BANK OF CHINA LTD.
- ABU DHABI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

Bank of China Ltd. - Abu Dhabi

Financial statements
for the year ended 31 December 2024

Shape the future
with confidence

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF BANK OF CHINA LTD – ABU DHABI

Opinion

We have audited the financial statements of Bank of China Ltd - Abu Dhabi (the "Branch"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

Emphasis of matter

We draw attention to note 20 to the financial statements which describes that subsequent to the approval of the financial statements by the management on 31 March 2025, management withdrew the financial statements for the year ended 31 December 2024 and have reissued the financial statements. In the accompanying financial statements, management amended note 20 to the financial statements relating to credit risk reserve note to give reference to the CBUAE's circular No. 3/2024 of 25/7/2024. This disclosure was not included in the previously issued financial statements of the Branch for the year ended 31 December 2024. Consequently, the previously issued financial statements of the Branch for the year ended 31 December 2024 dated 31 March 2025 have been withdrawn and replaced by these financial statements. Our audit report issued earlier on 31 March 2025 has been withdrawn and replaced by this report.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the UAE Federal Law No (32) of 2021 and the Decretal Federal Law No. (14) of 2018, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF BANK OF CHINA LTD – ABU DHABI (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF BANK OF CHINA LTD – ABU DHABI (continued)

Report on other legal and regulatory requirements

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

For Ernst & Young

Anthony O'Sullivan
Registration No: 687

8 May 2025
Abu Dhabi, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	*2024* *AED'000*	*2023* *AED'000*
ASSETS			
Cash and balances with the Central Bank of the UAE	9	**155,937**	140,784
Due from banks	10	**1,458,265**	1,275,218
Due from related parties	22	**49,976**	44,192
Financial asset measured at amortised cost	11	**1,059,017**	703,869
Loans and advances	12	**1,790,086**	773,844
Other assets	13	**21,132**	12,623
Property, equipment and right of use assets	14	**2,578**	3,260
Intangible assets	15	**125**	15
Deferred tax asset	18	**1,581**	1,278
TOTAL ASSETS		**4,538,697**	2,955,083
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	16	**1,837,824**	1,618,755
Due to related parties	22	**2,129,952**	826,243
Due to banks and other financial institutions	10	**6,978**	8,016
Other liabilities	17	**67,300**	41,485
TOTAL LIABILITIES		**4,042,054**	2,494,499
EQUITY			
Allocated capital	20	**367,200**	367,200
Credit risk reserve	20	**18,046**	12,946
Statutory reserve	20	**15,512**	10,967
Retained earnings		**95,885**	69,471
TOTAL EQUITY		**496,643**	460,584
TOTAL LIABILITIES AND EQUITY		**4,538,697**	2,955,083

These financial statements were authorized and approved for issue by the General Manager on 8 May 2025

Peng Zhou
General Manager

The independent auditors' report is set out on pages 1 to 3.
The attached notes 5 to 28 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	***2024 AED'000***	*2023* AED'000
Interest income	5	**186,162**	118,686
Interest expense	6	**(111,990)**	(40,704)
Net interest income		**74,172**	77,982
Fees and commission income, net	**7**	**7,630**	3,773
Foreign exchange income		**1,329**	2,015
Loss on derivative financial instruments		**(1,366)**	(3,939)
Net operating income		**81,765**	79,831
General and administrative expenses	8	**(17,514)**	(16,795)
Profit for the year before provisions		**64,251**	63,036
(Charge) /net release in provision for credit facilities	24	**(1,654)**	12,251
Net gain on disposal of fixed assets		**25**	-
Profit for the year before tax		**62,622**	75,287
Income tax expense	18	**(18,168)**	(14,959)
PROFIT FOR THE YEAR		**44,454**	60,328
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**44,454**	60,328

The independent auditors' report is set out on pages 1 to 3.
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STATEMENT OF CHANGES IN HEAD OFFICE EQUITY

For the year ended 31 December 2024

	Allocated capital AED'000	*Statutory reserve AED'000*	*Credit risk reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
At 1 January 2023	367,200	4,934	12,946	15,176	400,256
Total comprehensive loss for the year	-	-	-	60,328	60,328
Transfer to statutory reserve	-	6,033	-	(6,033)	-
At 31 December 2023	**367,200**	**10,967**	**12,946**	**69,471**	**460,584**
Dividend for the profit of 2021	**-**	**-**	**-**	**(1,147)**	**(1,147)**
Dividend for the profit of 2022	**-**	**-**	**-**	**(7,248)**	**(7,248)**
Add Risk Reserve	**-**	**-**	**5,100**	**(5,100)**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**44,454**	**44,454**
Transfer to statutory reserve	**-**	**4,545**	**-**	**(4,545)**	**-**
At 31 December 2024	**367,200**	**15,512**	**18,046**	**95,885**	**496,643**

The independent auditors' report is set out on pages 1 to 3.
The attached notes 5 to 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	**2024** *AED'000*	2023 *AED'000*
OPERATING ACTIVITIES			
Profit for the year before taxation		**62,622**	75,287
Adjustments for:			
Depreciation and amortization	14, 15	**193**	596
Depreciation on right of use assets	14	**597**	580
Net charge/ (reversal) in provision for expected credit losses		**1,654**	(13,278)
Finance cost	17.2	**101**	56
Operating cash flows before changes in working capital		**65,167**	63,241
Changes in working capital:			
Cash reserve requirement with the Central Bank of UAE		**(12,760)**	(69,812)
Loans and advances		**(1,018,309)**	56,167
Other assets		**(8,509)**	(2,537)
Customer deposits		**219,069**	588,456
Due to related parties		**1,303,709**	-
Other liabilities		**7,349**	14,660
Income tax paid	18	**12,607**	2,692
Net cash generated from operating activities		**568,323**	652,867
INVESTING ACTIVITIES			
Purchase of property and equipment and intangible assets	14, 15	**(224)**	(3,359)
Purchase of financial asset measured at amortised cost		**(355,148)**	(348,239)
Net cash used in investing activities		**(355,372)**	(351,598)
FINANCING ACTIVITY			
Lease payments	17.2	**(636)**	(636)
Dividend paid		**(8,395)**	-
Net cash used in financing activity		**(9,031)**	(636)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**203,920**	300,633
Cash and cash equivalents, beginning of year		**507,725**	207,092
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	25	**711,645**	507,725

The independent auditors' report is set out on pages 1 to 3.
The attached notes 5 to 28 form an integral part of these financial statements.

1 ESTABLISHMENT AND OPERATIONS

Bank of China Limited (the "Head Office") is a public limited company incorporated in Beijing, People's Republic of China and the address of its registered office is No.1, Fuxingmennei Street, Beijing (100818).

