and profit. After signing the Murabaha agreement, the Customer sells the commodity to another broker through the bank, which acts as the Customer's messenger.

Ijarah

Ijarah is a contract, or part of contractual agreement, that transfers the usufruct of an asset (the underlying asset) for a period of time in exchange for an agreed consideration, from lessor (the owner of underlying asset i.e. the company) to a lessee (the customer).

This may involve a hybrid Ijarah arrangement (known as Ijarah Muntahia Bittamleek) which, in addition to the Ijarah contract, includes a promise (by the company) resulting in transfer of the ownership of the underlying asset to the lessee (the customer) through a sale or gift – independent of Ijarah Contract.

Istisna'

Istisna' is a contract of sale of specified items to be manufactured or constructed, with an obligation on part of the manufacturer or builder (contractor) to deliver them to the customer upon completion.

Under this arrangement, the Group provides funds to a customer for construction of a real estate and/or manufacturing of any other assets. Istisna' requires properly specifying the finished product. The customer is required to arrange/employ all the resources required to produce the specified asset(s).

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****3. Summary of material accounting policy information (continued)****3.18 Islamic financing and investment products (continued)***Mudarabah*

Mudarabah is a partnership in profit whereby one party provides capital (Rab al-Mal) and the other party provides labour (Mudarib). The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. In case of loss, the same is borne by Rab-al-Mal. The Mudarib is not liable for losses except in case of misconduct in respect to Mudarabah fund, negligence and breach of the terms of Mudarabah contract.

Wakalah

Wakalah is an act of one party (principal) delegating another party (the agent) to perform a permissible activity on his behalf. This may involve Al-Wakalah Bi Al-Istithmar, in which the Company appoints another person an agent to invest its funds with an intention to earn profit, in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakalah.

(ii) Accounting policy

Islamic financing and investment products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income. The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or, where appropriate, a shorter period. Allowance for impairment is made against Islamic financing and investment products when their recovery is in doubt taking into consideration IFRS requirements. Islamic financing and investment products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(iii) Revenue recognition policy

Income from Islamic financing and investing assets are recognised in the consolidated statement of profit or loss using the effective profit method.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Commodity Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Ijarah

Ijarah income is recognised on effective profit rate basis over the lease term.

Mudarabah

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

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

3. Summary of material accounting policy information (continued)

3.18 Islamic financing and investment products (continued)

Wakalah

Estimated income from Wakalah is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

(iv) Islamic customers' deposits and distributions to depositors

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

Distributions to depositors (Islamic products) are calculated according to the Group's standard procedures and are approved by the Group's Internal Shari'ah Supervision Committee.

(v) Profit calculation, asset allocation, mechanics of equalization of returns investment account holders

- The Group has invested all the funds generated from Investment Account Holders in the Financing done by way of Shari'ah compliant structures including Murabaha, Commodity Murabaha, Wakala & Ijarah, and the returns are managed by the Bank in a central profit pool. Subsequently the profits are allocated to Investment Account Holders using the Internal Shariah Supervisory Committee approved profit allocation mechanism for Investment Account Holders.
- Profit Equalization Reserve: The Bank maintains a Profit Equalization Reserve (PER) for the purpose of smoothening the returns to the Mudarabah account holders. The PER is deducted from Mudarabah income before deduction of the Bank's share.
- Investment Risk Reserve: The Bank maintains an Investment Risk Reserve (IRR) for the purpose of protecting the Mudarabah account holders from any investment losses in the future. The IRR is deducted from Mudarabah income after deduction of the Bank's share.

3.19 Provision for employees' end of service indemnity

Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2023 is not materially different from the provision computed in accordance with the UAE Labour Law.

The provision arising is disclosed as 'provision for employees' end of service indemnity' in the consolidated statement of financial position under 'other liabilities' (Note 18).

Pension and national contribution for UAE citizens are made by the Group in accordance with Federal Law No. 7 of 1999 and no further liability exists.

3.20 Acceptances

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

3.21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and other balances with the UAE Central Bank (excluding statutory reserve) and money market placements which are maturing within three months from the value date of the deposit or placement. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 43.

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

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

4.2 Fair value of financial instruments

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

4.3 Derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models, recognised market accepted pricing models and from counterparty statements. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

4.4 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****4. Critical accounting judgements and key sources of estimation uncertainty (continued)****4.5 Classification of the Equity Tier 1 instrument under IAS 32**

The Bank has issued Additional Tier 1 (AT1) capital securities listed on the Luxembourg Stock Exchange, which have been classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity;
- payment of interest and/or capital is solely at the discretion of the Bank;
- the instruments are subordinated and rank just above the ordinary shareholders; and
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of CBUAE.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed for the purpose of determining the debt vs equity classification and appropriate independent advice was obtained in forming judgement around this matter.

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

5. Cash and balances with central banks

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

	2024 AED'000	2023 AED'000
Cash on hand	1,762,079	1,677,242
<i>Balances with central banks:</i>		
Current accounts and other balances	23,620,228	29,747,449
Statutory deposits	14,810,201	10,235,595
Certificates of deposit	400,000	100,000
	<u>40,592,508</u>	<u>41,760,286</u>

b) The geographical analysis of the cash and balances with central banks is as follows:

	2024 AED'000	2023 AED'000
Within the UAE	23,209,145	24,281,412
Outside the UAE	17,383,363	17,478,874
	<u>40,592,508</u>	<u>41,760,286</u>

c) The Group is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements. The statutory deposits are not available for use in the Group's day-to-day operations. Cash on hand and current account balances are non-interest-bearing. Certificate of deposits are at an average interest rate of 4.93% (31 December 2023: 5.59%) per annum.

6. Loans and advances to banks

a) The analysis of the Group's Loans and advances to banks is as follows:

	2024 AED'000	2023 AED'000
Demand	5,067,842	2,393,637
Time	47,322,099	36,872,794
	<u>52,389,941</u>	<u>39,266,431</u>
Less: Allowance for impairment	(118,337)	(139,399)
	<u>52,271,604</u>	<u>39,127,032</u>

b) The above represent loans and advances to:

	2024 AED'000	2023 AED'000
Banks within the UAE	6,669,039	3,351,384
Banks outside the UAE	45,720,902	35,915,047
	<u>52,389,941</u>	<u>39,266,431</u>
Less: Allowance for impairment	(118,337)	(139,399)
	<u>52,271,604</u>	<u>39,127,032</u>

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

6. Loans and advances to banks (continued)

c) Allowance for impairment movement:

	2024 AED'000	2023 AED'000
At beginning of the year	139,399	120,936
(Reversal)/charge during the year (Note 31)	(16,553)	22,285
Exchange and other adjustments	(4,509)	(3,822)
At end of the year	118,337	139,399

7. Other financial assets

a) The analysis of the Group's other financial assets is as follows:

Financial assets measured at fair value

i) Financial assets measured at fair value through profit and loss (FVTPL):

	2024 AED'000	2023 AED'000
Debt securities	895,716	1,500,907
<i>Equities</i>		
Quoted	23,689	22,530
Unquoted	1,032	1,132
Funds	1,326,137	1,310,716
	2,246,574	2,835,285

ii) Financial assets measured at fair value through other comprehensive income (FVTOCI):

	2024 AED'000	2023 AED'000
Debt securities	23,001,663	22,343,507
<i>Equities</i>		
Quoted	755,933	705,698
Unquoted	79,946	56,049
Funds	243,418	91,330
	24,080,960	23,196,584
Total financial assets measured at fair value (A)	26,327,534	26,031,869

At 31 December 2024, debt securities held at FVTOCI includes the allowance for expected credit loss amounting to AED 11 million (31 December 2023: AED 9 million) and is recorded as stage 1.

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

7. Other financial assets (continued)

iii) Securities measured at amortised cost:

	2024 AED'000	2023 AED'000
Debt securities	9,827,791	9,996,660
Less: Allowance for impairment	(30,674)	(45,135)
Total securities measured at amortised cost (B)	9,797,117	9,951,525
Total other financial assets [(A) + (B)]	36,124,651	35,983,394

b) The geographical analysis of other financial assets is as follows:

	2024 AED'000	2023 AED'000
Within the UAE	21,343,315	21,407,372
Outside the UAE	14,812,010	14,621,157
	36,155,325	36,028,529
Less: Allowance for impairment	(30,674)	(45,135)
	36,124,651	35,983,394

c) The analysis of other financial assets by industry sector is as follows:

	2024 AED'000	2023 AED'000
Government and public sector	15,272,719	15,036,030
Commercial and business	2,313,343	1,574,185
Financial institutions	18,538,589	19,338,440
Other	-	34,739
	36,124,651	35,983,394

d) The movement of the allowance for impairment of other financial assets measured at amortised cost during the year was as follows:

	2024 AED'000	2023 AED'000
At the beginning of the year	45,135	28,415
(Reversal)/charge during the year (Note 31)	(14,549)	18,925
Exchange and other adjustments	88	-
Written off during the year	-	(2,205)
At end of the year	30,674	45,135

e) The fair value of securities measured at amortised cost amounted to AED 9.54 billion as of 31 December 2024 (31 December 2023: AED 9.72 billion) (Note 43).

f) At 31 December 2024, certain financial assets measured at amortized cost, financial assets measured at fair value included debt securities with an aggregate carrying value of AED 1,279 million (fair value of AED 1,310 million) [31 December 2023: Carrying value of AED 864 million (fair value of AED 890 million)] which were collateralized as at that date against repurchase agreements with banks ("Repo") of AED 1,169 million (31 December 2023: AED 751 million).

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

7. Other financial assets (continued)

- g) During the year ended 31 December 2024, the Group has reviewed its portfolio and sold certain other financial assets measured at amortized cost, resulting in a gain of AED 0.26 million (31 December 2023: Loss of AED 0.42 million) on the sale.
- h) As of 31 December 2024, there are no significant concentrations of credit risk for debt securities measured at amortised cost. The carrying amount reflected above represents the Group's maximum exposure for credit risk for such assets.
- i) During the year ended 31 December 2024, dividends received from financial assets measured at FVTOCI amounting to AED 66 million (31 December 2023: AED 48.5 million) were recognized as net investment income in the consolidated statement of profit or loss (Note 29).
- j) As of 31 December 2024, change in fair value of other financial assets measured at FVTPL resulted in gain of AED 16 million (31 December 2023: gain of AED 16 million) and was recognized as investment income in the consolidated statement of profit or loss (Note 29).
- k) As of 31 December 2024, change in fair value of other financial assets measured at FVTOCI resulted in a loss of AED 233 million (31 December 2023: gain of AED 56 million) and was recognised in the consolidated statement of comprehensive income.
- l) During the year ended 31 December 2024, the Group purchased and disposed equity shares amounting to AED 522 million (31 December 2023: AED 306 million) and AED 489 million (31 December 2023: AED 327 million), respectively.

8. Loans and advances to customers

- a) The analysis of the Group's loans and advances to customers is as follows:

	2024	2023
	AED'000	AED'000
Loans	96,996,669	88,030,519
Overdrafts	4,024,512	4,384,895
Credit cards	3,666,857	2,899,433
Others	893,460	913,077
	<hr/>	<hr/>
Total	105,581,498	96,227,924
Less: Allowance for impairment	(2,500,652)	(2,624,687)
	<hr/>	<hr/>
	103,080,846	93,603,237
	<hr/> <hr/>	<hr/> <hr/>

- b) The analysis of loans and advances to customers by industry sector is as follows:

	2024	2023
	AED'000	AED'000
Manufacturing	23,133,877	17,899,380
Construction	8,906,290	7,030,366
Trade	21,960,671	22,015,486
Services	15,632,555	12,012,952
Financial institutions	4,953,676	3,410,506
Personal	10,859,373	9,535,850
Residential mortgage	11,089,651	10,640,029
Government and related enterprises	9,045,405	13,683,355
	<hr/>	<hr/>
Total	105,581,498	96,227,924
Less: Allowance for impairment	(2,500,652)	(2,624,687)
	<hr/>	<hr/>
	103,080,846	93,603,237
	<hr/> <hr/>	<hr/> <hr/>

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

8. Loans and advances to customers (continued)

- c) In certain cases, the Group continues to carry certain classified doubtful debts and delinquent accounts on its books which have been fully provided. Interest is accrued on most of these accounts for litigation purposes only. As at 31 December 2024 and 2023, legal proceedings are pursued for some of these accounts by the Group in the normal course of business.
- d) The movements in the allowance for impairment and suspended interest on loans and advances to customers are as follows:

	2024	2023
	AED'000	AED'000
At beginning of the year	2,624,687	4,312,366
Charge/(reversal) of impairment allowance for the year (Note 31)	58,683	(1,238,374)
Exchange and other adjustments	44,032	112,188
Written off during the year	(226,750)	(561,493)
At end of the year	2,500,652	2,624,687

- e) The allowance for impairment includes a specific provision of AED 1,585 million for stage 3 loans of the Group as at 31 December 2024 (31 December 2023: AED 1,612 million).

9. Islamic financing and investment products

- a) The analysis of the Group's Islamic financing and investment products is as follows:

	2024	2023
	AED'000	AED'000
<i>Financing</i>		
Murabaha	17,473,960	13,776,759
Ijarah	3,639,102	4,291,091
	21,113,062	18,067,850
<i>Investment</i>		
Wakalah	2,898,718	1,583,931
<i>Total</i>	24,011,780	19,651,781
Less: Unearned income	(2,259,031)	(2,550,451)
Allowance for impairment	(75,198)	(349,088)
	21,677,551	16,752,242

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

9. Islamic financing and investment products

b) The analysis of Islamic financing and investment products by industry sector is as follows:

	2024 AED'000	2023 AED'000
Manufacturing	3,291,508	1,382,668
Construction	1,905,384	2,220,566
Trade	1,192,918	1,917,377
Services	5,631,988	2,754,127
Financial institutions	1,214,657	1,011,679
Personal	6,532,409	6,597,675
Residential mortgage	1,035,913	1,209,607
Government and related enterprises	3,207,003	2,558,082
Total	24,011,780	19,651,781
Less: Unearned income	(2,259,031)	(2,550,451)
Allowance for impairment	(75,198)	(349,088)
	21,677,551	16,752,242

c) The movement in the allowance for impairment of Islamic financing and investment products are as follows:

	2024 AED'000	2023 AED'000
At beginning of the year	349,088	469,466
Reversal of impairment allowance for the year (Note 31)	(249,032)	(96,973)
Exchange and other adjustment	(24,858)	(23,405)
At end of the year	75,198	349,088

d) The allowance for impairment includes a specific provision of AED 34 million for stage 3 Islamic financing and investment exposure of the Group as at 31 December 2024 (31 December 2023: AED 300 million).

10. Other assets

	2024 AED'000	2023 AED'000
Interest receivable	212,699	194,712
Prepayments	201,573	163,159
Positive fair value of derivatives (Note 41)	2,297,670	2,011,891
Credit card related receivables	395,285	543,505
Taxes paid in advance	207,333	106,467
Commission/income receivable	56,112	40,128
Advances to suppliers/vendors	308,477	281,876
Others	990,326	837,996
	4,669,475	4,179,734

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

11. Investment properties

	2024	2023
	AED'000	AED'000
<i>At fair value</i>		
At beginning of the year	502,047	464,840
Purchases	-	143,873
Change in fair value during the year (Note 30)	10,426	13,005
Sale of investment property	(360,853)	(119,671)
	<hr/> 151,620 <hr/>	<hr/> 502,047 <hr/>
At end of the year	151,620	502,047

All of the Group's investment properties are freehold properties and located in the U.A.E these were classified as level 3 in the fair value hierarchy.

Valuation processes

The Group has complied with the requirements of the Insurance Authority Board Decision No. (25) of 2014 with regards to the valuation of the investment properties and were accounted accordingly for the purpose of financial reporting. The Group's investment properties were valued as at 31 December 2024 by independent external professionally qualified valuers who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value is in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS").

Valuation techniques underlying management's estimation of fair value

Valuation of the Group's investment properties was determined using either of Discounted Cash Flow ("DCF"), Income capitalization method, and sales comparison methods based on the available inputs.