The Head Office has registered a branch in the Emirate of Abu Dhabi which is regulated by the Central Bank of United Arab Emirates ("CBUAE"). The principal activity of the Abu Dhabi Branch of Bank of China Limited (the "Branch") in the United Arab Emirates ("UAE") is wholesale banking. The registered address of the Branch is 46th floor, Al Reem Island, Abu Dhabi, UAE.

The UAE Federal Law No. (32) of 2021 ("Companies Law") which repealed the UAE Federal Law No. (2) of 2015 which was issued on 20 September 2021 and came into effect on 2 January 2022.

In addition, the Federal Law No. (14) of 2018 – Regarding the Central Bank & Organization of Financial Institutions and Activities ("Banking Law") which is applicable to the Branch came into effect on 23 September 2018. The Branch has assessed, evaluated relevant provisions of the Companies Law and the Banking Law and ensured compliance with the applicable provisions of relevant law.

2 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for the valuation of any financial instruments measured at fair value. For the purpose of the financial statements, the results and financial position of the Branch are expressed in Arab Emirates Dirhams (AED) (in thousands, except where noted), which is the functional currency of the Branch, and the presentation currency for the financial statements. The accounting policies used in the preparation of these financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2023, adjusted for new and revised International Financial Reporting Standards as applicable. The principal accounting policies adopted are set out below.

The Branch presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) presented in the notes.

These financial statements represent the financial position and results of the Branch in the United Arab Emirates. The Branch is not a separate legal entity but meets the definition of a reporting entity under IFRS under the Conceptual Framework for IFRS. IFRS defines a reporting entity as an entity that is required, or chooses, to prepare financial statements.

All the operating activities of the Branch are clearly defined and separately managed from the other businesses of the Head Office and accounting records are maintained on this basis. The assets of the Branch are used solely by the Branch and are registered in the name of the Branch. The liabilities relate to the activities of the Branch.

It is important to note whilst the reporting boundary is defined above, the assets and liabilities presented within the reporting boundary remain the assets and liabilities of the Head Office and are not legally separable from the Head Office's other assets and liabilities. As such legally, the assets of the reporting entity may be available to the other claims of the Head Office.

3 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and applicable requirements of the UAE Federal Law No. (32) of 2021 and Article (114) of the Decretal Federal Law No. (14) of 2018, as amended.

Along with these financial statements, the Branch has also presented Basel III disclosures (unaudited) in accordance with the guidelines issued by the CBUAE.

4.1 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

(a) NEW AND REVISED IFRS APPLIED ON THE FINANCIAL STATEMENTS

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IFRS 16 on lease liability in a sales and lease back	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024

(b) NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The Branch has not yet applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027

Management of the Branch anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable. The Branch is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION

Financial instruments

IFRS 9: Financial Instruments

Initial measurement and recognition of financial assets and financial liabilities
A financial asset or a financial liability is recognised when the Branch becomes a party to the contractual provisions of the instrument. Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Branch becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Branch recognises balances due to customers when funds are transferred to the Branch.

All financial assets or financial liabilities are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for FVTPL financial assets. When the fair value of financial instruments at initial recognition differs from the transaction price, the Branch accounts for the day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Branch recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities
The Branch determines classification and measurement category of financial assets, except derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The Branch classifies and measures its derivative and trading portfolio at FVTPL.

The Branch classifies their financial assets based on the business model for managing the assets and the asset's contractual terms, as explained below.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at fair value through profit and loss when they are held for trading and derivative instruments or the fair value designation is applied.

Due from banks and loans and advances to customers
The Branch only measures financial assets at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment
The Branch determines its business model at the level that best reflects how they manage financial assets to achieve their business objective. The Branch's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Branch's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Branch's original expectations, the Branch does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branch assesses whether the financial instruments' cash flows meet the solely payments of principal and interest test (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Branch applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

The SPPI test (continued)
The Branch classifies financial assets upon recognition of IFRS 9 into following categories

- Amortised cost (AC)
- Fair value through profit and loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (“EIR). The amortisation is included in “Interest income” in the income statement. The losses arising from impairment are recognised in the income statement under “net provision on expected credit loss”.

The Branch classifies cash and balances with the Central Bank of the UAE, financial asset measured at amortised cost, due from banks, due from related parties, loans and advances and other assets as AC.

Fair Value Through Profit and Loss (FVTPL)
The Branch classifies financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit.

In addition to the above, on initial recognition, the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the income statement. Interest income and dividends are recognised in the income statement according to the terms of the contract, or when the right to payment has been established.

The Branch measures derivatives as at FVTPL and the positive and negative fair value of these derivatives are included in other assets and other liabilities, respectively.

Equity instruments at FVOCI
Upon initial recognition, the Branch occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in statement of comprehensive income as other operating income when the right of the payment has been established, except when the Branch benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. The Branch has no such instruments currently.

Reclassifications
The Branch does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Branch acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Derecognition of financial assets and financial liabilities

Derecognition due to substantial modification of terms and conditions
If the terms of a financial asset are modified, the Branch evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Derecognition other than for substantial modification
A financial asset (in whole or in part) is derecognised either when:

- the contractual rights to receive the cash flows from the asset have expired; or
- the Branch retains the right to receive cash flows from the assets but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Branch has transferred their rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branch has transferred their right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branch's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the branch would be required to repay.

When the Branch has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Branch's continuing involvement, in which case, the Branch also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Branch could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Branch would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Financial guarantees, letters of credit and undrawn loan commitments
In the ordinary course of business, the Branch gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received, in other liabilities. Subsequent to initial recognition, the Branch's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and under IFRS 9 - an ECL provision as set out in notes 10 and 12. The premium received is recognised in the statement of comprehensive income in 'fees and commission income' on a straight-line basis over the life of the guarantee in line with IFRS 15.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Branch is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

4.2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets
The Branch recognises expected credit losses (ECL) for cash and balances with the Central Bank of the UAE, financial asset measured at amortised cost, loans and advances, other assets, due from related parties and due from banks, together with loan commitments and financial guarantee contracts.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Branch's policies for determining if there has been a significant increase in credit risk are set out in note 24.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Branch has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Branch groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Branch recognizes an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Branch records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired The Branch records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Branch has no reasonable expectations of receiving either the entire outstanding amount or a proportion there of, the gross carrying amount of financial assets are reduced. This is considered a (partial) derecognition of the financial asset.