The DCF method involves forecasting future cash flows from the property based on precisely stated market-based assumptions by adopting an appropriate discount rate and capitalization rate. Income capitalization method considers a market rent that may be achieved based on the comparable evidence and deducting appropriate maintenance and vacancy rates to derive the Net Rent achievable which then capitalized at an appropriate risk yield to derive the Fair Value of the subject property. Sales comparison method considers the value of comparable properties in proximity adjusted for differences in key attributes such as property size and quality of interior fittings.

Sensitivity on the fair value of investment properties based on each methodology is as follows:

For the sales comparison method, if the prices of the comparable properties were to increase / decrease by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by AED 0.1 million (31 December 2023: the fair value would increase / decrease by AED 3.9 million).

For the Income capitalization method, if the capitalization rate were to decrease / increase by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by AED 20 million/ AED15.5 million respectively. (31 December 2023: the fair value would increase / decrease by AED 7.8 million/ AED 7.3 million respectively)

For 31 December 2023, under the DCF method, if the capitalization rate were to decrease / increase by 0.25% and considering all other assumptions to remain constant, the fair value would increase / decrease by 3.3% / 3.1% respectively.

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

12. Property and equipment

	Properties for own use AED'000	Furniture, fixtures, equipment and vehicles AED'000	Improvements to freehold properties and others AED'000	Right-of-use assets AED'000	Capital work-in- progress AED'000	Total AED'000
<i>Cost</i>						
At 31 December 2022	1,190,424	414,255	248,387	150,377	80,235	2,083,678
Additions during the year	6	53,545	28,948	40,500	22,140	145,139
Transfers	962	3,250	9,390	-	(13,602)	-
Disposals/write-offs/elimination	(438)	(34,032)	(11,756)	(32,976)	-	(79,202)
	1,190,954	437,018	274,969	157,901	88,773	2,149,615
Additions during the year	-	57,486	27,732	64,819	17,427	167,464
Transfers	-	8,033	1,272	-	(9,305)	-
Disposals/write-offs/elimination	(59,692)	(43,735)	(88,262)	(45,013)	-	(236,702)
At 31 December 2024	1,131,262	458,802	215,711	177,707	96,895	2,080,377
<i>Accumulated depreciation and impairment</i>						
At 31 December 2022	281,322	237,393	79,893	89,585	-	688,193
Charge for the year (Note 32)	29,772	53,696	35,695	36,875	-	156,038
Disposals/write-offs/elimination	(306)	(31,412)	(11,658)	(32,975)	-	(76,351)
	310,788	259,677	103,930	93,485	-	767,880
Charge for the year (Note 32)	28,839	53,046	34,553	39,005	-	155,443
Disposals/write-offs/elimination	(34,837)	(37,908)	(65,144)	(44,417)	-	(182,306)
At 31 December 2024	304,790	274,815	73,339	88,073	-	741,017
<i>Carrying amount</i>						
At 31 December 2024	826,472	183,987	142,372	89,634	96,895	1,339,360
At 31 December 2023	880,166	177,341	171,039	64,416	88,773	1,381,735

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

13. Intangible assets

	Software AED'000
<i>Cost</i>	
At 31 December 2022	487,647
Additions during the year	247,039
Disposals/write-offs/elimination	(77,365)
	<hr/>
At 31 December 2023	657,321
Additions during the year	149,054
Disposals/write-offs/elimination	(66,026)
	<hr/>
At 31 December 2024	740,349
	<hr/> <hr/>
<i>Accumulated amortization and impairment</i>	
At 31 December 2022	256,980
Charge for the year (Note 32)	113,845
Disposals/write-offs/elimination	(74,115)
	<hr/>
At 31 December 2023	296,710
Charge for the year (Note 32)	122,265
Disposals/write-offs/elimination	(52,959)
	<hr/>
At 31 December 2024	366,016
	<hr/> <hr/>
<i>Carrying amount</i>	
At 31 December 2024	374,333
	<hr/> <hr/>
At 31 December 2023	360,611
	<hr/> <hr/>

14. Deposits and balances due to banks

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

	2024 AED'000	2023 AED'000
Time	28,230,111	23,646,123
Demand	9,289,142	8,473,770
Overnight	5,855,063	5,215,155
	<hr/>	<hr/>
	43,374,316	37,335,048
	<hr/> <hr/>	<hr/> <hr/>

b) The above represent deposits and balances due to banks from:

	2024 AED'000	2023 AED'000
Banks within the UAE	9,554,641	5,884,355
Banks outside the UAE	33,819,675	31,450,693
	<hr/>	<hr/>
	43,374,316	37,335,048
	<hr/> <hr/>	<hr/> <hr/>

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

15. Repurchase agreements with banks

	2024 AED'000	2023 AED'000
Repurchase agreements	2,075,517	1,062,992

The above repurchase agreements with banks are at an average interest rate of 5.01% (2023: 5.7%) per annum. Collateral provided as security against these Repo borrowings are disclosed in Note 7(f) to the consolidated financial statements.

16. Customers' deposits

a) The analysis of customers' deposits is as follows:

	2024 AED'000	2023 AED'000
Current and other accounts	86,176,336	76,292,432
Saving accounts	11,204,167	6,650,330
Time deposits	46,184,290	49,666,909
	143,564,793	132,609,671

b) Analysis by industry sector:

	2024 AED'000	2023 AED'000
Government and public sector	12,778,569	12,961,466
Commercial and business	87,186,913	84,724,846
Personal	37,249,561	30,758,554
Financial institutions	6,198,823	3,898,712
Other	150,927	266,093
	143,564,793	132,609,671

17. Islamic customers' deposits

a) The analysis of Islamic customers' deposits is as follows:

	2024 AED'000	2023 AED'000
Current and other accounts	8,267,801	5,292,200
Saving accounts	523,524	225,748
Time deposits	8,583,576	8,104,536
	17,374,901	13,622,484

The amount under time deposits include AED 15.5 million relating to Investment risk reserve (31 December 2023: AED 14 million).

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

17. Islamic customers' deposits (continued)

b) Analysis by industry sector:

	2024 AED'000	2023 AED'000
Government and public sector	3,762,282	2,623,643
Commercial and business	9,260,731	8,516,616
Personal	3,775,127	2,325,452
Financial institutions	576,761	156,773
	<u>17,374,901</u>	<u>13,622,484</u>

18. Other liabilities

	2024 AED'000	2023 AED'000
Interest payable	1,089,597	829,669
Negative fair value of derivatives (Note 41)	1,669,256	1,399,096
Accrued expenses	1,515,647	1,249,435
Income received in advance	521,473	672,350
Pay orders issued	857,409	961,370
Provision for employees' end of service indemnity*	306,838	284,207
Provision for taxation	822,542	86,050
Lease liability	79,702	52,583
Others	2,364,916	1,845,605
Allowance for impairment – off balance sheet**	471,155	790,644
	<u>9,698,535</u>	<u>8,171,009</u>

*Provision for employees' end of service indemnity included AED 264 million (2023: AED 259 million) for estimated amounts required to cover employees' end of service indemnity at the reporting date as per UAE Labour Law.

The remaining amount of provision for employees' end of service indemnity relates to overseas branches and subsidiaries outside UAE and is computed based on the local laws and regulations of respective jurisdictions.

**The net reversal of allowance for impairment on off balance sheet and acceptance during the year ended 31 December 2024 amounted to AED 320 million (2023: allowance for impairment of AED 77 million). Refer to note 31.

19. Medium-term loans

	2024 AED'000	2023 AED'000
Medium term notes	2,071,501	5,158,701

The maturities of the medium-term notes (MTNs) issued under the programme are as follows:

<i>Year</i>	2024 AED'000	2023 AED'000
2024	-	3,916,957
2025	699,760	727,299
2026	73,460	-
2027	96,850	62,800
2028	415,049	415,049
2029	786,382	36,596
	<u>2,071,501</u>	<u>5,158,701</u>

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

19. Medium-term loans (continued)

	2024 AED'000	2023 AED'000
U.S. Dollars	1,369,125	3,753,460
Japanese Yen	140,340	312,840
Singapore Dollars	53,876	-
Chinese Yuan	477,042	1,060,259
South African Rand	31,118	32,142
	<u>2,071,501</u>	<u>5,158,701</u>

The Group established a Euro Medium Term Note (EMTN) programme for USD 5 billion (AED 18.37 billion) under an agreement dated 15 March 2010.

During the year ended 31 December 2024, medium-term notes of AED 4 billion were redeemed (31 December 2023: AED 546 million).

20. Insurance and investment contract liabilities and reinsurance contract assets

	2024 AED'000	2023 AED'000
Insurance and investment contract liabilities		
<i>Liabilities for Incurred Claims (LIC) under Premium Allocation Approach (PAA)</i>		
Present value of their future cashflows	3,786,799	3,167,348
Risk adjustment for non-financial risk	263,538	234,587
	<u>4,050,337</u>	<u>3,401,935</u>
<i>Liabilities for Incurred Claims (LIC) not under Premium Allocation Approach (PAA)</i>		
	<u>4,782</u>	<u>2,673</u>
<i>Liabilities for Remaining Coverage (LRC)</i>		
Excluding loss component	1,122,024	816,881
Loss component	22,700	22,678
	<u>1,144,724</u>	<u>839,559</u>
Investment contract liabilities	<u>987,347</u>	<u>1,090,790</u>
	<u>6,187,190</u>	<u>5,334,957</u>
Reinsurance contract assets		
<i>Incurred claims for contracts under Premium Allocation Approach (PAA)</i>		
Present value of future cashflows	2,932,498	2,463,108
Risk adjustment for non-financial risk	208,584	187,756
	<u>3,141,082</u>	<u>2,650,864</u>
<i>Remaining coverage excluding loss-recovery component</i>	<u>229,028</u>	<u>101,908</u>
<i>Remaining coverage loss recovery component</i>	<u>5,365</u>	<u>2,226</u>
<i>Incurred claims for contracts not under PAA</i>	<u>3,673</u>	<u>1,865</u>
	<u>3,379,148</u>	<u>2,756,863</u>

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

21. Issued and paid-up capital and other reserves

(a) Issued and paid-up capital

As at 31 December 2024, 200,609,830 ordinary shares of AED 10 each (2023: 200,609,830 ordinary shares of AED 10 each) were fully issued and paid up.

Other reserves:

The movement in these reserves is as follows:

	Statutory and legal reserve AED'000	General reserve AED'000	Insurance finance income and expenses reserve AED'000	Impairment reserve – General* AED'000	Currency translation reserve AED'000	Investment revaluation reserve AED'000	Total AED'000
2023							
As at 1 January (Restated)	1,027,494	312,000	7,380	-	(130,804)	(1,813,781)	(597,711)
Other comprehensive income/(loss)	-	-	1,074	-	(3,511)	43,250	40,813
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	(5,854)	(5,854)
Transfer to impairment reserve - General	-	-	-	1,130,000	-	-	1,130,000
As at 31 December	<u>1,027,494</u>	<u>312,000</u>	<u>8,454</u>	<u>1,130,000</u>	<u>(134,315)</u>	<u>(1,776,385)</u>	<u>567,248</u>
2024							
As at 1 January	1,027,494	312,000	8,454	1,130,000	(134,315)	(1,776,385)	567,248
Other comprehensive (loss)/income	-	-	(736)	-	(242,447)	(252,357)	(495,540)
Transfer from retained earnings to impairment reserve	-	-	-	365,000	-	-	365,000
Other movements [note 21 (d)]	-	-	-	-	(792,605)	-	(792,605)
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	(3,556)	(3,556)
As at 31 December	<u>1,027,494</u>	<u>312,000</u>	<u>7,718</u>	<u>1,495,000</u>	<u>(1,169,367)</u>	<u>(2,032,298)</u>	<u>(359,453)</u>

*** Impairment reserve – General**

Impairment reserve – General is a non-distributable reserve held to meet provision requirement under Credit Risk Management Regulation & Standards (CRMS) issued by Central Bank of UAE.

As per CRMS, in case where provision for impairment required by CB UAE (1.5% of Credit Risk Weighted Assets) exceeds the amount for Stage 1 and 2 expected credit loss under IFRS 9, the bank can transfer the excess amount as a non-distributable impairment reserve in Equity. The amount held in the impairment reserve-general is deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

	2024 AED'000	2023 AED'000
Regulatory general provision - under CRMS	<u>2,560,746</u>	<u>2,382,553</u>
Aggregate expected credit loss for stage 1 and 2	1,252,699	1,395,215
Impairment reserve - General	1,495,000	1,130,000
As at 31 December	<u>2,747,699</u>	<u>2,525,215</u>

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

21. Issued and paid-up capital and other reserves (continued)

(b) Statutory and legal reserves

In accordance with UAE Federal Law No. 32 of 2021, 10% of net profit for the year is to be transferred to the statutory reserve. Such transfers to reserves may cease when they reach the levels established by the respective regulatory authorities (in the UAE, this level is 50% of the issued and paid up share capital). The legal reserve relates to the Group's foreign operations. Neither the statutory reserve nor the legal reserve is available for distribution.

(c) General reserve

The general reserve is computed pursuant to the Bank's Articles of Association and can be used for the purposes determined by the Annual General Meeting.

(d) *Currency translation reserve*

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. AED), are recognised directly in consolidated statement of comprehensive income and accumulated in the Currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the Currency translation reserve. Exchange differences previously accumulated in the Currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to the consolidated statement of profit or loss on the disposal or reduction of net equity via distribution of the foreign operation.

Included within other movements is an amount of AED 792.61 million relating to the cumulative impact of foreign currency translation adjustments pertaining to Mashreqbank Egypt Branch which has been accounted for during the current year.

(e) *Investments revaluation reserve*

Investments revaluation reserve shows the effects from the fair value measurement of financial assets measured at FVTOCI. The change in fair value for the year amounted to a loss of AED 233 million (2023: gain of AED 56 million) and was reflected in the consolidated statement of comprehensive income [Note 7(k)].

(f) *Dividends on equity instruments*

At the Annual General Meeting of the shareholders held on 22 February 2024, the shareholders approved a cash dividend of 185% for the year ended 31 December 2023 (31 December 2022: Cash dividend of 90%) of the issued and paid up capital amounting to AED 3.7 billion (31 December 2022: AED 1.8 billion).

22. Non-controlling interests

	2024	2023
	AED'000	AED'000
At beginning of the year	984,431	909,383
Share of profit for the year	100,175	87,060
Share of other comprehensive income for the year	19,113	13,671
Dividend paid	(32,675)	(32,955)
Transaction with non-controlling interests	(3,615)	7,272
At end of the year	1,067,429	984,431

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

23. Contingent liabilities and commitments

(a) The analysis of the Group's contingent liabilities and commitments is as follows:

	2024 AED'000	2023 AED'000
Guarantees	23,677,271	26,275,568
Letters of credit	14,633,158	13,286,749
Commitments for capital expenditure	444,615	263,099
At end of the year	38,755,044	39,825,416

(b) Irrevocable undrawn credit facilities commitments as at 31 December 2024 amounted to AED 14.70 billion (2023: AED 11.96 billion).

The analysis of contingent liabilities and commitments by geographic region and industry sector is shown in Note 38 to the consolidated financial statements.

24. Interest income

	2024 AED'000	2023 AED'000
Loans and advances to customers	7,421,609	6,330,191
Loans and advances to banks	3,309,203	2,723,576
Central banks	1,453,681	1,282,955
Securities measured at amortised cost	427,585	519,903
Financial assets measured at fair value	1,659,270	1,109,868
	14,271,348	11,966,493

25. Income from Islamic financing and investment products

	2024 AED'000	2023 AED'000
<i>Financing</i>		
Murabaha	1,071,288	776,676
Ijarah	243,861	285,674
Other	12,802	10,902
	1,327,951	1,073,252
<i>Investment</i>		
Wakalah	266,838	153,926
Other	72,079	63,710
	338,917	217,636
Total	1,666,868	1,290,888

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

26. Interest expense

	2024	2023
	AED'000	AED'000
Customers' deposits	4,782,745	3,283,288
Deposits and balances due to banks	1,772,232	1,363,864
Medium-term loans	192,559	260,149
Subordinated debt	144,624	144,260
	6,892,160	5,051,561

27. Distribution to depositors – Islamic products

This represents the share of income allocated to depositors of the Group. The allocation and distribution to depositors is approved by the Group's Internal Shari'ah Supervision Committee.

28. Net fee and commission income

	2024	2023
	AED'000	AED'000
<i>Fee and commission income</i>		
Commission income	574,580	699,576
Fees and charges on banking services	1,199,456	957,937
Credit card related fees	2,601,110	2,405,662
Others	184,987	176,571
Total	4,560,133	4,239,746
<i>Fee and commission expenses</i>		
Commission expense	(18,021)	(33,053)
Insurance commission	(675,041)	(583,969)
Credit card related expenses	(2,136,257)	(2,004,181)
Others	(266,309)	(185,994)
Total	(3,095,628)	(2,807,197)
Net fee and commission income	1,464,505	1,432,549

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

29. Net investment income

	2024	2023
	AED'000	AED'000
Net realised gain from sale of other financial assets measured at FVTPL	107,720	63,697
Unrealised gain on other financial assets measured at FVTPL [Note 7(j)]	16,077	15,805
Dividend income from other financial assets measured at FVTPL	830	1,384
Net realised gain/(loss) from sale of other financial assets measured at amortised cost/ FVTOCI	38,023	(99,711)
Dividend income from other financial assets measured at FVTOCI [Note 7 (i)]	65,926	48,537
	228,576	29,712

30. Other income, net

	2024	2023
	AED'000	AED'000
Foreign exchange gains	1,093,166	667,607
Insurance related income	915,778	794,511
Gain on disposal of property and equipment	12,857	56,324
Unrealised (loss)/gain on derivatives	17,248	(8,548)
Unrealised gain on investment properties (Note 11)	10,426	13,005
Others*	1,285,036	108,257
	3,334,511	1,631,156

*Included within others during the year is a capital gain of AED 1,211 million from the sale of 65% of the Bank's direct interest in IDFAA Payment Service LLC.

The transaction was completed on 30th December 2024 after the conditions precedent defined in the Sale Purchase Agreement materialized, the Bank lost control and the entity was deconsolidated. This resulted in a total consideration of AED 1,285 million, consisting of a fixed consideration of AED 846 million in cash, a contingent consideration measured at net present value of AED 179 million recognized in other assets and an investment in associate measured at fair value of AED 260 million. The capital gain of 1,211 million is net of the book value of the subsidiary at 30th December 2024 of AED 74 million. The Group retains significant influence in IDFAA through 35% indirect ownership via its 100 % subsidiary Citrus Ventures Holding Ltd.

31. Net impairment reversal

	2024	2023
	AED'000	AED'000
Loans and advances to banks [Note 6(c)]	(16,553)	22,285
Securities measured at amortised cost [Note 7(d)]	(14,549)	18,925
Financial assets measured at FVTOCI	1,862	4,003
Loans and advances to customers [Note 8(d)]	58,683	(1,238,374)
Islamic financing and investment products [Note 9(c)]	(249,032)	(96,973)
Other assets	263,183	(4,184)
Change in impairment allowance on off-balance sheet items	(319,727)	(76,936)
Loans and advances to customers including Islamic financing and investment products written off	285,815	249,199
Recovery of loans and advances to customers including Islamic financing and investment products previously written off	(175,747)	(246,739)
	(166,065)	(1,368,794)

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

32. General and administrative expenses

	2024	2023
	AED'000	AED'000
Salaries and employees related expenses	2,134,424	1,929,004
Depreciation on property and equipment (Note 12)	155,443	156,038
Amortisation on intangible assets (Note 13)	122,265	113,845
Social contribution	1,000	533
Others	1,282,732	1,142,435
	<u>3,695,864</u>	<u>3,341,855</u>

33. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the year:

	2024	2023
	AED'000	AED'000
Profit for the year (AED'000) (Attributed to owners of the Parent)	8,917,202	8,589,356
Weighted average number of shares in issue	200,609,830	200,609,830
Basic earnings per share (AED)	44.45	42.82

34. Proposed dividends

The board of Directors has proposed 211% cash dividend for the year ended 31 December 2024 at their meeting held on 30 January 2025.

35. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, certificates of deposits, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as below:

	2024	2023
	AED'000	AED'000
Cash on hand	1,762,079	1,677,242
Current accounts and other balances with central banks	23,620,228	29,747,449
Certificates of deposit maturing within 3 months	400,000	100,000
Loans and advances to banks with original maturity of less than 3 months	13,168,059	6,581,769
	<u>38,950,366</u>	<u>38,106,460</u>

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

36. Investment in subsidiaries and associate

At 31 December 2024 and 31 December 2023, Mashreqbank PSC Group (the “Group”) comprises of the Bank and the following direct subsidiaries:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)		Principal activity
		31 December 2024	31 December 2023	
<i>Subsidiary</i>				
Sukoon Insurance (PJSC)	United Arab Emirates	64.76%	64.76%	Insurance & reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00%	100.00%	IT services
Mashreq Securities LLC	United Arab Emirates	100.00%	100.00%	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00%	100.00%	Asset and fund management
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80%	99.80%	Islamic finance company
Injaz Services FZ LLC	United Arab Emirates	100.00%	100.00%	Service provider
Invictus Limited	Cayman Islands	100.00%	100.00%	Special purpose vehicle
Al Taqania Employment Services One Person Company LLC*	United Arab Emirates	100.00%	100.00%	Employment services
Al Kafaat Employment Services One Person Company LLC*	United Arab Emirates	100.00%	100.00%	Employment services
Mashreq Global Network	Egypt	100.00%	100.00%	Employment services
Mashreq Global Services (SMC Private) Limited	Pakistan	100.00%	100.00%	Employment services
IDFAA Payment Services LLC	United Arab Emirates	-	100.00%	Payment service provider
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00%	100.00%	Trading
Osool – A Finance Company (PJSC)*	United Arab Emirates	100.00%	100.00%	Finance
Mashreq Bank Pakistan Limited	Pakistan	100.00%	100.00%	Banking
Neo Ventures Ltd	United Arab Emirates	100.00%	100.00%	Corporate venture capital company
Citrus Ventures Holding Ltd	United Arab Emirates	100.00%	-	Special purpose vehicle

* Under liquidation.

As at 31 December 2024 and 31 December 2023, the Bank had the following associates and joint venture:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
<i>Associate</i>			
Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service
<i>Joint venture</i>			
Noon Digital Pay LLC	United Arab Emirates	51.00%	Digital wallet service

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

37. Related party transactions

a) Certain related parties (such as, directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

b) Related party balances included in the consolidated statement of financial position are as follows:

	2024 AED'000	2023 AED'000 (Restated)
<i>Balances with major shareholders</i>		
Loans and advances to customers	2,506,660	2,841,401
Deposits/financial instruments under lien	1,647,558	791,963
Letter of credit and guarantees	1,576,704	1,383,801
<i>Balances with directors and key management personnel</i>		
Loans and advances to customers	153,630	123,089
Deposits/financial instruments under lien	364,947	391,189
Letter of credit and guarantees	7,212	251
<i>Balances with associates and joint venture</i>		
Loans and advances	376,534	-
Deposits/financial instruments under lien	26,031	76,625
Letter of credit and guarantees	25,000	25,000

c) Profit for the period includes related party transactions as follows:

	2024 AED'000	2023 AED'000
<i>Transactions with major shareholders</i>		
Interest income	165,175	183,025
Interest expense	11,843	5,154
Other income	26,518	27,902
<i>Transactions with directors and key management personnel</i>		
Interest income	6,819	6,036
Interest expense	6,077	2,150
Other income	47	9
<i>Transactions with associates and joint venture</i>		
Other income	2	-

d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

e) Compensation of key management personnel comprises of salaries, bonuses and other benefits amounted in total to AED 83 million (2023: AED 76 million).

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

38. Concentration of assets, liabilities and off-balance sheet items

	31 December 2024			31 December 2023		
	Assets AED'000	Liabilities AED'000	Letter of credit and guarantees AED'000	Assets AED'000	Liabilities AED'000	Letter of credit and guarantees AED'000
<i>a) Geographic regions</i>						
UAE	130,570,914	156,584,922	24,647,847	129,440,550	138,304,360	22,739,543
Other Middle East countries	57,309,619	24,811,561	5,227,897	51,263,373	25,315,371	5,204,523
O.E.C.D.	38,296,615	16,659,543	3,267,099	30,466,026	18,201,266	5,802,239
Others	41,276,010	31,616,938	5,167,586	28,810,660	26,841,822	5,816,012
	<u>267,453,158</u>	<u>229,672,964</u>	<u>38,310,429</u>	<u>239,980,609</u>	<u>208,662,819</u>	<u>39,562,317</u>
<i>b) Industry sectors</i>						
Government and public sector	27,442,105	17,447,048	9,107	31,071,637	15,873,822	-
Commercial and business	85,125,474	101,358,788	28,311,026	69,880,726	98,982,252	24,753,810
Personal	28,538,597	42,411,564	610,069	26,563,307	34,442,362	195,587
Financial institutions	124,502,618	67,289,402	9,370,531	110,365,897	58,139,572	14,612,920
Others	1,844,364	1,166,162	9,696	2,099,042	1,224,811	-
At 31 December 2024	<u>267,453,158</u>	<u>229,672,964</u>	<u>38,310,429</u>	<u>239,980,609</u>	<u>208,662,819</u>	<u>39,562,317</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****39. Segmental information**

IFRS 8 – Operating Segments – requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

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

The Group's reportable segments under IFRS 8 are therefore as follows:

- a) Wholesale segment comprises of corporate and commercial banking. It also includes global Financial Institution and international corporate business. It offers complete suite of corporate banking products such as Trade finance, contracting finance, project finance, investment banking, cash management, correspondent banking and Islamic products.
- b) The Retail segment includes products and services offered to individuals or small businesses within U.A.E and Egypt. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking, SME, private banking, wealth management services and Islamic products.
- c) The Treasury & Capital Markets segment consists of customer flow business and proprietary business and funding centre management. Customer flow business includes transactions for foreign exchange, derivatives, margin FX, futures, hedging, investment products, domestic equities (brokerage) and asset management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.
- d) Insurance & Others consist of the insurance subsidiary, Sukoon Insurance Group whose product offerings include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance. It also consists of Head office and certain investments and assets held centrally due to their strategic significance to the Group

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and tax expenses.

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

39. Segmental information (continued)

	31 December 2024				
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	3,432,025	2,834,663	734,046	1,387,377	8,388,111
Fee and commission, net investment and other income	1,350,271	1,427,797	417,545	1,831,979	5,027,592
Operating income	4,782,296	4,262,460	1,151,591	3,219,356	13,415,703
General and administrative expenses	(1,234,018)	(1,946,052)	(170,827)	(344,967)	(3,695,864)
Operating profit before impairment					9,719,839
Net impairment reversal					166,065
Profit before taxes					9,885,904
Tax expense					(868,527)
Profit for the year					9,017,377
<i>Attributed to:</i>					
Owners of the Parent					8,917,202
Non-controlling interests					100,175
					9,017,377
Segment Assets	145,352,620	31,958,290	59,557,145	30,585,103	267,453,158
Segment Liabilities	120,813,545	74,432,274	20,841,120	13,586,025	229,672,964

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

39. Segmental information (continued)

	31 December 2023				
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	3,370,323	2,656,619	697,415	985,293	7,709,650
Fee and commission, net investment and other income	1,095,906	1,296,875	294,931	405,705	3,093,417
Operating income	4,466,229	3,953,494	992,346	1,390,998	10,803,067
General and administrative expenses	(1,118,236)	(1,717,776)	(154,591)	(351,252)	(3,341,855)
Operating profit before impairment					7,461,212
Net impairment Charge					1,368,794
Profit before taxes					8,830,006
Tax expense					(153,590)
Profit for the year					8,676,416
<i>Attributed to:</i>					
Owners of the Parent					8,589,356
Non-controlling interests					87,060
					8,676,416
Segment Assets	126,500,499	28,896,099	59,412,605	25,171,406	239,980,609
Segment Liabilities	113,844,776	63,595,569	18,706,914	12,515,560	208,662,819

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

39. Segmental information (continued)

Geographical information

The Group operates in four principal geographical areas - UAE. (Country of domicile), other Middle East Countries (Kuwait, Bahrain, Egypt and Qatar), O.E.C.D. (USA and UK) and other countries (India and Hong Kong).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Operating income from external customers*		Non-current assets**	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
UAE	12,133,363	8,183,177	1,725,588	2,165,513
Other Middle East countries	793,086	1,791,784	86,711	55,013
O.E.C.D.	349,634	669,561	20,428	14,424
Other countries	139,620	158,545	32,586	9,443
	13,415,703	10,803,067	1,865,313	2,244,393

*Operating income from external customers is based on the Group's operational centres.

**Non-current assets include property & equipment, intangible assets and investment properties. The additions to non-current assets during the year relate to investment properties, property & equipment and intangible assets which has been disclosed in note 11, 12 and 13. Refer to note 12 and 13 for depreciation and amortisation, and note 11 for the sale of investment property.

Revenue from major products and services

Revenue from major products and services are disclosed in Notes 24, 25, 28, 29 and 30 in the consolidated financial statements.

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2024 and 2023.

40. Classification of financial assets and liabilities

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

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
<i>Financial assets:</i>				
Cash and balances with central banks	-	-	40,592,508	40,592,508
Loans and advances to banks	-	-	52,271,604	52,271,604
Financial assets measured at fair value	2,246,574	24,080,960	-	26,327,534
Securities measured at amortised cost	-	-	9,797,117	9,797,117
Loans and advances to customers	-	-	103,080,846	103,080,846
Islamic financing and investment products	-	-	21,677,551	21,677,551
Acceptances	-	-	3,495,184	3,495,184
Other assets	2,297,670	-	1,641,831	3,939,501
Total	4,544,244	24,080,960	232,556,641	261,181,845

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

40. Classification of financial assets and liabilities (continued)

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

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
<i>Financial liabilities:</i>				
Deposits and balances due to banks	-	-	43,374,316	43,374,316
Repurchase agreements with banks	-	-	2,075,517	2,075,517
Customers' deposits	-	-	143,564,793	143,564,793
Islamic customers' deposits	-	-	17,374,901	17,374,901
Acceptances	-	-	3,495,184	3,495,184
Medium-term loans	-	-	2,071,501	2,071,501
Subordinated debt	-	-	1,831,027	1,831,027
Other liabilities	1,669,256	-	6,378,425	8,047,681
Total	1,669,256	-	220,165,664	221,834,920

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

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
<i>Financial assets:</i>				
Cash and balances with central banks	-	-	41,760,286	41,760,286
Loans and advances to banks	-	-	39,127,032	39,127,032
Financial assets measured at fair value	2,835,285	23,196,584	-	26,031,869
Securities measured at amortised cost	-	-	9,951,525	9,951,525
Loans and advances to customers	-	-	93,603,237	93,603,237
Islamic financing and investment products	-	-	16,752,242	16,752,242
Acceptances	-	-	3,536,930	3,536,930
Other assets	2,011,891	-	1,616,341	3,628,232
Total	4,847,176	23,196,584	206,347,593	234,391,353
<i>Financial liabilities:</i>				
Deposits and balances due to banks	-	-	37,335,048	37,335,048
Repurchase agreements with banks	-	-	1,062,992	1,062,992
Customers' deposits	-	-	132,609,671	132,609,671
Islamic customers' deposits	-	-	13,622,484	13,622,484
Acceptances	-	-	3,536,930	3,536,930
Medium-term loans	-	-	5,158,701	5,158,701
Subordinated debt	-	-	1,831,027	1,831,027
Other liabilities	1,399,096	-	5,729,306	7,128,402
Total	1,399,096	-	200,886,159	202,285,255

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****41. Derivatives**

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes. These derivative financial instruments are based on observable market inputs - i.e. Level 2:

- (a) Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.
- (b) Credit Default Swap (CDS) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a debt instrument goes into default and fails to pay.
- (c) Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are marked to market daily.
- (d) Forward rate agreements are similar to interest rate futures, but are individually negotiated. They call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.
- (e) Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

The Group measures a net Credit Value Adjustment (CVA) on outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is computed on all OTC derivatives asset classes including Foreign Exchange, Interest Rates, Equities and Commodities etc. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses in the derivatives portfolios. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. Internally the Group manages and monitor the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA).