Calculation of ECLs
The Branch calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of default (PD) -The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at default (EAD) - The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss given default -The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

Calculation of ECLs (continued)

Undrawn loan commitments
When estimating lifetime ECL for undrawn loan commitments, the Branch estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Revolving facilities
For revolving facilities that include both a loan and an undrawn loan commitment and letters of credit, ECLs are calculated and presented together with the loan.

Guarantees
The Branch's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Branch estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are calculated and presented together with the loan.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Regulatory guidelines
The Branch has considered the following regulatory guidance of the regulator in arriving at ECL impairment:

- Probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.
- Requirement of 5 years data to be included in the IFRS 9 models for the purpose of assessment of the ECL, where relevant and available.

Forward looking information
The Branch incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Macro-economic factors are considered for this purpose by applying forward looking information such as GDP growth percentage.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Scenarios
Weighted average ECL is calculated considering base case, upside and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts. The most significant period-end assumptions used for ECL estimate is GDP. The Branch has considered the scenarios – base case, upside and downside for all portfolios keeping in view the principal macroeconomic (GDP).

Sensitivity analysis
The Branch has performed sensitivity analyses by assessing the impact on the ECL if the principal macroeconomic variable (GDP) was to change by the base case, upside and downside scenarios and they do not expect a significant sensitivity impact on an overall basis.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The calculation of ECLs (continued)

Collateral valuation
To mitigate its credit risks on financial assets, the Branch seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Branch's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Branch uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

Write-offs
Financial assets are written off either partially or in their entirety only when the Branch has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Derivative financial instruments
Derivatives generally include interest rate swaps, forward foreign exchange contracts and options. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of financial position.

Renegotiated loans
In the event of a default, the Branch seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. When the terms and conditions of these loans are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these loans remain past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Collateral repossessed
The Branch's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. This, however, is subject to the regulatory requirements as per CBUAE. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Branch's policy.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Branch has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and unrestricted balances held with the UAE Central Bank and highly liquid financial assets (such as current, call amounts and placements) with original maturities of three months or less from the date of its acquisition.

Property and equipment and right of use assets
Property and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on all property and equipment at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful lives. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Category	Useful life (in years)	Residual value
Furniture and fixtures	5	3%
Motor vehicles	6	3%
Computer and accessories	3	3%
Leasehold improvements	5	0%
Office equipment	5	3%

The carrying amounts of property and equipment and right of use assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the statement of comprehensive income. Any gain or loss on the disposal of property and equipment is recognised in the statement of comprehensive income.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost of the intangible asset is the purchase price together with any incidental expenses of acquisition. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of intangible assets and the benefits can be measured reliably. All other expenditure is recognised in the statement of comprehensive income as an expense is incurred. The useful life of the amortized assets is 3 years. The amortisation charge for the year is calculated on a straight-line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Amortisation on additions is charged from the month the asset is available for use. No amortisation is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the statement of comprehensive income.

End of service benefits
With respect to its national employees, the Branch makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Branch's obligations are limited to these contributions, which are expensed when due.

The Branch also provides end of service benefits to its other employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition

Interest income
Interest income and expenses are recognised using effective interest method. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Branch calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Branch reverts to calculating interest income on a gross basis. The previously unrecognised interest income of a cured but previously impaired financial asset will be recognised as a reversal of impairment loss. Interest income and expenses for all interest-bearing financial instruments are recognised within the statement of comprehensive income.

Fee and commission income
Fees and commission income that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Other fees and commissions are recognised over the period of service or when rendered.

Fair value measurement
For those assets and liabilities carried at fair value, the Branch measures fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The principal or the most advantageous market must be accessible to the Branch. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants.

Fair value hierarchy
The Branch measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation
Taxation is provided for in accordance with local regulations for assessment of tax on branches of foreign banks operating in the Emirate of Abu Dhabi.

Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Branch operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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

The Branch only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Branch’s intention to settle on a net basis.

Foreign currencies
Foreign currency transactions are recorded at rates of exchange ruling at value dates of the transaction. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into UAE Dirhams at rates of exchange ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to UAE Dirhams at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose changes in fair values are recognised directly in other comprehensive income, related foreign exchange differences are also recognised directly in other comprehensive income. For other non-monetary assets, foreign exchange differences are recognised directly in the statement of comprehensive income.

Provisions
Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases
The Branch applies a single recognition and measurement approach for its leases that it is the lessee, except for short-term leases and leases of low-value assets. The Branch recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

Below are the accounting policies of the Branch in relation to leases where the Branch is the lessee:

Right-of-use assets
The Branch recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The estimated useful life of right-of-use assets is consistent with leasehold improvements as discussed in note 4.2.

Lease liabilities
At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments may also include the exercise price of a purchase option reasonably certain to be exercised by the Branch and payments of penalties for terminating a lease, if the lease term reflects the Branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Branch applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Branch has the option, under some of its leases to lease the assets for an additional term. The Branch applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Use of estimates and judgements
The Branch based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Branch. Such changes are reflected in the assumptions when they occur.

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

4.2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Use of estimates and judgements (continued)

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Branch's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Branch's internal credit grading model, which assigns PDs to the individual grades;
- The Branch's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDSs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Estimating the incremental borrowing rate
The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Branch estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Fair value measurement
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts.

In the process of applying the Branch's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of financial assets
The Branch determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determination of the lease term for lease contracts with renewal and termination options (Branch as a lessee)
The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch has one lease contract that includes extension and termination options. The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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

5 INTEREST INCOME

	2024	2023
	AED'000	AED'000
Financial asset measured at amortised cost	**43,580**	19,608
Loans and advances	**61,903**	47,161
Due from related parties	**214**	190
Due from banks	**78,720**	44,608
Balances with the Central Bank of UAE	**1,745**	7,119
	186,162	118,686

6 INTEREST EXPENSE

	2024	2023
	AED'000	AED'000
Due to related parties	**32,247**	14,684
Customer deposits	**79,692**	25,976
Due to banks	**51**	44
	111,990	40,704

7 FEES AND COMMISSION INCOME, NET

	2024	*2023*
	AED'000	*AED'000*
Fee and commission income	**8,402**	5,337
Fee and commission expense	**(772)**	(1,564)
	7,630	3,773

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
	AED'000	AED'000
Staff costs	**13,548**	12,187
Advertising and business promotion expenses	**323**	466
Depreciation and amortization (Note 14 and Note 15)	**790**	1,188
Legal and professional fees	**157**	279
Other operation expenses	**2,368**	2,056
Finance statement and tax audit	**328**	619
	17,514	16,795

9 CASH AND BALANCES WITH THE CENTRAL BANK OF THE UAE

	2024	*2023*
	AED'000	*AED'000*
Balances with the Central Bank of UAE:		
Current account	**24,337**	21,944
Cash reserve requirement	**131,600**	118,840
	155,937	140,784

As per new CBUAE guidelines dated 14 March 2024, Reserves need to be computed at 14% (2023: 11%) of demand deposits plus 1% of time deposits and maintained in AED with reserves denominated in foreign currency to be converted into AED using the FX midpoint rate as published by the CBUAE effective from 12 April 2023. The reserve is required to be updated on a fortnightly basis.