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

41. Derivatives (continued)

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 years AED'000	Over 5 years AED'000
<i>31 December 2024</i>								
<i>Derivatives held for trading</i>								
Forward foreign exchange contract	508,388	671,981	132,677,376	121,894,686	5,556,914	4,955,310	270,466	-
Foreign exchange options (bought)	44,618	44,617	2,228,846	535,580	792,015	901,251	-	-
Foreign exchange options (sold)	-	-	1,612,346	344,841	540,006	727,499	-	-
Interest rate swaps	1,708,548	849,055	36,570,624	2,675,038	3,942,123	3,604,238	9,362,639	16,986,586
Credit default swaps	-	4,426	55,095	-	-	-	36,730	18,365
Currency swap	6,468	3,609	1,356,105	1,356,105	-	-	-	-
Futures contracts purchased (Customer)	8,528	8,251	731,388	726,424	4,964	-	-	-
Futures contracts sold (Customer)	32	3,356	158,113	158,113	-	-	-	-
Futures contracts purchased (Bank)	8,251	8,757	811,859	806,895	4,964	-	-	-
Futures contracts sold (Bank)	3,356	32	158,113	158,113	-	-	-	-
Total	2,288,189	1,594,084	176,359,865	128,655,795	10,840,986	10,188,298	9,669,835	17,004,951
<i>Held as fair value hedge</i>								
Interest rate swap	9,481	75,172	917,289	187,744	256,136	203,828	269,581	-
Total	2,297,670	1,669,256	177,277,154	128,843,539	11,097,122	10,392,126	9,939,416	17,004,951

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

41. Derivatives (continued)

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 year AED'000	Over 5 years AED'000
<i>31 December 2023</i>								
<i>Derivatives held for trading</i>								
Forward foreign exchange contract	260,010	231,590	65,196,411	55,681,660	3,415,064	4,607,736	1,418,011	73,940
Foreign exchange options (bought)	1,825	1,825	2,155,314	1,937,040	218,274	-	-	-
Foreign exchange options (sold)	-	-	1,195,570	1,079,103	116,467	-	-	-
Interest rate swaps	1,711,800	1,039,475	32,173,976	177,091	663,471	703,557	15,683,937	14,945,920
Credit default swaps	-	3,001	55,095	-	-	-	36,730	18,365
Futures contracts purchased (Customer)	2,561	12,451	1,092,242	1,089,731	2,511	-	-	-
Futures contracts sold (Customer)	592	1,319	115,030	113,484	1,546	-	-	-
Futures contracts purchased (Bank)	12,488	2,561	1,106,127	1,103,616	2,511	-	-	-
Futures contracts sold (Bank)	1,318	592	115,030	113,484	1,546	-	-	-
Total	1,990,594	1,292,814	103,204,795	61,295,209	4,421,390	5,311,293	17,138,678	15,038,225
<i>Held as fair value hedge</i>								
Cross-currency swap	21,297	106,282	1,735,231	17,447	104,864	719,007	816,448	77,465
Total	2,011,891	1,399,096	104,940,026	61,312,656	4,526,254	6,030,300	17,955,126	15,115,690

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

42. Capital management

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

- To comply with the capital requirements set by the Basel Committee on Banking Supervision (BCBS) and the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base and capital buffer to support the development of its business and provide adequate cushion to withstand a variety of stress scenarios and/or unforeseen risks.

Regulatory capital

On June 26, 2012, the BCBS issued the Basel III rules on the information banks must publicly disclose when detailing the composition of their capital, which set out a framework to ensure that the components of banks capital bases are publicly disclosed in standardised formats across and within jurisdictions for banks subject to Basel III.

Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banks to hold capital in excess of regulatory minimums.

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The Parent company and overseas banking operations are directly supervised by their local regulators. In February 2017, the Central Bank of the UAE published enhanced regulatory capital rules vide notifications 52 and 60/2017 which implemented Basel III in the UAE.

The Group's regulatory capital is analysed into two tiers, in line with the Central Bank regulation:

- Tier 1 capital, split into Common equity tier 1 (CET 1) which includes issued and paid-up share capital, retained earnings, statutory and legal reserves, accumulated other comprehensive income and Additional tier 1 (AT 1) comprising of instrument issued by banks which are eligible for inclusion on AT 1 and are not included in CET 1
- Tier 2 capital, which includes collective allowance for impairment and qualifying subordinated liabilities.
- Regulatory adjustment is applied in CET 1, capital consisting mainly of goodwill and other intangibles, deferred tax assets. Additionally, threshold deduction is applied in case of exceeding the threshold limit.

As per the Central bank regulation for Basel III, the Bank is required to comply with the following minimum capital requirement:

- i) CET1 must be at least 7% of risk weighted assets (RWA);
- ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
- iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA).
- iv) In addition, banks are required to maintain a capital conservation buffer (CCB) of 2.5% of risk weighted assets (RWA) and Countercyclical Buffer (CCYB), calculated based on geographic composition of the bank's portfolio of credit exposures, in the form of CET 1.

The Group's assets are risk-weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

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

42. Capital management (continued)

Regulatory capital (continued)

As part of its Capital Management, the Bank conducts an Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate to the Central Bank of the UAE that the Bank has implemented methods and procedures to ensure adequate capital resources and action plans in stress conditions, with due attention to all material risks. The Central Bank of the UAE conducts a Supervisory Review and Evaluation Process (SREP) to assess the soundness of the Bank's ICAAP.

The Group's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Historically the Group has followed a conservative dividend policy to increase capital from internal resources to meet future growth. To further strengthen the capital base and to ensure effective management of capital, the Group has issued medium-term floating rates notes.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

a) The Group's regulatory capital positions as at 31 December 2024 and 31 December 2023 were as follows:

	2024	2023
	AED'000	AED'000
<i>Common equity Tier 1 capital</i>		
Issued and paid-up capital	2,006,098	2,006,098
Statutory and legal reserve	1,027,494	1,027,494
General reserve	312,000	312,000
Currency translation reserve	(1,169,367)	(134,315)
Investments revaluation reserve	(2,042,235)	(1,776,385)
Retained earnings	27,894,851	22,946,832
Less: Regulatory deductions	(393,640)	(313,924)
Total (A)	27,635,201	24,067,800
Additional Tier 1 capital	2,938,400	1,101,900
Total Tier 1 capital (B)	30,573,601	25,169,700
Tier 2 capital		
Subordinated debt	1,831,027	1,831,027
Collective impairment allowance	1,043,916	1,985,461
Total	2,874,943	3,816,488
Total capital base (C)	33,448,544	28,986,188
Credit risk	170,716,431	158,836,848
Market risk	2,679,453	2,881,726
Operational risk	17,861,805	13,813,001
Total risk-weighted assets (D)	191,257,689	175,531,575
Capital adequacy ratio [(C)/(D) x 100]	17.49%	16.51%

The capital adequacy ratio is calculated after deduction of proposed dividend as required by the Standards for Capital Adequacy issued by UAE Central Bank.

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

42. 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 on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (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 Group 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 Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

43. Risk management

The Risk Management Group ("RMG") is responsible for identifying, analysing, measuring, and managing risk to ensure that the Group (i) remains within its risk appetite; and (ii) generates sustainable risk-adjusted returns as mandated by the shareholders.

The Group is exposed to the following Financial and Non-Financial risks:

- Credit risk
- Market and Counterparty Credit Risk
- Operational risk & Resilience
- Liquidity risk
- Model Risk
- Shari'ah Non-Compliance Risk
- Reputational Risk
- Compliance and Regulatory Risk
- Environmental, Social and Governance Risk
- Strategic Risk
- Information Security Risk

The Group's ability to consistently foster a robust risk management culture and framework is an important factor in its financial strength and stability.

Risk Management Framework

The Board of Directors (the "Board") through the Board Risk, Compliance and Environmental Social Governance Committee ("BRCEG") has overall responsibility for establishment and oversight of the Group's risk management framework. They are assisted by various Board level and Management level committees for fulfilling their responsibilities, e.g. the Executive Management Committee ("ExCo"), Group Risk Committee ("GRC"), Assets and Liabilities Committee ("ALCO"), Compliance Risk Management Committee ("CRMC") and Information Security Committee ("ISC"). These committees are appointed by the Board to assist in carrying out its functions with respect to all aspects of risk management. The roles and delegated authorities of these committees are set out in their respective Terms of References (ToRs)/ Charters.

While the Board carries ultimate responsibility for overall risk management, the GRC assists the Board/Board Risk, Compliance and ESG Committee in discharging these responsibilities including functioning as a management committee, for day-to-day management of risks in-line with the approved risk framework and within the Group Risk Appetite Statement (GRAS).

The GRC has overall responsibility for oversight of risk management framework and risk appetite of the Group. The GRC is also responsible for the approval of risk management policies and procedures of the Group, to ensure adherence to the approved policies and close monitoring of different risks within the Group. The GRC also approves policy exceptions, establishes, and monitors various concentration limits (such as limits for country, industry sector etc.) as part of the risk appetite and reviews credit portfolio to manage asset quality.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)**

The Risk Management Group (“RMG”) is independent of business groups and is led by a Chief Risk Officer (“CRO”) with responsibility for deploying group risk management and oversight of all material risks within the Group. The RMG is primarily responsible for defining the framework for management of all material risks within the Group.

The Internal Audit Group (“IAG”) acts as the third line of defence function within the Group, independent from both the business units (“first line of defence”) and Risk Management and Compliance (“second line of defence”). IAG provides independent assurance to stakeholders and senior management on compliance with all risk policies and procedures in the Group and the effectiveness of the risk management processes. This is undertaken through periodic reviews of all risk-taking units within the Bank, in addition to Risk Management.

Capital Management

The Group’s capital management ensures that regulatory requirements are met and that the Group’s operating activities, including its branches and subsidiaries, are capitalized in line with the Group’s risk appetite, target ratios and in accordance with local regulatory requirements.

The Bank’s capital management approach further aims to facilitate the allocation and use of capital to generate a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Group’s budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the Group’s quarterly Internal Capital Adequacy Assessment Process. The capital management approach is set and governed primarily by the ALCO.

Risk Appetite & Stress Testing

The key to the Group’s long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and strategy.

Risk Appetite for the Group is set and approved by the BRCEG. The Group’s risk appetite statement is disseminated down to business groups in alignment with business strategies for these groups.

Stress testing is a key management tool within the Group used to evaluate the sensitivity of current and forward risk profiles to shocks of varying nature and severity. Stress testing within the Group is governed by the Group’s stress testing policy which sets out the approaches for stress testing and associated roles and responsibilities. The primary governance committee overseeing risk appetite and stress testing is the BRCEG.

Internal Capital Adequacy Assessment Process (ICAAP)

The purpose of the ICAAP is to ensure that the Bank assesses and maintain sufficient capital to cover their material risk and remain resilient under both normal and stressed conditions, and to inform the Board of the ongoing assessment of the bank’s risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

This process includes the computation of the bank’s aggregated capital and the monitoring of the Group’s capital adequacy under a variety of stressed scenarios to assess and report the impact upon the Group’s capital buffer (measured as available capital less required risk capital) and recommending actions, as warranted. The risk assessment is approved by the BRCEG as part of the ICAAP submission

Credit risk management

Credit risk is the risk of suffering financial loss as a result of any of the Group’s customers failing or unwilling to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

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

43. Risk management (continued)

Credit risk management (continued)

The Chief Credit Officer (“CCO”) of the Group is responsible for overseeing relevant aspects of credit risk management supported by a team of experienced and trained credit risk managers. The CCO and credit risk managers have delegated authority within the risk management framework to approve credit transactions and manage credit risk on an ongoing basis.

Credit risk is the single largest risk from the Group’s business of extending Loans and Advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. Credit risk management and controls are centralized under the CCO function with regular governance and monitoring exercised by the BRCEG, Board Credit Committee (“BCC”) and Group Risk Committee (“GRC”).

Specifically, BCC reviews and approves credit proposals that are beyond lending authorities delegated to management by the Board of Directors. In addition, BRCEG and BCC monitors key elements of the Bank’s credit risk profile relative to the Bank’s risk appetite. The Board Committees are supported by GRC through detailed review and monitoring of credit portfolio, including exposure concentrations.

An Early Alert Committee (“EAC”) is also in place to review and proactively identify potential problematic exposures within CIBG and IBG business groups and determine appropriate strategies. The EAC, along with the IFRS 9 Committee (a forum in place to oversee all aspects of Mashreq’s IFRS 9 framework), plays an important role in ensuring that credit fundamentals are linked to determination of Significant Increase in Credit Risk (SICR) and staging for IFRS 9 purposes.

Loans and advances (including loan commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

Under IFRS 9, bank estimates expected credit loss (ECL) based on macro adjusted PD, LGD & EAD measures. Additionally, it also captures deterioration and lifetime likelihood of defaults. Over the course of 2024, all the IFRS 9 PD models underwent performance monitoring reviews with additional data points incorporated in alignment with the Model Monitoring Standards

Credit risk grading

The Group uses specific internal rating models tailored to various industry segments/counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) are an input into this rating model. This is further supplemented with external data input. The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is lower than the difference in the PD between a 18 and 20 rating grade.

The Risk Rating system for performing assets ranges from 1 to 25, each grade being associated with a PD. Non-performing borrowers are rated 50, 60, 70 and 80, corresponding to NAUR (Non-accrual Under Restructuring), Substandard, Doubtful, Loss classifications and 99 for Write-off.

Borrower risk ratings are mapped into the following 5 Grades:

Grade	Risk Rating	Definition
Grade 1	1-12	Low Risk
Grade 2	13-17	Satisfactory Risk
Grade 3	18-20	High Risk
Grade 4	21-25	Watch List
Grade 5	50,60,70,80	Impaired

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)***Expected credit loss measurement*

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a Significant Increase in Credit Risk (‘SICR’) since initial recognition is identified, then the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Amongst other factors, the identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run. Other factors include restructuring and account irregularities.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.
- Financial assets in Stage 1 have their ECL measured at an amount equal to lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.
- Financial assets in Stage 3 are measured at an amount equal to lifetime expected credit losses or specific provision.

Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced SICR when a significant change in probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date. In addition, a range of qualitative criteria are also considered.

*Quantitative criteria**Corporate loans:*

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

- Operating performance
- Operating efficiency
- Debt service/ covenant breaches
- Distressed restructure
- Account performance/irregularities
- Liquidity assessment
- Capital structure.

Retail:

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

- Adverse findings for an account/ borrower as per credit bureau data;
- Loan rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Treasury:

- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the investment’s expected performance & behaviour of borrower (collateral value, payment holiday, payment to income ratio etc.).

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

43. Risk management (continued)

Expected credit loss measurement (continued)

Qualitative criteria:

Corporate Loans

For corporate loans, the following is also considered in determining a significant increase in probability of default:

- Net worth erosion
- Fraudulent activity
- Significant operations disruption
- Departure of key members of management
- Industry outlook
- Income stability Unavailable/inadequate financial information/financial statements
- Qualified report by external auditors
- Pending significant litigation
- Increase in operational risk
- Continued delay and non-cooperation by the borrower in providing key relevant documentation

Backstop:

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward-looking information. The borrower is also flagged in the system and is therefore subject to closer monitoring.

Definition of default and credit-impaired assets

The Group defines a set of criteria and conditions used to determine whether an entity is considered to have 'defaulted'. A default is considered to have occurred with regard to a particular obligor when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:

- The Bank considers that the obligor is unlikely to pay its credit obligation to the Group in full without recourse by the Bank to actions like realizing security (if held).
- The Bank puts the credit obligation on a non-accrued status.
- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
- The Bank sells the credit obligation at a material credit-related economic loss.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The Bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Banking Group.
- The obligor is past due more than 90 days on any material credit obligation to the Banking Group.

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

43. Risk management (continued)

Definition of default and credit-impaired assets (continued)

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

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

During economically challenging periods, the Group may choose to increase the scenario weightage of the pessimistic scenario under guidance from respective regulatory authorities in order to maintain higher level of ECL provisions & lower the scenario weightage of pessimistic scenario once a favourable trend is noticed in the macro economic climate.

The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs term structure gets refreshed every 3 months. The update was last made in September 2024.

The Group has implemented risk rating models since 2005 which has enabled the Bank to rate borrowers based on their financial and qualitative information. These models have undergone periodic performance monitoring exercise and rating models are used as an input into IFRS 9 macroeconomic models to derive a PD term structure for each rating grade in the IFRS 9 ECL computation.

In 2024, all the IFRS 9 PD models underwent performance monitoring reviews in alignment with the Model Monitoring Standards.

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

- For amortising products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)*****Measuring ECL – Explanation of inputs, assumptions, and estimation techniques (continued)***

- For revolving committed products, the exposure at default is predicted by taking current drawn balance and considering a “credit conversion factor” which allows for the expected drawdown of the remaining committed limit by the time of default.
- For contingent products like LC & LG, the exposure at default is predicted using a Credit conversion factor inline with the Basel regulatory guidelines.

The LGDs are determined based on the factors which impact recoveries made following default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set by different borrower segments (e.g. Corporates, Financial Institutions etc.) in order to reflect differences in asset structures, collection strategies and historical recovery experience.

The Group has revised the Wholesale LGD framework during 2020 in order to reflect recent recovery experience and additional admissible security types. Forward-looking economic information is also included in determining the 12-month and lifetime LGD. In 2024 all the LGD models underwent performance monitoring in alignment with the Model Monitoring Standards

Forward looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

A formalized scenario generation process was established enables the bank to be objective and transparent in its IFRS 9 macroeconomic scenarios, which also ensures continued appropriateness and relevance of scenarios in IFRS 9 ECL computation

For unbiased and probability-weighted ECL calculation, the Group uses probabilities of 60%, 20% and 20% for baseline, optimistic and pessimistic macro-economic scenario respectively

Sensitivity analysis

The Group has calculated ECL sensitivity analysis for wholesale portfolio. The impact on ECL due to changes in the forecasted probabilities of default as a result of variations in significant macroeconomic variables used in IFRS 9 corporate model by +10% and -10% in each scenario would result in an ECL reduction by AED 55 million and an ECL increase by AED 68 million respectively.

Current Year Provisions (ECL) :

The calculation process, the methodology, and the results for provisions have been reviewed and approved by the Committee responsible for the oversight of provisions. Accordingly, the responsible Committee has formally reviewed, as presented by the CRO, the calculation process, the methodology, and the results of the provisions. Thereafter, the provisions have been presented and approved by the delegated body of the Board”, as per Article 9 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024 issued by UAE Central Bank.

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

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

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

Credit risk exposures relating to on balance sheet assets:	2024				2023			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Cash and balances with Central Bank	40,592,508	-	-	40,592,508	41,760,286	-	-	41,760,286
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	40,592,508	-	-	40,592,508	41,760,286	-	-	41,760,286
<i>Loans and advances to banks</i>								
Investment-grade	25,471,311	33	-	25,471,344	14,912,035	343,226	-	15,255,261
BB+& below	13,924,577	6,410,677	-	20,335,254	11,196,684	5,424,443	-	16,621,127
Unrated	4,928,813	1,654,530	-	6,583,343	5,776,792	1,603,514	9,737	7,390,043
	44,324,701	8,065,240	-	52,389,941	31,885,511	7,371,183	9,737	39,266,431
Loss allowance	(79,487)	(38,850)	-	(118,337)	(66,007)	(63,655)	(9,737)	(139,399)
Carrying amount	44,245,214	8,026,390	-	52,271,604	31,819,504	7,307,528	-	39,127,032

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

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Loans and advances to customers				
Grading 1	38,841,274	72,697	-	38,913,971
Grading 2	53,358,569	2,446,496	-	55,805,065
Grading 3	5,290,425	2,089,557	-	7,379,982
Grading 4	35,022	1,486,748	-	1,521,770
Grading 5	-	-	1,960,710	1,960,710
	97,525,290	6,095,498	1,960,710	105,581,498
Loss allowance	(591,016)	(324,802)	(1,584,834)	(2,500,652)
Carrying amount	96,934,274	5,770,696	375,876	103,080,846
<i>Islamic financing and investment products</i>				
Grading 1	5,889,254	-	-	5,889,254
Grading 2	9,268,275	73,142	-	9,341,417
Grading 3	5,481,109	633,016	-	6,114,125
Grading 4	-	177,414	-	177,414
Grading 5	-	-	230,539	230,539
	20,638,638	883,572	230,539	21,752,749
Loss allowance	(30,437)	(10,428)	(34,333)	(75,198)
Carrying amount	20,608,201	873,144	196,206	21,677,551

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

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2023			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
Loans and advances to customers				
Grading 1	25,807,530	83,130	-	25,890,660
Grading 2	50,859,521	2,100,416	-	52,959,937
Grading 3	12,858,257	2,176,072	-	15,034,329
Grading 4	28,974	674,447	-	703,421
Grading 5	-	-	1,639,577	1,639,577
	89,554,282	5,034,065	1,639,577	96,227,924
Loss allowance	(553,661)	(459,159)	(1,611,867)	(2,624,687)
Carrying amount	89,000,621	4,574,906	27,710	93,603,237
<i>Islamic financing and investment products</i>				
Grading 1	2,314,718	-	-	2,314,718
Grading 2	6,281,248	58,730	-	6,339,978
Grading 3	7,295,092	607,163	-	7,902,255
Grading 4	-	226,424	-	226,424
Grading 5	-	-	317,955	317,955
	15,891,058	892,317	317,955	17,101,330
Loss allowance	(23,284)	(26,232)	(299,572)	(349,088)
Carrying amount	15,867,774	866,085	18,383	16,752,242

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

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on balance sheet assets:	2024			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
<i>Securities measured at amortised cost</i>				
Investment - grade	7,116,912	-	-	7,116,912
BB+ & below	2,710,879	-	-	2,710,879
Unrated	-	-	-	-
	9,827,791	-	-	9,827,791
Loss allowance	(30,674)	-	-	(30,674)
Carrying amount	9,797,117	-	-	9,797,117
<i>Financial assets measured at FVTOCI (debt securities)</i>				
Investment - grade	22,284,497	-	-	22,284,497
BB+ & below	725,751	-	-	725,751
Unrated	2,192	-	-	2,192
	23,012,440	-	-	23,012,440
Loss allowance	(10,777)	-	-	(10,777)
Carrying amount	23,001,663	-	-	23,001,663

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

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on balance sheet assets:	2023			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Securities measured at amortised cost</i>				
Investment - grade	6,058,428	-	-	6,058,428
BB+ & below	3,938,232	-	-	3,938,232
Unrated	-	-	-	-
	9,996,660	-	-	9,996,660
Loss allowance	(45,135)	-	-	(45,135)
Carrying amount	9,951,525	-	-	9,951,525
<i>Financial assets measured at FVTOCI (debt securities)</i>				
Investment - grade	21,659,736	-	-	21,659,736
BB+ & below	689,419	-	-	689,419
Unrated	3,370	-	-	3,370
	22,352,525	-	-	22,352,525
Loss allowance	(9,018)	-	-	(9,018)
Carrying amount	22,343,507	-	-	22,343,507

The table below shows the maximum exposure to credit risk for financial assets that are not subject to impairment.

	2024 AED'000	2023 AED'000
Trading assets		
- Debt securities	895,716	1,500,907
- Derivatives	2,288,189	1,990,594
Hedging derivatives	9,481	21,297
	3,193,386	3,512,798

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

43. Risk management (continued)

Risk management in the current economic scenario

The Group continues to closely monitor and manage, as required, direct and indirect exposure and impacts from the ongoing geopolitical situation and resultant market disruption. The group is cognizant of the regional economic impacts resulting from global inflationary pressures and monetary policy tightening. The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs is typically updated every 3 months. The update was last made in October 2024 based on September 2024 macros.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in macroeconomic environment, risk profile as well as any actual and expected increase in credit risk.

Collateral and other credit enhancements

Collateral against loans and advances to customers is generally held in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing. Collateral generally is not held over amounts loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The benefit of collateral held are reflected in the ECL through LGD estimates. Allocation of both general and specific collateral is done at a account level to estimate LGD.

Financial instruments such as Repo transactions, embedded leverage note programs, etc. receive no ECL allocation on account of them being fully collateralized after application of relevant haircuts.

The Group closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Group will take possession of the collateral to offset potential credit losses. Financial assets that are credit impaired and related collateral held in order to offset potential losses are shown below. The table below details the fair value of the collateral which is updated regularly:

	Loans and advances to customers & Islamic financing and investment products		Loans and advances to banks	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
<i>Against individually impaired:</i>				
Properties	542,781	252,345	-	-
Cash	34,633	43,856	-	-
Others	54,612	76,813	-	-
	632,026	373,014	-	-
<i>Against not impaired:</i>				
Properties	27,735,347	22,997,331	-	-
Debt securities	5,027,036	2,550,686	-	-
Equities	1,070,568	1,171,573	-	-
Cash	8,875,586	8,004,986	1,185,043	2,447,118
Others	2,381,263	1,415,819	-	-
	45,089,800	36,140,395	1,185,043	2,447,118
Total	45,721,826	36,513,409	1,185,043	2,447,118

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

43. Risk management (continued)

Loss allowance

The following tables explain the changes in the loss allowances for the year ended 31 December 2024 and 31 December 2023:

	2024			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Loans and advances to banks:				
Loss allowance as at 1 January	66,007	63,655	9,737	139,399
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(35,073)	35,073	-	-
Transfer from Stage 2 to Stage 1	379	(379)	-	-
New financial assets originated	99,421	-	-	99,421
Changes in PDs/LGDs/EADs	(51,247)	(59,499)	(9,737)	(120,483)
Loss allowance as at 31 December	79,487	38,850	-	118,337
	2023			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	71,219	31,496	18,221	120,936
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(58,152)	58,152	-	-
Transfer from Stage 2 to Stage 1	193	(193)	-	-
New financial assets originated	102,068	-	-	102,068
Changes in PDs/LGDs/EADs	(49,321)	(25,800)	(8,484)	(83,605)
Loss allowance as at 31 December	66,007	63,655	9,737	139,399

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

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2024 and 31 December 2023 (continued):

Loans and advances to customers	2024			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
	Loss allowance as at 1 January	553,661	459,159	
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(146,296)	146,296	-	-
Transfer from Stage 1 to Stage 3	(109,451)	-	109,451	-
Transfer from Stage 2 to Stage 1	10,309	(10,309)	-	-
Transfer from Stage 2 to Stage 3	-	(107,011)	107,011	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	1,175	(1,175)	-
New financial assets originated	282,082	-	-	282,082
Changes in PDs/LGDs/EADs	711	(164,508)	(15,570)	(179,367)
Write-offs	-	-	(226,750)	(226,750)
Loss allowance as at 31 December	591,016	324,802	1,584,834	2,500,652

Loans and advances to customers	2023			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
	Loss allowance as at 1 January	560,263	1,488,855	
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(110,159)	110,159	-	-
Transfer from Stage 1 to Stage 3	(34,434)	-	34,434	-
Transfer from Stage 2 to Stage 1	9,235	(9,235)	-	-
Transfer from Stage 2 to Stage 3	-	(31,699)	31,699	-
Transfer from Stage 3 to Stage 1	9	-	(9)	-
Transfer from Stage 3 to Stage 2	-	48,560	(48,560)	-
New financial assets originated	316,545	-	-	316,545
Changes in PDs/LGDs/EADs	(187,798)	(1,147,481)	(107,452)	(1,442,731)
Write-offs	-	-	(561,493)	(561,493)
Loss allowance as at 31 December	553,661	459,159	1,611,867	2,624,687

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

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2024 and 31 December 2023 (continued):

	2024			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Islamic financing and investment products				
Loss allowance as at 1 January	23,284	26,232	299,572	349,088
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(6,517)	6,517	-	-
Transfer from Stage 1 to Stage 3	(1,351)	-	1,351	-
Transfer from Stage 2 to Stage 1	100	(100)	-	-
Transfer from Stage 2 to Stage 3	-	(19,537)	19,537	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated	23,665	-	-	23,665
Changes in PDs/LGDs/EADs	(8,744)	(2,684)	(286,127)	(297,555)
Loss allowance as at 31 December	30,437	10,428	34,333	75,198
	2023			
Islamic financing and investment products	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	20,796	9,787	438,883	469,466
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(4,878)	4,878	-	-
Transfer from Stage 1 to Stage 3	(565)	-	565	-
Transfer from Stage 2 to Stage 1	55	(55)	-	-
Transfer from Stage 2 to Stage 3	-	(3,300)	3,300	-
Transfer from Stage 3 to Stage 2	-	31,421	(31,421)	-
New financial assets originated	19,376	-	-	19,376
Changes in PDs/LGDs/EADs	(11,500)	(16,499)	(111,755)	(139,754)
Loss allowance as at 31 December	23,284	26,232	299,572	349,088

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

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2024 and 31 December 2023 (continued):

	2024			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
<i>Securities measured at amortised cost</i>				
Loss allowance as at 1 January	45,135	-	-	45,135
<i>Transfers</i>				
New financial assets originated	13,762	-	-	13,762
Changes in PDs/LGDs/EADs	(28,223)	-	-	(28,223)
Write off	-	-	-	-
Loss allowance as at 31 December	30,674	-	-	30,674
	2023			Total AED'000
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
<i>Securities measured at amortised cost</i>				
Loss allowance as at 1 January	26,210	-	2,205	28,415
<i>Transfers</i>				
New financial assets originated	39,037	-	-	39,037
Changes in PDs/LGDs/EADs	(20,112)	-	(3)	(20,115)
Write off	-	-	(2,202)	(2,202)
Loss allowance as at 31 December	45,135	-	-	45,135

The loss allowance as at 31 December 2024 on off balance sheet and acceptances amounted to AED 89 million on Stage 1, AED 47 million on Stage 2, and 335 on Stage 3 (2023: AED 103 million on Stage 1, AED 46 million on Stage 2, and 642 million on Stage 3)

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

43. Risk management (continued)

Gross carrying amount

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2024 and 31 December 2023:

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Cash and balances with central banks</i>				
Gross carrying amount as at 1 January	41,760,286	-	-	41,760,286
New financial assets, net of repayments and others	(1,167,778)	-	-	(1,167,778)
Gross carrying amount as at 31 December	40,592,508	-	-	40,592,508
	2023			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Cash and balances with central banks</i>				
Gross carrying amount as at 1 January	31,435,930	-	-	31,435,930
New financial assets, net of repayments and others	10,324,356	-	-	10,324,356
Gross carrying amount as at 31 December	41,760,286	-	-	41,760,286
	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Loans and advances to banks</i>				
Gross carrying amount as at January	31,885,511	7,371,183	9,737	39,266,431
Transfer from Stage 1 to Stage 2	(6,953,774)	6,953,774	-	-
Transfer from Stage 2 to Stage 1	278,858	(278,858)	-	-
New financial assets, net of repayments and others	19,114,106	(5,980,859)	(9,737)	13,123,510
Gross carrying amount as at 31 December	44,324,701	8,065,240	-	52,389,941

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

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2024 and 31 December 2023 (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
<i>Loans and advances to banks</i>				
Gross carrying amount as at January	25,289,523	3,859,855	25,195	29,174,573
Transfer from Stage 1 to Stage 2	(7,812,626)	7,812,626	-	-
Transfer from Stage 2 to Stage 1	22,305	(22,305)	-	-
New financial assets, net of repayments and others	14,386,309	(4,278,993)	(15,458)	10,091,858
Gross carrying amount as at 31 December	31,885,511	7,371,183	9,737	39,266,431
	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
<i>Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost</i>				
Gross carrying amount as at 1 January	32,349,185	-	-	32,349,185
New financial assets, net of repayments and others	491,046	-	-	491,046
Write-offs	-	-	-	-
Gross carrying amount as at 31 December	32,840,231	-	-	32,840,231
	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
<i>Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost</i>				
Gross carrying amount as at 1 January	23,388,911	-	2,205	23,391,116
New financial assets, net of repayments and others	8,960,274	-	(3)	8,960,271
Write-offs	-	-	(2,202)	(2,202)
Gross carrying amount as at 31 December	32,349,185	-	-	32,349,185

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

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2024 and 31 December 2023 (continued):