The reserve requirement as at 31 December 2024 amounted to AED131,600 thousand (2023: AED 118,840 thousand). In accordance with the regulation, the end of day balance in the clearing account maintained with CBUAE is swept to the Reserve account on a daily basis.

Balances with the CBUAE are in stage 1 throughout the year and therefore have insignificant ECL.

10 DUE FROM/TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024	2023
	AED'000	AED'000
Due from banks:		
Current account with other banks	**62,906**	82,123
Deposits with banks	**1,395,740**	1,193,725
Less: Expected credit loss (Note 10.1)	**(381)**	(630)
	1,458,265	1,275,218

Amounts due from banks were performing throughout the year, and appropriately included in Stage 1 of the ECL model.

Due to banks and other financial institutions:		
Demand and call deposits	**6,978**	8,016

10.1 Movement of expected credit loss is as follows:

	2024	*2023*
	AED'000	AED'000
Balance at 1 January	**630**	235
(Reversal)/ charge during the year	**(249)**	395
Balance at 31 December	**381**	630

11 FINANCIAL ASSET MEASURED AT AMORTIZED COST

	2024 **AED'000**	*2023* AED'000
Investment measured at amortised cost	**1,059,031**	703,882
Less: Expected credit loss	**(14)**	(13)
	1,059,017	703,869

Financial asset measured at amortized cost was performing throughout the year, and appropriately included in Stage 1 of the ECL model. This financial asset carries an insignificant ECL. The financial assets measured at amortized costs pertain to Central Bank of the UAE M-Bills.

12 LOANS AND ADVANCES

	2024 ***AED'000***	*2023* *AED'000*
Loans and advances measured at amortised cost (Note 12.1)	**1,796,102**	777,793
Expected credit losses against loans and advances – ECL (12.2)	**(6,016)**	(3,949)
Loans and advances, net	**1,790,086**	773,844

12.1 Analysis of loans and advances

	2024 **AED'000**	*2023* AED'000
Syndicated loans	**1,748,110**	777,793
Bilateral loans	**47,992**	-
Balance at 31 December	**1,796,102**	777,793

12.2 Movement of provision for credit losses are as follows:

	2024 **AED'000**	*2023* AED'000
Balance at 1 January	**3,949**	17,633
Charge/ (reversal) during the year	**2,067**	(13,684)
Balance at 31 December	**6,016**	3,949

12 LOANS AND ADVANCES (continued)

12.2 Movement of provision for credit losses are as follows: (continued)

Impairment allowance for loans and advances
The tables below show the credit quality and the maximum exposure to credit risk based on the Branch's internal credit rating system and year-end stage classification.

An analysis of the gross balances included under each stage classification is as follows:

In AED 000	***2024***			
Grades	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Performing*				
Normal grade (AAA1 – A3)	**1,723,541**	**-**	**-**	**1,723,541**
Watchlist grade (A4 – C)	**13,793**	**-**	**-**	**13,793**
Without internal rating	**58,768**	**-**	**-**	**58,768**
Non-performing*				
Sub-standard grade (D)	**-**	**-**	**-**	**-**
Doubtful grade (D)	**-**	**-**	**-**	**-**
Loss grade (D)	**-**	**-**	**-**	**-**
Total	**1,796,102**	**-**	**-**	**1,796,102**

In AED 000	*2023*			
Grades	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Performing*				
Normal grade (AAA1 – A3)	711,676	-	-	711,676
Watchlist grade (A4 – C)	3	-	-	3
Without internal rating	66,114	-	-	66,114
Non-performing*				
Sub-standard grade (D)	-	-	-	-
Doubtful grade (D)	-	-	-	-
Loss grade (D)	-	-	-	-
Total	777,793	-	-	777,793

An analysis of the ECL included under each stage classification is as follows:

In AED 000	***2024***			
Grades	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Performing*				
Normal grade (AAA1 – A3)	**4,894**	**-**	**-**	**4,894**
Watchlist grade (A4 – C)	**148**	**-**	**-**	**148**
Without internal rating	**974**	**-**	**-**	**974**
Non-performing*				
Sub-standard grade (D)	**-**	**-**	**-**	**-**
Doubtful grade (D)	**-**	**-**	**-**	**-**
Loss grade (D)	**-**	**-**	**-**	**-**
Total	**6,016**	**-**	**-**	**6,016**

12 LOANS AND ADVANCES (continued)

12.2 Movement of provision for credit losses are as follows: (continued)

***Impairment allowance for loans and advances* (continued)**
An analysis of the ECL included under each stage classification is as follows: (continued)

In AED 000	*2023*			
Grades	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Performing*				
Normal grade (AAA1 – A3)	2,634	-	-	2,634
Watchlist grade (A4 – C)	-	-	-	-
Without internal rating	1,315	-	-	1,315
Non-performing*				
Sub-standard grade (D)	-	-	-	-
Doubtful grade (D)	-	-	-	-
Loss grade (D)	-	-	-	-
Total	3,949	-	-	3,949

* The internal rating grades of the Branch corresponding to the grades mentioned above are described in note 24.

An analysis of changes in the gross carrying amount in relation to loans and advances is as follows:

In AED 000	***2024***			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount as at 1 January 2024	**777,793**	**-**	**-**	**777,793**
New assets originated	**1.106.570**	**-**	**-**	**1.106.570**
Assets derecognized or repaid	**(88,261)**	**-**	**-**	**(88,261)**
Transfers to Stage 1	**-**	**-**	**-**	**-**
Transfers to Stage 2	**-**	**-**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Amounts written off	**-**	**-**	**-**	**-**
At 31 December 2024	**1,796,102**	**-**	**-**	**1,796,102**

In AED 000	*2023*			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2023	795,761	38,199	-	833,960
New assets originated	123,173	-	-	123,173
Assets derecognised or repaid	(141,141)	(38,199)	-	(179,340)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2023	777,793	-	-	777,793