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Loans and advances to customers</i>				
Gross carrying amount as at January	89,554,282	5,034,065	1,639,577	96,227,924
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(4,057,851)	4,057,851	-	-
Transfer from Stage 1 to Stage 3	(200,765)	-	200,765	-
Transfer from Stage 2 to Stage 1	530,651	(530,651)	-	-
Transfer from Stage 2 to Stage 3	-	(433,672)	433,672	-
Transfer from Stage 3 to Stage 2	-	221,994	(221,994)	-
New financial assets, net of repayments and others	11,698,973	(2,254,089)	135,440	9,580,324
Write-offs	-	-	(226,750)	(226,750)
Gross carrying amount as at 31 December	97,525,290	6,095,498	1,960,710	105,581,498
	2023			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Loans and advances to customers</i>				
Gross carrying amount as at January	72,575,677	5,043,401	2,323,632	79,942,710
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(2,841,083)	2,841,083	-	-
Transfer from Stage 1 to Stage 3	(138,026)	-	138,026	-
Transfer from Stage 2 to Stage 1	369,347	(369,347)	-	-
Transfer from Stage 2 to Stage 3	-	(355,029)	355,029	-
Transfer from Stage 3 to Stage 2	-	164,850	(164,850)	-
New financial assets, net of repayments and others	19,588,367	(2,290,893)	(450,767)	16,846,707
Write-offs	-	-	(561,493)	(561,493)
Gross carrying amount as at 31 December	89,554,282	5,034,065	1,639,577	96,227,924

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

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2024 and 31 December 2023 (continued):

	2024			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Islamic financing and investment products</i>				
Gross carrying amount as at 1 January	15,891,058	892,317	317,955	17,101,330
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(564,036)	564,036	-	-
Transfer from Stage 1 to Stage 3	(5,012)	-	5,012	-
Transfer from Stage 2 to Stage 1	17,074	(17,074)	-	-
Transfer from Stage 2 to Stage 3	-	(186,208)	186,208	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets, net of repayments and others	5,299,554	(369,499)	(278,636)	4,651,419
Gross carrying amount as at 31 December	20,638,638	883,572	230,539	21,752,749
	2023			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
<i>Islamic financing and investment products</i>				
Gross carrying amount as at 1 January	14,356,381	247,127	538,855	15,142,363
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(401,866)	401,866	-	-
Transfer from Stage 1 to Stage 3	(2,800)	-	2,800	-
Transfer from Stage 2 to Stage 1	12,505	(12,505)	-	-
Transfer from Stage 2 to Stage 3	-	(15,613)	15,613	-
Transfer from Stage 3 to Stage 2	-	86,215	(86,215)	-
New financial assets, net of repayments and others	1,926,838	185,227	(153,098)	1,958,967
Gross carrying amount as at 31 December	15,891,058	892,317	317,955	17,101,330

Write-off policy

Once a loan is fully provided for, the outstanding exposure of the borrower may be written-off. Where a loan is only partially provided for, it may be written-off to the extent provided for with approval of the relevant authority. However, it is ensured that aforesaid does not alter in any way the bank's recourse against the borrower, and the process for follow-up for recovery of exposure with the borrower remains unchanged. Group ensures that the data & MI is available, for both internal and external reporting.

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

43. Risk management (continued)

Write-off policy (continued)

The Group will not hold a Stage 3 exposure on the balance sheet for more than 5 years since the date of migration to Stage 3. After this time, such exposures will be subject to a full write-off. Any exceptions to this should be subject to appropriate sign-off and oversight, based upon robust legal or accounting justification and supported by appropriate documentation available for review by the CBUAE. If the borrower has been in arrears for a prolonged period, full or partial write-off is performed based on realistic expectation of recovery.

For exposures under an insolvency procedure, write-off is performed if the legal expenses are expected to consume most of the recovered amount. Partial write-off may be justified when there is evidence that the borrower is unable to repay the amount of the exposure in full and there is a reasonable expectation of recovering a part of the exposure.

Modification of financial assets

The Group modifies terms of loans provided to customers from time-to-time primarily due to ongoing client needs, commercial renegotiations or for managing distressed loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group may determine that credit risk has significantly improved after restructuring, and such assets are moved from Stage 3 to Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only done when modified assets have performed in accordance with the new terms and after a certain time period as required by extant UAEFCB guidelines. The gross carrying amounts of modified financial assets held at 31 December 2024 was immaterial.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes strategic and reputational risk.

Operational Risk Governance

Whilst the Group cannot eliminate all operational risks, it has developed a comprehensive framework of identifying, assessing, controlling, mitigating, monitoring and reporting Operational risk and consists of the following:

- Ownership of the risk & controls by businesses and functional units;
- Monitoring and validation by business;
- Oversight by Operational risk management team; and
- Independent review by Internal Audit

Operational risk management follows three lines of defence model.

The first line of defence is the Business Line Management. The operational risk governance will recognize that Business Units (BUs) are the owners of risk and hence responsible for identifying and managing the risks, inherent in the products, services and activities, within their BUs.

The second line of defence is the Operational Risk Management function, the Chief Risk Officer, the Operational Risk & Resilience Committee (ORRC) and the Group Risk Committee. They are collectively responsible for designing, implementing, coordinating, reporting and facilitating effective Operational Risk Management on Group-wide basis.

The third line of defence is the Internal Audit who are responsible to independently assess the effectiveness and efficiency of the internal control, and for independently validate and provide an independent assurance to the Board Audit Committee (BAC) on the adequacy and effectiveness of the Operational Risk Management Framework.

The Board has the overall responsibility for managing operational risk at the Bank and ensure that the three line of defence approach is implemented and operated in an appropriate and acceptable manner.

The Group has adopted The Standardized Approach (TSA) to determine its operational risk capital requirements.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)*****Operational Risk Appetite***

The Group's operational risk appetite articulates the boundaries for quantitative and qualitative operational risks that the Bank is willing to take (or not take), with respect to pursuit of its strategic objectives. It helps in setting the risk culture across the Bank and facilitates an effective implementation of the Bank's Operational Risk Management Framework. The operational risk appetite is applied for decision-making and comprehending operational risk exposures across the Bank through implementation of policies, controls and operational risk tolerances

Operational Risk Management Framework

The Group's Operational Risk Management Framework ("ORMF") is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Group's most material operational risks. ORMF components include the setup of the three lines of defence as well as roles and responsibilities for the Operational Risk management process and appropriate independent challenge, the Group's approach to setting Operational Risk appetite and adhering to it, the Operational Risk type and control taxonomies, the minimum standards for Operational Risk management processes including tools, independent governance, and the Bank's Operational Risk capital model. Tools implemented for the identification and assessment of Operational risk include and is not limited to:

- a) Risk and Control Self-Assessment
- b) Operational Risk Event Management
- c) Key Risk Indicator Management
- d) New Business Systems & Process Approval (NPPA); and
- e) Issues and Action Management

The Bank has also implemented a comprehensive Business Continuity Management System (BCMS) aligned to national and international Standards and regulations to ensure that Mashreq has the capabilities to respond and recover within the impact appetite and the predefined recovery time objectives following any business disruption. Additionally, the Bank has developed a comprehensive Third-Party Risk Management Framework in line with regulatory expectations and industry best practices.

Incident management

The reporting of Operational risk incidents is a critical component of the Group's Operational risk management framework. This ensures greater risk transparency across the organisation and helps to identify gaps and facilitate timely remedial action for potential risk exposures.

The Central Bank of U.A.E. published final guidelines on operational risk management in October 2018. These guidelines lay out detailed supervisory expectations relating to operational risk governance, identification and assessment, systems and reporting. ORMF is aligned to Circular No. 163/2018, the 'Operational Risk Regulation' and the 'Operational Risk Standards'

Market Risk Management

Market risk is the risk that fair value or cash flows of financial instruments held by the Group or its income may be adversely affected by movement in market factors, such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices.

Market risk at the Group is governed by a comprehensive control framework as defined by the approved Market Risk Framework. This function is independent of any risk taking businesses. The Market Risk function folds under Risk Management Group and reports to the Chief Risk Officer of the Group.

Market risk arises from the Group's trading and non-trading activities. The Market Risk Management function primarily manages risks arising from its proprietary trading activities. Risk exposure arising from non-trading activities is managed by the Assets & Liabilities Committee (ALCO). Trading risks are primarily concentrated in Treasury and Capital Markets (TCM) and are managed by a robust framework of market risk limits that reflect the Group's market risk appetite. Appropriate limits are placed on position sizes, stop loss levels, as well as on market factor sensitivities depending on the size and complexity of trading strategies involved. A comprehensive risk

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)*****Market Risk Management (continued)***

reporting framework is in place whereby, positions are monitored daily against the established limits and monitoring reports are circulated to the Market Risk Management and the respective Business Heads. In case of a limit exception, corrective action is taken in line with the Market Risk Framework or the concerned trading desk's limits mandate.

Each trading desk has a 'permitted product list' comprising of products and structures which have been determined to be appropriate for the TCM desk to trade. Any addition to this list is made after approval from Head of TCM, Head of Market Risk and Chief Risk Officer who assess the risks associated with the product and verify that they can be controlled effectively prior to approving the product.

The bank uses Value at Risk (VaR) methodology as its core analytical tool to assess risks across proprietary trading desks. VaR is an estimate of the potential losses arising in a portfolio over a specified time horizon due to adverse changes in underlying market factors. The Bank calculates its one-day VaR at a 99% confidence interval mainly using Monte Carlo Simulations approach across its trading portfolio and open FX position. VaR results are highly dependent on assumptions around input variables used in the model and also VaR does not provide the 'worst case' possible loss.

Being a statistical technique, VaR is known to have limitations and therefore its interpretation needs to be further supplemented by other limits, sensitivity triggers or stress tests. Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

In 2024, VaR was being calculated regularly and as of 29th December 2024, the 99% 1-day VaR was estimated at USD 0.85 million (31 December 2023: USD 1.31 million) for the bank wide market risk positions (stemming mainly from proprietary trading FX net open position). The Bank's VaR model considers FX risk in all currencies, including GCC pegged currencies except USD and AED.

The 1day VaR looks comparable on a y-o-y basis.

There has been no significant change to the Group's exposure to market risks or the way these risks are managed and measured.

a) Counterparty Credit Risk

Counterparty Credit Risk is one of the most significant risks in OTC derivatives trading and securities financing transaction (SFTs) related activities. These risks are further sub categorized into two forms:

i) Pre-Settlement Risk

Counterparty credit risk is defined as the risk attributable to the downgrading and/or insolvency of a counterparty on its obligations prior to the final settlement of the transaction's cash flow. Internally the Group manages and monitors the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA). PFE is an estimate of the amount, at a 95% confidence level, a counterparty may owe over the life of a derivative transaction (or portfolio of transactions).

The Group further measures a net Credit Value Adjustment (CVA) on all outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)***ii) Settlement Risk*

Settlement Risk arises when a bank, exchanges securities or cash payments to a counterparty on a value date and is unable to verify that payment or securities have been received in exchange until after it has paid or delivered its side of the transaction. The bank manages this exposure by dealing preferentially on a DvP/PvP basis or by defining control mechanism around settlement limits at a counterparty level.

Model Risk

Model risk is the risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. During the course of usage of models, the Bank may be exposed to potential losses occurring from making decisions based on incorrect models or the inappropriate usage of models. This potential loss is referred to as Model Risk. Model risk can lead to financial loss, poor business and strategic decision making, or damage to a bank's reputation. Models are used at Mashreq Bank (MB) for many purposes, including predicting client behaviour, valuation of financial products and the measurement and management of risk. MB follows CB UAE requirements mentioned in the Model Management Standards and Guidelines (MMSG).

Shari'ah Non-Compliance Risk

Mashreq Bank carries out Islamic business under a fully embedded Islamic Banking Window ("Islamic window") which offers clients a complete suite of Shari'ah compliant products and solutions. Islamic Banks (IBs) must be prudent towards Shari'ah compliance, and such compliance requirements must permeate throughout the organization and their products and activities. Being a licensed Islamic Financial Institution ("IFI"), the Islamic Window has to conduct its activities and businesses in accordance with the provisions of Islamic Shari'ah, as outlined by CB-UAE Notice No. 2123/ 2020 on Standards Re Shari'ah Governance for Islamic Financial Institutions in May 2020 and Standard Re Risk Management Requirements For Islamic Banks in February 2021.

Mashreq Bank's Board ("the Board") is ultimately responsible for the Bank's compliance with Islamic Shari'ah, where applicable, in light of the Central Bank's Standard Re. Shari'ah Governance for Islamic Financial Institutions. The CB UAE Standards on Risk Management Requirements for Islamic Banks states that an Islamic Bank (IB) must establish, implement and maintain a risk governance framework that enables it to identify, assess, monitor, mitigate and control risks. The risk governance framework consists of policies, procedures processes, systems, controls and limits. The Risk Management Framework for Islamic Banking of the Bank outlines policies and procedures within Mashreq Bank for compliance with relevant sections of these standards.

Reputation Risk

Reputational risk is recognized as a critical component of the Bank's overall Risk Management strategy. The significance of maintaining a positive reputation cannot be overstated, as it directly influences customer trust, investor confidence, and regulatory relationships. The ultimate responsibility for reputational risk management lies with the executive leadership of the Bank. The Board of Directors, CEO, and the Senior Management team comprising the Executive Committee (EXCO) members and their Direct Reports are accountable for fostering a culture of ethical conduct and ensuring that the Bank's activities align with its values and mission. Each business unit within the Bank is responsible for identifying and managing reputational risks associated with its operations. Business leaders are accountable for implementing policies and procedures that mitigate reputational risks arising from their activities. All employees play a crucial role in safeguarding the Bank's reputation. Training programs are implemented to raise awareness about reputational risk, ethical conduct, and the impact of individual actions on the Bank's standing in the market.

Compliance and Regulatory Risk

Compliance Risk is the risk of legal or regulatory sanctions, loss to reputation or material financial loss a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self- regulatory organization standards, and codes of conduct applicable to its banking activities. In the usual course of conduct of Business, Mashreq may be exposed to potential Compliance risks (FC and RC risks). Mashreq applies a risk-based approach to assessing, managing, monitoring and mitigating Compliance risks. The overall Compliance programme consists of key components like Risk Appetite, Risk Assessment (FCRA and Product risk assessments), Periodic and trigger-based

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)*****Compliance and Regulatory Risk (continued)***

KYC refresh, Transaction Monitoring and Unusual Activity Reporting, Investigations, STR filing and other reporting, Training and awareness, RCSAs, Issues management and escalation, 2nd and 3rd LOD assurances and audits.

Environmental, Social and Governance Risk

Environmental, Social and Governance risk encompasses the risks related to environmental, social and governance issues such as climate change, sustainability, social responsibility and governance practices like board oversight, succession planning, compensation, diversity, equity and inclusion etc. Managing environmental, social and governance risk involves considering these factors in the lending and investment decision-making process and assessing the potential financial impact of ESG-related events. Identification, assessment, mitigation and management of ESG Risk is achieved through the Bank's Sustainable Finance Framework and Sustainable Credit Policy.

Strategic Risk

Strategic risk is the risk of loss arising from ineffective formulation of strategy, business plans or the implementation of these in a manner that is inconsistent with internal factors and external environment. Crystallization of Strategic risk leads to one or more of lower earnings, impact on financial resources (capital and funding) and loss of viability of the business. Specifically, Strategic risk emanates from:

- a. Formulating of inadequate business strategies
- b. Organization not being able to react to changes in business or macroeconomic environment in a timely manner. This is also referred to as 'Business risk'; and
- c. Changing competitive environment due to changes in economic conditions, peer actions or other external factors (e.g. client preferences, technology).

Mashreq Bank's approach to manage Strategic Risk is elaborated upon in the Strategic Risk Management Framework (SRMF) document.

Information Security Risk

Information security risk comprises the risk to an organization and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate. The Bank's policies in respect of Information Security Risks are set out in the Group Information Security Policy Manual. The Bank has an established framework for the reporting of Risk Appetite Statement (RAS) and Security Metrics across the Technology function and Business Lines, and strict thresholds are applied to each potential risk in order to identify any potential weakness in the applied controls. The Bank conducts periodic security assessments to ensure that the controls implemented are compliant to the agreed risk tolerance, in addition the Bank also ensures compliance with all external regulators in relation to Information Security and Technology Risk related mandates.