12 LOANS AND ADVANCES (continued)

12.2 Movement of provision for credit losses are as follows: (continued)

Impairment allowance for loans and advances **(continued)**
Loans and advances in the statement of financial position are stated net of impairment allowances. The movements for expected credit losses are as follows:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
ECL allowance as at 1 January 2024	**3,949**	**-**	**-**	**3,949**
Charge during the year	**2,067**	**-**	**-**	**2,067**
At 31 December 2024	**6,016**	**-**	**-**	**6,016**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2023	4,629	12,931	-	17,560
Charge during the year	(680)	(12,931)	-	(13,611)
At 31 December 2023	3,949	-	-	3,949

Economic sector risk concentration for the loans and advances:

	2024 ***AED'000***	*2023* *AED'000*
Non-Banking Financial Institutions	**497,883**	-
Electricity, water, gas and health services	**429,086**	3
Sovereigns	**426,791**	466,582
Transportation and communication	**332,593**	159,917
Crude oil, gas, mining and quarrying	**109,749**	137,517
Agriculture	**-**	13,774
Total	**1,796,102**	777,793

12.3 Modified and renegotiated loans

There were no modified or renegotiated loans as at 31 December 2024 (2023: Nill).

13 OTHER ASSETS

	2024 ***AED'000***	*2023* *AED'000*
Interest receivable	**19,033**	11,328
Derivatives	**31**	-
Other receivables and advances	**777**	290
Fees receivable	**526**	207
Unamortized expenses	**765**	798
	21,132	12,623

14 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

	Furniture and fixtures AED'000	*Motor vehicle AED'000*	*Computer and accessories AED'000*	*Leasehold improvements AED'000*	*Right of use assets AED'000*	*Office equipment AED'000*	*Total AED'000*
Cost:							
At 31 December 2023	537	607	1,460	5,557	5,528	75	13,764
Additions during the year	14	-	69	-	-	15	98
Disposals		(139)	(59)	(5,557)	-		(5,755)
At 31 December 2024	**551**	**468**	**1,470**	**-**	**5,528**	**90**	**8,107**
Accumulated depreciation:							
At 31 December 2023	(482)	(360)	(1,204)	(5,557)	(2,843)	(58)	(10,504)
Charge for the year	(11)	(58)	(99)	-	(597)	(9)	(774)
Disposals	-	135	57	5,557			5,749
At 31 December 2024	**(493)**	**(283)**	**(1,246)**	**-**	**(3,440)**	**(67)**	**(5,529)**
Net carrying amount:							
At 31 December 2024	**58**	**185**	**224**	**-**	**2,088**	**23**	**2,578**
At 31 December 2023	**55**	**247**	**256**	**-**	**2,685**	**17**	**3,260**

14 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)

	Furniture and fixtures AED'000	*Motor vehicle AED'000*	*Computer and accessories AED'000*	*Leasehold improvements AED'000*	*Right of use assets AED'000*	*Office equipment AED'000*	*Total AED'000*
Cost:							
At 31 December 2022	**513**	**396**	**1,319**	**5,557**	**2,545**	**75**	**10,405**
Additions during the year	**24**	**211**	**141**	**-**	**2,983**	**-**	**3,359**
At 31 December 2023	**537**	**607**	**1,460**	**5,557**	**5,528**	**75**	**13,764**
Accumulated depreciation:							
At 31 December 2022	**(432)**	**(319)**	**(1,131)**	**(5,137)**	**(2,263)**	**(46)**	**(9,328)**
Charge for the year	**(50)**	**(41)**	**(73)**	**(420)**	**(580)**	**(12)**	**(1,176)**
At 31 December 2023	**(482)**	**(360)**	**(1,204)**	**(5,557)**	**(2,843)**	**(58)**	**(10,504)**
Net carrying amount:							
At 31 December 2023	**55**	**247**	**256**	**-**	**2,685**	**17**	**3,260**
At 31 December 2022	81	77	188	420	282	29	1,079

15 INTANGIBLE ASSETS

	2024	*2023*
	AED'000	*AED'000*
Cost:		
At 1 January	**395**	395
Additions during the year	**126**	-
At 31 December	**521**	395
Accumulated amortisation:		
At 1 January	**(380)**	(369)
Charge for the year	**(16)**	(11)
At 31 December	**(396)**	(380)
Net carrying amount:		
At 1 January	**15**	26
At 31 December	**125**	15

16 CUSTOMER DEPOSITS

	2024	*2023*
	AED'000	*AED'000*
Current accounts	**1,204,847**	885,071
Term deposits	**593,528**	695,702
Margin Accounts	**39,449**	37,982
	1,837,824	1,618,755

17 OTHER LIABILITIES

	2024	*2023*
	AED'000	*AED'000*
Inward & outward remittance	**34,329**	13,843
Provision for tax and VAT	**18,507**	12,648
Interest expense payable	**4,288**	6,221
Other provisions and payables (Note 17.1)	**4,288**	4,723
Employee cost accruals	**3,984**	3,812
Deferred fee income	**1,904**	238
	67,300	41,485

17 OTHER LIABILITIES (continued)

17.1 Other provisions and payables include lease liability of AED 1,868 (2023: AED 2,403) recorded in accordance with IFRS 16. Refer note 17.2 below. In addition, other provisions and payables include negative fair value of derivatives of AED 212 thousand (2023: AED 166 thousand), refer note 19 below.

17.2 Lease liability as per IFRS 16

	2024 AED'000	*2023 AED'000*
At 1 January	***2,403***	-
Lease Liability at the commencement date as per IFRS 16	**-**	2,983
Payment during the year	**(636)**	(636)
Finance costs	**101**	56
At 31 December	**1,868**	2,403

The lease is a 5 years lease with lease commencement date as per the lease contract is 15 July 2023 and maturing on 14 July 2028.

18 TAXATION

The taxable income is calculated after making certain adjustments to the profit before tax for the year and is based on the tax regulations of the Emirate of Abu Dhabi. The components of income tax expense for the year ended 31 December 2024 and 2023 are:

	2024 AED'000	2023 AED'000
Current income tax	**18,471**	12,607
Deferred tax relating to reversal and origination of temporary differences	**(303)**	2,352
Income tax expense reported in the statement of comprehensive income	**18,168**	14,959

The movement in the Income tax payable presented in the financial statements is as follows:

	2024 AED'000	2023 AED'000
Opening balance	**12,607**	2,692
Current year charge	**18,471**	12,607
Tax paid	**(12,607)**	(2,692)
At 31 December	**18,471**	12,607

18 TAXATION (continued)

The reconciliation between the tax expense for the year and the accounting profit before tax for the year is as follows:

	2024 ***AED'000***	2023 AED'000
Accounting profit before tax	**62,622**	75,287
Expected tax charge at the applicable rate of 20%	**12,524**	15,057
Expected tax charge Income Tax 9%	**5,636**	-
Tax effect of non-deductible expenses	**8**	(98)
Income tax expense	**18,168**	14,959
Taxation charge for the year – current	**18,471**	12,607
Taxation charge for the year – deferred	**(303)**	2,352
Income tax expense	**18,168**	14,959

The movement in the deferred tax account presented in the financial statements is as follows is as follows:

	2024 ***AED'000***	2023 AED'000
At the beginning of the year	**1,278**	3,629
Deferred tax income during the year	**303**	(2,351)
At 31 December	**1,581**	1,278

19 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Branch enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. During the current and prior year, the Branch entered into forward foreign exchange contracts.