Libor transition

The Group has transitioned to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which includes representatives from Risk, Finance, Technology, Legal, Marketing and relevant business units. Group's transition program to robust Risk-Free Reference Rates is complete.

The Group do not hold any transaction linked to LIBOR

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)****Interest rate risk management**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial assets and liabilities to different extents. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities repricing at different times.

The Group uses simulation-modelling tools to measure and monitor interest rate sensitivity. The results are analysed and monitored by the Assets and Liabilities Committee (“ALCO”). Since majority of the Group’s assets are floating rate, deposits and loans generally are repriced within a short period of each other providing a natural hedge, which reduces interest rate risk exposure. Moreover, the majority of the Group’s assets and liabilities reprice within one year, thereby further limiting interest rate risk. The Group also has a significant current and savings account balances in deposits which are largely interest free.

The impact of 50 basis points sudden movement in benchmark interest rate on net interest income over a 12 months period as at 31 December 2024 would be a decrease in net interest income by -3.1% (in case of decrease of interest rates) and would have been an increase in net interest income by 3.1 % (in case of increase of interest rates) [31 December 2023: -2.9% and +2.9%] respectively.

During the year ended 31 December 2024, the effective interest rate on loans and advances to banks and certificates of deposits with central banks was 5.5% (31 December 2023: 5.3%), on loans and advances measured at amortised cost 6.9% (31 December 2023: 7.0%), on customers’ deposits 2.7% (31 December 2023: 2.3%) and on due to banks (including repurchase agreements) 4.5% (31 December 2023: 5.0%).

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement:

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

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
<i>31 December 2024</i>							
<i>Assets</i>							
Cash and balances with central banks	21,300,489	-	-	-	-	19,292,019	40,592,508
Loans and advances to banks	34,085,028	8,797,577	4,219,141	245,297	-	4,924,561	52,271,604
Financial assets measured at fair value	7,859,289	5,655,961	3,003,717	1,418,919	6,265,533	2,124,115	26,327,534
Securities measured at amortised cost	1,467,159	311,272	1,229,595	3,257,368	3,525,384	6,339	9,797,117
Loans and advances to customers	71,283,747	10,968,012	2,971,237	15,567,780	701,269	1,588,801	103,080,846
Islamic financing and investment products	13,882,433	571,958	327,046	2,238,291	3,876,046	781,777	21,677,551
Acceptances	-	-	-	-	-	3,495,184	3,495,184
Reinsurance contract assets	-	-	-	-	-	3,379,148	3,379,148
Investment in associate	-	-	-	-	-	296,878	296,878
Investment properties	-	-	-	-	-	151,620	151,620
Property and equipment	-	-	-	-	-	1,339,360	1,339,360
Intangible assets	-	-	-	-	-	374,333	374,333
Other assets	-	-	-	-	-	4,669,475	4,669,475
Total assets	149,878,145	26,304,780	11,750,736	22,727,655	14,368,232	42,423,610	267,453,158

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

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non- interest bearing items AED'000	Total AED'000
<i>31 December 2024</i>							
<i>Liabilities and equity</i>							
Deposits and balances due to banks	27,131,429	3,893,078	1,742,648	-	-	10,607,161	43,374,316
Repurchase agreements with banks	2,075,517	-	-	-	-	-	2,075,517
Customers' deposits	53,396,330	10,232,579	6,544,853	1,726,787	325,783	71,338,461	143,564,793
Islamic customers' deposits	7,336,089	1,318,006	1,458,054	946,314	-	6,316,438	17,374,901
Acceptances	-	-	-	-	-	3,495,184	3,495,184
Other liabilities	-	-	-	-	-	9,698,535	9,698,535
Medium-term loans	296,218	252,788	150,754	1,371,741	-	-	2,071,501
Subordinated debt	-	-	-	-	1,831,027	-	1,831,027
Insurance contract and investment liabilities	-	-	-	-	-	6,187,190	6,187,190
Equity attributable to shareholders of the Parent	-	-	-	-	-	36,712,765	36,712,765
Non-controlling interest	-	-	-	-	-	1,067,429	1,067,429
Total liabilities and equity	90,235,583	15,696,451	9,896,309	4,044,842	2,156,810	145,423,163	267,453,158
On balance sheet gap	59,642,562	10,608,329	1,854,427	18,682,813	12,211,422	(102,999,553)	-
Off balance sheet gap	(64,844)	(16,904)	(10,018)	91,766	-	-	-
Cumulative interest rate sensitivity gap	59,577,718	70,169,143	72,013,552	90,788,131	102,999,553	-	-

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

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
<i>31 December 2023</i>							
<i>Assets</i>							
Cash and balances with central banks (Restated)	28,518,716	-	-	-	-	13,241,570	41,760,286
Loans and advances to banks	17,073,242	10,634,450	3,314,054	5,143,191	-	2,962,095	39,127,032
Financial assets measured at fair value	8,496,553	4,103,446	4,788,392	978,761	5,636,318	2,028,399	26,031,869
Securities measured at amortised cost	1,717,683	547,483	608,199	3,627,043	3,451,117	-	9,951,525
Loans and advances to customers	65,138,163	10,745,164	3,151,029	11,857,358	1,162,923	1,548,600	93,603,237
Islamic financing and investment products	8,691,212	261,777	628,878	1,499,283	3,577,200	2,093,892	16,752,242
Acceptances	-	-	-	-	-	3,536,930	3,536,930
Reinsurance contract assets	-	-	-	-	-	2,756,863	2,756,863
Investment in associate	-	-	-	-	-	36,498	36,498
Investment properties	-	-	-	-	-	502,047	502,047
Property and equipment	-	-	-	-	-	1,381,735	1,381,735
Intangible assets	-	-	-	-	-	360,611	360,611
Other assets	-	-	-	-	-	4,179,734	4,179,734
Total assets	129,635,569	26,292,320	12,490,552	23,105,636	13,827,558	34,628,974	239,980,609

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

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non- interest bearing items AED'000	Total AED'000
<i>31 December 2023</i>							
<i>Liabilities and equity</i>							
Deposits and balances due to banks	14,983,950	3,519,750	2,007,962	281,091	18,714	16,523,581	37,335,048
Repurchase agreements with banks	1,062,992	-	-	-	-	-	1,062,992
Customers' deposits	57,083,361	8,261,427	5,484,818	1,988,025	391,880	59,400,160	132,609,671
Islamic customers' deposits	6,702,805	1,050,823	1,972,313	53,035	-	3,843,508	13,622,484
Acceptances	-	-	-	-	-	3,536,930	3,536,930
Other liabilities	-	-	-	-	82,850	8,088,159	8,171,009
Medium-term loans	3,587,906	-	910,595	623,604	36,596	-	5,158,701
Subordinated debt	-	-	-	-	1,831,027	-	1,831,027
Insurance contract and investment liabilities	-	-	-	-	-	5,334,957	5,334,957
Equity attributable to shareholders of the Parent	-	-	-	-	-	30,333,359	30,333,359
Non-controlling interest	-	-	-	-	-	984,431	984,431
Total liabilities and equity	83,421,014	12,832,000	10,375,688	2,945,755	2,361,067	128,045,085	239,980,609
On balance sheet gap	33,557,698	13,460,320	2,114,864	20,159,881	11,466,491	(80,759,254)	-
Off balance sheet gap	(1,486,192)	371,444	1,004,278	110,470	-	-	-
Cumulative interest rate sensitivity gap	32,071,506	45,903,270	49,022,412	69,292,763	80,759,254	-	-

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

43. Risk management (continued)

Currency risk management

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. Limits on positions by currencies are monitored on a regular basis. The Group's exposures as follows:

	31 December 2024			31 December 2023		
	Net spot position AED'000	Net Forward position AED'000	Net Position AED'000	Net spot position AED'000	Net Forward position AED'000	Net Position AED'000
U.S. Dollars	32,927,511	(9,664,949)	23,262,562	19,131,510	(4,063,208)	15,068,302
Qatari Riyals	(255,321)	66,824	(188,497)	(157,392)	(66,126)	(223,518)
Pound Sterling	(780,976)	812,836	31,860	(850,793)	908,355	57,562
Euro	(8,624,012)	8,562,641	(61,371)	(5,825,213)	5,814,623	(10,590)
Bahrain Dinar	953,517	(801,867)	151,650	1,722,023	(1,590,647)	131,376
Saudi Riyal	53,380	(43,723)	9,657	73,884	(72,025)	1,859
Japanese Yen	(995,263)	1,000,602	5,339	(441,401)	450,982	9,581
Swiss Francs	16,146	(20,442)	(4,296)	(26,522)	26,200	(322)
Kuwaiti Dinar	9,076	(155,020)	(145,944)	(85,780)	(57,260)	(143,040)
Chinese Yuan	(1,581,441)	1,478,117	(103,324)	(1,787,618)	1,925,436	137,818
Other	1,782,130	(655,258)	1,126,872	566,635	(804,571)	(237,936)
Total	23,504,747	579,761	24,084,508	12,319,333	2,471,759	14,791,092

The exchange rate of AED against US Dollar is pegged and the Group's exposure to currency risk is limited to that extent.

Most of the major positions are in currencies that are pegged to the U.S. Dollar; therefore, any change in their exchange rates will have insignificant sensitivity on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

Liquidity risk management

Liquidity risk is the risk that the Group's entities, in various locations and in various currencies, will be unable to meet a financial commitment to a customer, creditor, or investor when due.

The Group's senior management's focus on liquidity management is to:

- better understand the various sources of liquidity risk, particularly under stressed conditions;
- ensure the Group's short term and long term resilience, as measured by the Basel III guidelines, is sufficiently robust to meet realistic adverse scenarios;
- develop effective contingency funding plans to deal with liquidity crises;
- develop liquidity risk tolerance levels within the Internal Capital Adequacy Assessment Process (ICAAP) framework; and
- demonstrate that the bank can survive the closure of one or more funding markets by ensuring that funding can be readily raised from a variety of sources.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)***Liquidity risk management (continued)*

In compliance with Basel Committee on Banking Supervision (“BCBS”) document titled “Principles for Sound Liquidity Management” and CBUAE “Regulations re Liquidity at Banks” (Circular Number 33/2015) and accompanying Guidance Manual, the Group has established a robust liquidity management framework that is well integrated into the bank-wide risk management process. A primary objective of the liquidity management framework is to ensure with a high degree of confidence that the Bank is in a position to address both its daily liquidity obligations as well as withstand a period of liquidity stress. In addition to maintaining sound liquidity governance and management practices, the Bank also holds an adequate liquidity cushion comprised of High Quality Liquid Assets (“HQLA”) to be in a position to survive such periods of liquidity stress. The Bank’s Liquidity Management Framework has two tiers:

1. **Board of Directors oversight** through review and approval of Liquidity Management Policy and definition of Liquidity Risk Tolerance Limits.
2. **Strategies, policies and practices developed by the ALCO** to manage liquidity risk in accordance with the Board of directors approved risk tolerance and ensure that the bank maintains sufficient liquidity.

The Group’s Board of Directors (the “Board”) bears the ultimate responsibility for liquidity risk management within the Bank. The Board members hence are familiar with liquidity risk and how it is managed as well as have a thorough understanding of how other risks including credit, market, operational and reputation risks affect the bank’s overall liquidity risk.

Mashreqbank’s Head Office (“HO”) and International Banking Group (“IBG”) Asset and Liability Committees (“ALCO”) are responsible for formulating policies for implementing the Board approved liquidity risk appetite. In this regard, the following policies, procedures and systems have been implemented:

a) Robust ALCO oversight through timely, pertinent information and analysis

ALCOs have a broad range of authority delegated by the Board of Directors to manage the Group’s asset and liability structure and funding strategy. ALCOs meet on a regular basis to review liquidity ratios, asset and liability structure, interest rate and foreign exchange exposures, internal and statutory ratio compliance, funding and repricing gaps and general domestic and international economic and financial market conditions. ALCOs determine the structure, responsibilities and controls for managing liquidity risk and for overseeing the liquidity position at all locations. The Asset Liability Management (“ALM”) function in the Group is then responsible for implementing the ALCO policies.

The Head Office ALCO comprises of the Chief Executive Officer, the Head of Corporate Affairs, Chief Risk Officer, Chief Credit Officer, Head of Retail Banking Group, Head of Corporate Banking Group, Head of International Banking Group and the Head of Treasury & Capital Markets.

The IBG ALCO comprises of Head of International Banking, Head of Retail Banking, Chief Risk Officer, Head of Treasury & Capital Markets, Funding Centre, Finance and representatives from respective international locations.

b) Maintenance of Adequate High Quality Liquid Assets (“HQLA”) cushion

The Bank holds a portfolio of HQLA aligned with the established liquidity risk tolerance of the bank, which means at a minimum it is sufficient to meet all regulatory and internal ratios under normal operating conditions, and enough to meet the liquidity needs under stressed conditions as estimated by Stress tests.

c) Gap limits

The minimum size of net placements in highly liquid money market instruments and HQLA bond portfolio is based on stress testing exercise, which takes into account the stability of deposits from different sources as well as contingent funding requirements of overseas branches. The Money Book and HQLA deployments are also required to adhere to gap limits, to ensure that the bank is in a position to meet short term and intraday liquidity needs.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)*****d) Liquidity risk management over different time horizons and currencies***

The time horizons over which the Bank manages liquidity risk range from intraday basis, day-to-day cashflow movements, fund raising capacity over short and medium-term (up to one year) as well as vulnerabilities to events, activities and strategies beyond one year that can put a significant strain on the Bank's cash generation capability

e) Forward looking Funding Plan ensuring effective diversification in the sources and tenor of funding

Mashreqbank develops its funding plan as part of its annual planning exercise. The plan places emphasis on diversifying the funding sources and maintaining market access to different sources of funding.

The Group has historically relied on customer deposits for its funding needs. Over the years, the Group has successfully introduced various cash management products and retail savings' schemes which have enabled it to mobilise low cost, broad based deposits. In order to diversify the funding sources, a Euro Medium Term Notes program was launched in 2004 and, as of 31 December 2024 has an outstanding balance of AED 2.07 billion (2023: AED 5.2 billion) [Note 19] in medium-term loans. The Bank also established Certificate of Deposit (CD) programmes through its London branch in 2014 and its Hong Kong Branch in 2018. Recently the Bank established a Trust Certificate (Sukuk) Issuance Programme in 2024.

f) Stress Testing for a variety of short-term and protracted Group-specific and market-wide stress scenarios

Stress tests enable the Bank to analyze the impact of stress scenarios on its consolidated group wise liquidity position as well as on the liquidity position of individual entities. The stress scenarios have been designed to incorporate the major funding and market liquidity risks to which the Bank is exposed. ALCO and the Board reviews the bank's choice of scenarios and related assumptions as well as the results of the stress tests.

g) Contingency Funding Plan outlining the Bank's step by step response to Liquidity contingency situations of different magnitudes

Mashreqbank has a formal contingency funding plan ("CFP"), which is updated, reviewed and approved by the HO ALCO and the Board on an annual basis. The CFP provides a list of liquidity generation tools which would be used to counter liquidity stress at different stages of the contingency.

h) FTP Framework for allocating liquidity costs, benefits and risks to all business activities

Mashreqbank has a well-developed FTP policy and system that aims to create transparency in profitability and insulate Business Units from interest rate risk.

i) Regular Internal as well as CBUAE audits focused on HQLA cushion and Liquidity management policies and procedures

Mashreqbank's liquidity policies, procedures and systems are subject to end to end review by internal audit as well as by the CBUAE.

The Bank has strengthened its liquidity buffer by raising deposits in line with loan growth. Prudent liquidity management by the Bank, has helped to ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption. The Russia Ukraine war and the Israel-Hamas crisis have not significantly impacted the on UAE banking sector's liquidity.

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date.