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

As at 31 December 2024			***Notional amounts by term to maturity***		
	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 3 months AED'000***	***3-12 Months AED'000***
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts	**31**	**212**	**1,099,296**	**1,099,296**	**-**

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 31 December 2023			*Notional amounts by term to maturity*		
	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 3 months AED'000*	*3-12 months AED'000*
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts	-	166	426,897	426,897	-

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the income statement of the Branch. Over–the–counter derivatives may expose the Branch to the risks associated with the absence of an exchange market on which to close out an open position.

The Branch's exposure to derivative contracts is closely monitored as part of the overall management of its market risk.

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices of actual market transactions and the Branch's best estimate of the most appropriate model inputs. Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. The Branch has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk.

20 ALLOCATED CAPITAL, STATUTORY RESERVE AND CREDIT RISK RESERVE

Allocated capital
In accordance with the Federal Law No. (14) of 2018, allocated capital represents the amount of funds provided by the Head Office.

Statutory reserve
In accordance with the applicable UAE Law, 10% of the annual profit for the year is transferred to a statutory reserve until this reserve equals 50% of the allocated capital. This reserve is not available for distribution, except under the circumstances stipulated by law.

Credit risk reserve
In accordance with the UAE Central Bank regulations (Circular 3/2024 dated 25/7/2024), a general impairment reserve has been established to reflect the excess general provision required, based on the 1.5% credit risk weighted assets of the Bank, when compared with the total impairment provision required under IFRS 9.

21 CONTINGENCIES AND COMMITMENTS

	2024 ***AED'000***	*2023* *AED'000*
Letters of guarantee	**2,444,819**	682,840
Undrawn credit commitments	**146,677**	217,526
Total	**2,591,496**	900,366

The maturity profile of trade related contingent liabilities is as follows:

2023	*No later than 1 year* *AED 000*	*Over 1 year up to 5 years* *AED 000*	*Over 5 years* *AED 000*	*Total* *AED 000*
Guarantees and acceptances	118,065	564,459	316	682,840
Undrawn credit commitments	125,701	-	91,825	217,526
Total	243,766	564,459	92,141	900,366

Guarantees and standby letters of credit, which represent irrevocable assurances that the Branch will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as loans and advances.

Documentary and commercial letters of credit, which are written undertakings by the Branch on behalf of a customer authorising a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry a lower risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Branch does not generally expect the third party to draw funds under the agreement.

Undrawn credit commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss for an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers' maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is considered limited, since it results from the possibility of unused portions of loan authorizations being drawn by the customer and, second, from these drawings subsequently not being paid as due. The Branch monitors the term to maturity of the credit commitments because longer term commitments generally have a greater degree of credit risk than the shorter term commitments. The total outstanding contractual amount of the commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded.

As at 31 December 2024, the gross balance of contingent liabilities in Stage 1 amounted to AED **2,591,496** thousand (2023: AED 900,366 thousand). The ECL for Stage 1 amounted to AED 1,483 thousand and is included under other liabilities (2023: AED 1,664 thousand).

22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Head Office, group entities, Directors of the Head Office, major shareholders of Head Office, senior management personnel of the Head Office and Branches, transactions with close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are at arm length and are approved by the Branch's management.

Transactions with related parties

	2024 ***AED'000***	*2023* *AED'000*
Interest income on deposits with the related parties	**214**	190
Commissions with the related parties	-	2
Interest expense on deposits from the related parties (Note 6)	**32,247**	14,684

Balances with related parties

	2024 ***AED'000***	*2023* *AED'000*
Due from Related Parties		
Current account	**49,992**	44,192
Less: Expected credit loss	**(16)**	-
	49,976	44,192

	2024 ***AED'000***	*2023* *AED'000*
Due to Related Parties		
Term deposits	**2,111,729**	808,060
Current account	**18,223**	18,183
	2,129,952	826,243
Interest payable	**1,271**	359

Key management compensation:

	2024 ***AED'000***	*2023* *AED'000*
Remuneration to key management personnel	**1,196**	1,152

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments
Financial instruments generally comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and balances with the Central Bank of the UAE, due from banks, due from related parties, loans and advances, financial asset measured at amortised cost and certain other assets. Financial liabilities consist of due to banks and other financial institutions, customer deposits, due to related parties and certain other liabilities. Derivatives consists of forward foreign exchange contracts only.

Financial instruments carried at amortised cost:
Except as detailed in the table below, the fair value of financial instruments carried at amortised cost are not materially different from their carrying value as these assets and liabilities are either of short maturity or are re-priced regularly based on market movement in interest rates.

The following table summarises the carrying amount and fair value of the financial asset measured at amortised cost as at 31 December 2024, which is classified as level 1 in fair value hierarchy:

	Carrying amount	***Fair value***
	AED'000	***AED'000***
31 December 2024		
Financial asset:		
Financial asset measured at amortised cost	**1,059,031**	**1,060,440**

The following table summarises the amortised cost and fair value of the financial asset measured at amortised cost at 31 December 2023:

	Carrying Amount	*Fair value*
	AED'000	*AED'000*
31 December 2023		
Financial asset:		
Financial asset measured at amortised cost	703,882	703,820

Fair values of other financial instruments are not materially different from their carrying values. Derivatives are generally included under level 2 of the fair value hierarchy.

31 December 2024	***Level 1 AED 000***	***Level 2 AED 000***	***Level 3 AED 000***	***Total AED 000***
Derivatives not designated as hedging instruments				
Positive fair value of derivatives:				
Forward foreign exchange contracts	**-**	**30**	**-**	**30**
Negative fair value of derivatives:				
Forward foreign exchange contracts	**-**	**(211)**	**-**	**(211)**
	-	**(181)**	**-**	**(181)**

23 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Financial instruments carried at amortised cost (continued)

31 December 2023	*Level 1 AED 000*	*Level 2 AED 000*	*Level 3 AED 000*	*Total AED 000*
Derivatives not designated as hedging instruments				
Positive fair value of derivatives:				
Forward foreign exchange contracts	-	-	-	-
Negative fair value of derivatives:				
Forward foreign exchange contracts	-	(166)	-	(166)
	-	(166)	-	(166)

During the financial years ended 31 December 2024 and 2023, no financial instruments were transferred between level 1 and level 2.

24 FINANCIAL RISK MANAGEMENT

The Branch's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business. The Branch's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Branch's financial performance.

The main sources of financial risk that the Branch faces arise from financial instruments which are fundamental to the Branch's business and constitute the core of its operations. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Branch's statement of financial position. Consequently, the Branch devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

Managing financial risks, especially credit risk is a fundamental part of the Branch's business activity and an essential component of the planning process. The Branch achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture that measures risk management with everyday business decision making.

The Branch ensures that it has the capacity to manage the risk in its new and growing businesses, and that its business plans are consistent with the risk appetite, that is, the level of risk that the Branch is willing to accept in fulfilling its business objectives.

The Branch's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. These policies provide written principles for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

A. Credit risk

Credit risk is defined as the risk that the Branch's customers, clients or counterparties fail to perform or are unwilling to pay interest, repay the principal or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities, thus causing the Branch to suffer a financial loss. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Branch's portfolio, could result in losses that are different from those provided for at the end of the reporting period. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, balances with banks, other receivables, investment at amortised cost and unfunded exposures such as letters of credit, letters of guarantee and undrawn commitments.

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

Credit risk, both on and off-balance sheet, is actively managed and monitored in accordance with defined credit policies and procedures. The creditworthiness of each counterparty is evaluated and appropriate credit limits are established. Established limits and actual levels of exposure are regularly reviewed and updated by management. Credit review procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review.

In managing its portfolio, the Branch utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Branch uses Corporation Credit Management System ("CCMS") as its internal credit-rating engine. The CCMS tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. Where applicable, the Branch also uses external ratings by recognised rating agencies for externally rated portfolios.

Definition of default
The Branch considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse to actions such as realising security (if any is held) by the Branch; and
- the borrower is past due more than 90 days on any material credit obligation to the Branch; or borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

Any credit impaired or stressed facility that has been restructured would also be considered as in default. The restructured facilities would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Branch for consideration for moving the facility to stage 2/stage 1.

The Branch considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

Significant increase in credit risk
The Branch continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life-time ECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are generally deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Credit facilities are classified under Stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities with investment grade and by 1 grade for those with non-investment grade.

The Branch also considers that events as mentioned below are indicators of significant increase in credit risk as opposed to a default.

- Significant deterioration of credit risk rating of the borrower with consideration to relative increase in PD.
- Accounts expired (pending renewal) for a period of 6 months or more (excluding all accounts with technical reasons).
- Contractual disputes between borrower and contracting entity, leading to detrimental impact on the borrower's cash flow.
- Management dispute or loss of key management personnel leading to detrimental impact on borrowers' repayment capacity.
- Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.

The Branch considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk.

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

PD estimation process
The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future.

PD estimation process requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Branch's estimate of the future asset quality. The Through the Cycle (TTC) PDs are generated from CCMS based on the internal/external credit ratings. The Branch converts the TTC PD to a Point In Time (PIT) PD term structures using appropriate models and techniques.

Exposure at default
Exposure at default (EAD) represents the amount which the obligor will owe to the Branch at the time of default. The Branch considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, usage given default, etc.

Loss Given Default
Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Incorporation of forward-looking information
The Branch considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Branch employs statistical models to incorporate macro-economic factors on historical default rates. The Branch considers scenarios of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. Management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Derivative financial instruments
Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

Individually impaired
There are no loans or advances individually impaired as at 31 December 2024 (2023: Nil).

Risk limit control and mitigation policies
The Branch maintains and manages limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The credit risk is primarily managed by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate.

As part of the Branch's credit risk management policies and practices, it obtains security where deemed necessary for loans and advances. The security types are pledges of cash deposit and bank guarantees.

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

Maximum exposure to credit risk and credit losses before collateral held or other credit enhancements
The following table represents a worst case scenario of credit risk exposure to the Branch at 31 December 2024 and 2023 without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out below are based on gross carrying amounts before provisions which will be larger than that reported in the statement of financial position and the related credit losses. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor ("CCF"), Credit Risk Mitigation ("CRM") and related credit losses.

	Gross carrying amount		***Expected credit losses***	
	2024	*2023*	***2024***	*2023*
	AED'000	*AED'000*	***AED'000***	*AED'000*
Cash and balances with the Central Bank of the UAE (Note 9)	**155,937**	140,784	**-**	-
Due from banks (Note 10)	**1,458,646**	1,275,848	**381**	630
Due from related parties (Note 22)	**49,992**	44,192	**16**	-
Financial asset measured at amortised cost (Note 11)	**1,059,031**	703,882	**14**	13
Loans and advances (Note 12)	**1,796,102**	777,793	**6,016**	3,949
Other assets (excluding prepayments) (Note 13)	**20,336**	12,333	**-**	-
	4,540,040	2,954,832	**6,427**	4,592
Contingencies and commitments (Note 21)	**2,591,496**	900,366	**1,483**	1,664

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

The main types of collateral obtained are cash, securities, and charges over tangible properties and counter-guarantees. At 31 December 2024, of the total outstanding loans and advances, AED 1,796,102 thousand (31 December 2023: AED 777,793 thousand) were secured with a collateral value of AED 417,412 thousand (31 December 2023: AED 395,963 thousand).

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

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

Concentration of credit risk by geographical area

The following table breaks down the Branch's main credit exposures at their carrying amounts, as categorised by geographical regions as of 31 December 2024 and 2023. For on-balance sheet assets, the exposures set out below are based on gross carrying amounts before provisions which will be larger than that reported in the statement of financial position. For this table, the Branch has allocated exposures to regions based on the country of domicile of its counterparties.

31 December 2024	***United Arab Emirates AED'000***	***Asia AED'000***	***Others AED'000***	***Total AED'000***
Assets				
Cash and balances with the Central Bank of UAE	**155,937**	**-**	**-**	**155,937**
Due from banks	**-**	**1,028,440**	**430,206**	**1,458,646**
Due from related parties	**-**	**49,992**	**-**	**49,992**
Financial asset measured at amortised cost	**1,059,031**	**-**	**-**	**1,059,031**
Loans and advances	**939,006**	**827,277**	**29,819**	**1,796,102**
Other assets (excluding prepayments)	**-**	**20,336**	**-**	**20,336**
	2,153,974	**1,926,045**	**460,025**	**4,540,044**
Off balance sheet items*	**24,098**	**2,567,340**	**58**	**2,591,496**

* Off balance sheet items include letters of guarantees and undrawn commitments on loans and advances.