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

43. Risk management (continued)

Maturity profile:

The maturity profile of assets, liabilities and equity as at 31 December 2024 were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	40,592,508	-	-	-	-	40,592,508
Loans and advances to banks	27,610,771	10,204,918	7,595,672	6,860,243	-	52,271,604
Financial assets measured at fair value	9,024,513	5,655,961	3,003,717	1,455,598	7,187,745	26,327,534
Securities measured at amortised cost	1,485,388	311,166	1,228,037	3,252,701	3,519,825	9,797,117
Loans and advances to customers	35,611,493	8,192,501	8,441,861	24,606,907	26,228,084	103,080,846
Islamic financing and investment products	9,120,178	2,660,699	553,149	2,987,103	6,356,422	21,677,551
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Reinsurance contract assets	1,342,486	618,807	656,315	740,019	21,521	3,379,148
Investment in associate	-	-	-	-	296,878	296,878
Investment properties	-	-	-	-	151,620	151,620
Property and equipment	-	-	-	-	1,339,360	1,339,360
Intangible assets	-	-	-	-	374,333	374,333
Other assets	4,144,562	150,299	179,012	190,951	4,651	4,669,475
Total assets	131,568,056	28,257,280	22,005,399	40,141,984	45,480,439	267,453,158

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

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
<i>Liabilities and equity</i>						
Deposits and balances due to banks	36,184,911	4,436,682	2,385,423	367,300	-	43,374,316
Repurchase agreements with banks	2,075,517	-	-	-	-	2,075,517
Customers' deposits	123,919,233	10,241,187	7,295,629	1,781,442	327,302	143,564,793
Islamic customers' deposits	13,650,602	1,318,026	1,459,959	946,314	-	17,374,901
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Other liabilities	8,582,741	482,707	379,919	153,332	99,836	9,698,535
Medium-term loans	296,218	252,788	150,754	1,371,741	-	2,071,501
Subordinated debt	-	-	-	-	1,831,027	1,831,027
Insurance and investment contract liabilities	1,846,842	830,785	927,249	1,600,863	981,451	6,187,190
Equity attributable to shareholders of the Parent	-	-	-	-	36,712,765	36,712,765
Non-controlling interest	-	-	-	-	1,067,429	1,067,429
Total liabilities and equity	<u>189,192,221</u>	<u>18,025,104</u>	<u>12,946,569</u>	<u>6,269,454</u>	<u>41,019,810</u>	<u>267,453,158</u>
Guarantees	4,889,113	2,007,709	3,853,309	5,538,554	7,388,586	23,677,271
Letters of credit	11,294,171	2,148,056	1,106,965	22,355	61,611	14,633,158
Total	<u>16,183,284</u>	<u>4,155,765</u>	<u>4,960,274</u>	<u>5,560,909</u>	<u>7,450,197</u>	<u>38,310,429</u>

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

43. Risk management (continued)

Maturity profile:

The maturity profile of assets, liabilities and equity as at 31 December 2023 were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	41,760,286	-	-	-	-	41,760,286
Loans and advances to banks	14,456,759	9,856,606	5,756,220	9,057,447	-	39,127,032
Financial assets measured at fair value	9,658,921	4,103,446	4,788,392	994,937	6,486,173	26,031,869
Securities measured at amortised cost	1,717,638	546,593	607,976	3,620,521	3,458,797	9,951,525
Loans and advances to customers	26,834,907	8,470,520	4,233,991	24,144,451	29,919,368	93,603,237
Islamic financing and investment products	7,681,017	364,259	724,658	2,169,766	5,812,542	16,752,242
Acceptances	1,730,889	1,074,135	627,583	104,323	-	3,536,930
Reinsurance contract assets	860,314	521,326	550,108	805,712	19,403	2,756,863
Investment in associate	-	-	-	-	36,498	36,498
Investment properties	-	-	-	-	502,047	502,047
Property and equipment	-	-	-	-	1,381,735	1,381,735
Intangible assets	-	-	-	-	360,611	360,611
Other assets	3,925,138	88,721	49,964	92,149	23,762	4,179,734
Total assets	<u>108,625,869</u>	<u>25,025,606</u>	<u>17,338,892</u>	<u>40,989,306</u>	<u>48,000,936</u>	<u>239,980,609</u>

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

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
<i>Liabilities and equity</i>						
Deposits and balances due to banks	24,062,080	4,229,397	2,088,779	281,092	6,673,700	37,335,048
Repurchase agreements with banks	1,062,992	-	-	-	-	1,062,992
Customers' deposits	115,999,612	8,539,857	5,584,044	2,094,278	391,880	132,609,671
Islamic customers' deposits	10,546,293	1,050,843	1,972,313	53,035	-	13,622,484
Acceptances	1,730,888	1,074,135	627,583	104,324	-	3,536,930
Other liabilities	7,237,582	380,712	228,175	136,466	188,074	8,171,009
Medium-term loans	3,587,906	-	910,595	623,604	36,596	5,158,701
Subordinated debt	-	-	-	-	1,831,027	1,831,027
Insurance and investment contract liabilities	1,353,115	702,015	732,292	1,629,384	918,151	5,334,957
Equity attributable to shareholders of the Parent	-	-	-	-	30,333,359	30,333,359
Non-controlling interest	-	-	-	-	984,431	984,431
Total liabilities and equity	<u>165,580,468</u>	<u>15,976,959</u>	<u>12,143,781</u>	<u>4,922,183</u>	<u>41,357,218</u>	<u>239,980,609</u>
Guarantees	6,828,710	3,179,342	3,658,273	3,521,544	9,087,699	26,275,568
Letters of credit	8,994,670	2,750,866	1,325,772	209,882	5,559	13,286,749
Total	<u>15,823,380</u>	<u>5,930,208</u>	<u>4,984,045</u>	<u>3,731,426</u>	<u>9,093,258</u>	<u>39,562,317</u>

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

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2024:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
<i>Liabilities and equity</i>						
Deposits and balances due to banks	36,268,510	4,505,404	2,432,064	439,021	-	43,644,999
Repurchase agreements with banks	2,075,517	-	-	-	-	2,075,517
Customers' deposits	124,010,829	10,431,740	7,537,152	2,063,030	374,018	144,416,769
Islamic customers' deposits	13,804,498	1,385,851	1,529,134	1,058,331	-	17,777,814
Acceptances	2,636,157	462,929	347,636	48,462	-	3,495,184
Other liabilities	8,582,741	482,707	379,919	153,332	99,836	9,698,535
Medium-term loans	304,732	258,287	163,329	1,476,891	-	2,203,239
Subordinated debt	36,156	36,156	72,312	578,498	2,286,192	3,009,314
Insurance and investment contract liabilities	1,846,842	830,785	927,249	1,600,863	981,451	6,187,190
Equity attributable to shareholders of the Parent	-	-	-	-	36,712,765	36,712,765
Non-controlling interest	-	-	-	-	1,067,429	1,067,429
Total liabilities and equity	189,565,982	18,393,859	13,388,795	7,418,428	41,521,691	270,288,755

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

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2023:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
<i>Liabilities and equity</i>						
Deposits and balances due to banks	24,080,104	4,266,416	2,104,472	281,865	6,681,434	37,414,291
Repurchase agreements with banks	1,062,992	-	-	-	-	1,062,992
Customers' deposits	116,149,390	8,702,859	5,787,433	2,484,065	441,001	133,564,748
Islamic customers' deposits	10,654,769	1,098,888	2,094,955	57,742	-	13,906,354
Acceptances	1,730,888	1,074,135	627,583	104,324	-	3,536,930
Other liabilities	7,237,582	380,712	228,175	136,466	188,072	8,171,007
Medium-term loans	3,610,302	-	950,914	628,205	37,282	5,226,703
Subordinated debt	36,156	36,156	72,312	723,122	2,286,192	3,153,938
Insurance and investment contract liabilities	1,353,115	702,015	732,292	1,629,384	918,151	5,334,957
Equity attributable to shareholders of the Parent	-	-	-	-	30,333,359	30,333,359
Non-controlling interest	-	-	-	-	984,431	984,431
Total liabilities and equity	<u>165,915,298</u>	<u>16,261,181</u>	<u>12,598,136</u>	<u>6,045,173</u>	<u>41,869,922</u>	<u>242,689,710</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****43. Risk management (continued)***Compliance Risk*

Compliance risk is the risk of an activity not being conducted in line with the applicable laws and regulations leading to reputational and/or financial losses. The Group manages compliance risk through a compliance function which is responsible for monitoring compliance of laws and regulations across the various jurisdictions in which the Group operates.

The Bank previously became aware that certain historical US dollar payment processing activities may have potentially breached US sanction laws in effect at the time. Accordingly, the Bank proactively cooperated with the UAE and the US regulators and appointed external legal advisors to assist in the review of these transactions, including compliance with US sanction laws as well as its own compliance processes. In 2018, the Bank formally submitted the findings of the review to the regulators in both the UAE and the US.

During the year ended 31 December 2021 the Bank reached a joint settlement with the Office of Foreign Assets Control (OFAC), the New York State Department of Financial Services (DFS) and the Federal Reserve Board of Governors (FRB). No separate financial penalty was levied by OFAC and FRB. The Bank has complied with the terms of the settlement. Another US agency that participated in the investigation is not as at current date manifesting a continued interest in the matter, but we cannot preclude that they might do so in the future. The Group, on a continuous basis, identifies and assesses such risks and recognizes provisions, in consultation with its legal counsel, in accordance with the accounting policy for provisions as disclosed [in note 3].

Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The group measures investments in the category using various valuations techniques. These include the net assets valuation method where there is unavailability of market and comparable financial information comparable sales transactions after applying an appropriate hair cut and discounted cash flow models where appropriate

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2023.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

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

43. Risk management (continued)

Fair value measurements (continued)

	Fair value as at		Fair value hierarchy
	2024 AED'000	2023 AED'000	
Financial assets measured at FVTPL			
Quoted debt investments	165,624	152,750	Level 1
Quoted equity investments	23,689	22,530	Level 1
Unquoted debt investments	730,092	1,348,157	Level 2
Funds	1,326,137	1,310,716	Level 2
Unquoted equity investments	1,032	1,132	Level 3
	2,246,574	2,835,285	
Financial assets measured at FVTOCI			
Quoted equity investments	755,933	705,698	Level 1
Quoted debt investments	23,001,663	22,343,507	Level 1
Unquoted equity investments	79,946	56,049	Level 3
Funds	243,418	91,330	Level 2
	24,080,960	23,196,584	
	26,327,534	26,031,869	

There were no transfers between each of the levels during the year.

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL

	2024 AED'000	2023 AED'000
At 1 January	1,132	707
Purchases	344	-
Change in fair value	(444)	425
At 31 December	1,032	1,132

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

43. Risk management (continued)

Fair value measurements (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI

	2024 AED'000	2023 AED'000
At 1 January	56,049	63,117
Purchases	38,371	8,945
Disposals/matured	(1,103)	(12,429)
Change in fair value	(13,371)	(3,584)
At 31 December	79,946	56,049

All gain and losses related to investment in unquoted equity instruments are included in consolidated statement of comprehensive and are reported as changes of investments revaluation reserve

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values and carry market rates of interest.

	Gross carrying amount AED'000	Level 1 AED'000	Fair value		Total AED'000
			Level 2 AED'000	Level 3 AED'000	
31 December 2024					
<i>Financial assets:</i>					
Securities measured at amortised cost	9,827,791	7,761,200	1,108,476	668,717	9,538,393
31 December 2023					
<i>Financial assets:</i>					
Securities measured at amortised cost	9,996,660	7,415,365	1,534,497	773,394	9,723,256
31 December 2024					
<i>Financial liabilities</i>					
Medium-term notes	2,071,501	1,970,316	-	116,950	2,087,266
31 December 2023					
<i>Financial liabilities</i>					
Medium-term notes	5,158,701	4,199,191	-	955,019	5,154,210

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

43. Risk management (continued)

Fair value measurements (continued)

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 1% increase or decrease as at 31 December 2024 and 31 December 2023:

	Reflected in consolidated statement of profit or loss		Reflected in consolidated statement of comprehensive income	
	Favourable change AED'000	Unfavourable change AED'000	Favourable change AED'000	Unfavourable change AED'000
31 December 2024				
Financial assets measured at fair value	22,466	(22,466)	240,810	(240,810)
Derivatives	6,284	(6,284)	-	-
31 December 2023				
Financial assets measured at fair value	28,353	(28,353)	231,966	(231,966)
Derivatives	6,128	(6,128)	-	-

Majority of the derivative financial instruments are back-to-back; therefore, any change to the fair value of the derivatives resulting from price input changes will have insignificant impact on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

44. Foreign restricted assets

Net assets equivalent to AED 586 million as at 31 December 2024 (31 December 2023: AED 555 million) maintained by certain branches of the Bank, operating outside the UAE, are subject to exchange control regulations of the countries in which these branches operate.

45. Taxation

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Pillar Two Anti Global Base Erosion Rules ("GloBE Rules") designed to address the tax challenges arising from the digitalisation of the global economy.

The Group is in scope of Pillar Two legislation as it operates in jurisdictions that have enacted or substantively enacted Pillar Two legislation and its consolidated revenue exceeds €750 million threshold.

UAE, where the head quarter of the Group is based, published Federal Decree-Law No. 60 of 2023, amending specific provisions of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses on 24 November 2023, as part of its commitment to the OECD guidelines.

The amendments introduced by Federal Decree-Law No. 60 of 2023 are intended to prepare for the introduction of the BEPS 2.0 Pillar Two Rules. The implementation of these rules in the UAE is still pending additional Cabinet Decisions, and the specific form and manner of implementation are yet to be determined.

For jurisdictions where Pillar Two legislation is effective in the financial year ending 31 December 2024, the Group operates with an effective tax rate that is below the minimum threshold. However, the Group does not anticipate a material top-up tax liability in such jurisdictions and has not currently accrued any top-up tax for the financial year ending 31 December 2024. For other jurisdictions where Pillar Two legislation will be effective from 1 January 2025, the Group will continue to monitor the legislation and accrue any potential top-up tax when the legislation becomes effective, in accordance with the IAS 12 Amendments and considering the transitional Country-by-Country (CbC) safe harbour relief.

As of 31 December 2024, the Group is in the process of assessing the potential exposure to Pillar Two income taxes in jurisdictions where the legislation will be effective from 1 January 2025. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the potential exposure in Q1 2025.

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

45. Taxation (continued)

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12 under which an entity does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

a) Reconciliation of tax expense and the accounting profit multiplied by United Arab Emirates' domestic tax rate at 31 December 2024:

Accounting profit before tax	9,885,903
At United Arab Emirates' statutory income tax rate of 9%	889,731
Tax effect of expenses that are not deductible in determining taxable profits	6,248
Tax effect of Income not taxable in determining taxable profit	(151,733)
Effect of different tax rates from operations in other jurisdictions	126,125
Others	(1,844)
Income tax expense / (credit) reported in the consolidated income statement	868,527
Effective tax rate	8.79%

b) OCI

The major components of income tax expense for the period ended 31 December 2024 are:

Current income tax charge/(credit):

- Related to changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments) 6,096

Deferred tax:

- Relating to changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments) (27,736)

- Relating to changes in currency translation reserve (23,893)

Income tax expense / (credit) reported in the OCI **(45,533)**

46. Additional Tier 1 capital securities

In July 2022, the Bank issued US\$ 300 million (AED 1,101.9 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 8.5% p.a. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in July 2027 subject to Central Bank approval.

In June 2024, the Bank issued US\$ 500 million (AED 1,836.5 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 7.125% p.a. The Bank can elect not to pay a coupon at its own discretion and has the option to call back the securities in 2029 subject to Central bank approval.

47. Comparative information

Certain comparative amounts in consolidated statement of financial position and notes to the consolidated financial statements have been adjusted to conform to the current presentation.

**Notes to the consolidated financial statements
for the year ended 31 December 2024 (continued)****48. Subordinated debt**

In November 2022, the Bank issued US\$ 500 million of subordinated Tier 2 notes. The notes, which were issued at a re-offer price and yield of 99.702 and 7.95 per cent, respectively, and with a coupon of 7.875%, are callable after 5.25 years and have a final maturity of 10.25 years. They will rank Pari passu among themselves, rank subordinate and junior to all senior obligations and rank in priority only to all junior obligations, subject to solvency conditions.

49. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2024.

50. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2024 were approved by the Board of Directors and authorised for issue on 30 January 2025.