31 December 2023	*United Arab Emirates AED'000*	*Asia AED'000*	*Others AED'000*	*Total AED'000*
Assets				
Cash and balances with the Central Bank of UAE	140,784	-	-	140,784
Due from banks	587,680	459,125	229,043	1,275,848
Due from related parties	-	44,192	-	44,192
Financial asset measured at amortised cost	703,882	-	-	703,882
Loans and advances	345,404	418,615	13,774	777,793
Other assets (excluding prepayments)	-	12,333	-	12,333
	1,777,750	934,265	242,817	2,954,832
Off balance sheet items*	78,640	821,666	60	900,366

* Off balance sheet items include letters of guarantees and undrawn commitments on loans and advances.

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

Concentration of credit risk by industry
The following table breaks down the Branch's main credit exposures on loans and advances, financial asset measured at amortised cost, due from other banks and due from related parties and off balance sheet items categorised by industry as of 31 December 2024 and 2023.

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts before provisions which will be larger than that reported in the statement of financial position. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM).

	On balance sheet items					
	Loans and advances AED'000	***Amounts due from other banks and related parties AED'000***	***Financial asset measured at amortised cost AED'000***	***Total funded AED'000***	***Off balance sheet items AED'000***	***Total AED'000***
31 December 2024						
Mining and quarrying	**109,749**	**-**	**-**	**109,749**	**128,555**	**238,304**
Electricity, gas & air conditioning supply	**415,292**	**-**	**-**	**415,292**	**54,852**	**470,144**
Manufacturing	**-**	**-**	**-**	**-**	**-**	**-**
Construction & real estate	**-**	**-**	**-**	**-**	**12,951**	**12,951**
Transportation and Storage	**29,819**	**-**	**-**	**29,819**	**-**	**29,819**
Financial and insurance activities	**497,883**	**1,508,638**	**-**	**2,006,521**	**2,384,204**	**4,390,725**
Agriculture and allied activities	**-**	**-**	**-**	**-**	**-**	**-**
Other Services Activities	**-**	**-**	**-**	**-**	**10,934**	**10,934**
Government	**426,791**	**-**	**1,059,031**	**1,485,822**	**-**	**1,485,822**
Water Supply, sewerage, waste management and remediation activities	**13,794**	**-**	**-**	**13,794**	**-**	**13,794**
Information and Communication	**302,774**	**-**	**-**	**302,774**	**-**	**302,774**
	1,796,102	**1,508,638**	**1,059,031**	**4,363,771**	**2,591,496**	**6,955,267**

	On balance sheet items					
	Loans and advances AED'000	*Amounts due from other banks and related parties AED'000*	*Financial asset measured at amortised cost AED'000*	*Total funded AED'000*	*Off balance sheet items AED'000*	*Total AED'000*
31 December 2023						
Mining and quarrying	137,517	-	-	137,517	128,555	266,072
Electricity, gas & air conditioning supply	-	-	-	-	-	-
Manufacturing	-	-	-	-	65,689	65,689
Construction & real estate	-	-	-	-	13,101	13,101
Transportation and Storage	36,747	-	-	36,747	-	36,747
Financial and insurance activities	-	1,320,040	-	1,320,040	692,805	2,012,845
Agriculture and allied activities	13,774	-	-	13,774	-	13,774
Other Services Activities	-	-	-	-	216	216
Government	466,582	-	703,882	1,170,464	-	1,170,464
Water Supply, sewerage, waste management and remediation activities	3	-	-	3	-	3
Professional, scientific and technical activities	123,170	-	-	123,170	-	123,170
	777,793	1,320,040	703,882	2,801,715	900,366	3,702,081

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

Gross credit exposures by residual contractual maturity

31 December 2024	***Up to 3 months AED 000***	***3 to 12 months AED 000***	***1 to 5 years AED 000***	***Over 5 years AED 000***	***Total AED 000***
Cash and balances with the Central Bank of UAE	**155,937**	**-**	**-**	**-**	**155,937**
Due from banks	**1,458,646**	**-**	**-**	**-**	**1,458,646**
Due from related parties	**49,992**	**-**	-	-	**49,992**
Financial asset at amortised cost	**188,203**	**870,828**	**-**	**-**	**1,059,031**
Loans and advances	**-**	**-**	**757,682**	**1,038,420**	**1,796,102**
Total funded	**1,852,778**	**870,828**	**757,682**	**1,038,420**	**4,519,708**

31 December 2023	*Up to 3 months AED 000*	*3 to 12 months AED 000*	*1 to 5 years AED 000*	*Over 5 years AED 000*	*Total AED 000*
Cash and balances with the Central Bank of UAE	140,784	-	-	-	140,784
Due from banks	1,275,848	-	-	-	1,275,848
Due from related parties	44,192	-	-	-	44,192
Financial asset at amortised cost	-	703,882	-	-	703,882
Loans and advances	-	13,774	350,693	413,326	777,793
Total funded	1,460,824	717,656	350,693	413,326	2,942,499

Impairment Reserve Under the Central Bank of UAE Guidance

CBUAE issued its IFRS 9 guidance in March 2018 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE. Pursuant to the powers vested under the Decretal Federal Law No. (14) Of 2018, CBUAE issued the Credit Risk Management Regulation Circular 3/2024 effective from 30/11/2024, which establishes the minimum acceptable practices for credit risk management and provisioning for LFIs.

The guidance (2024) states that all LFIs must implement a process to estimate and document provisions associated with each Credit Facility in all stages and in all credit portfolios, supported by sufficient organizational resources. In addition to specific provisions, banks should make general provision for unclassified loans and advances equal to 1.50% of the risk weighted assets as per BASEL-2. Currently, the Bank timely calculates the general provision and compare with the IFRS9 model provision, and the difference shall be transferred to an impairment reserve as an appropriation from the retained earnings.

This impairment reserve shall further be split into specific provision difference (*Impairment Reserve: Specific*) and the collective / general provision difference (*Impairment Reserve: General*). This impairment reserve shall not be available for payment of dividend.

Also, the regulation specifies that the *Impairment Reserve: General* shall be allowed to be included in regulatory capital up to a maximum of 1.25% of risk weighted assets as per Basel, where this is not already utilized.

Impairment Reserve: General

	2024 AED'000	*2023 AED'000*
General provision calculated based on 1.5% of CRWA	**25,873**	18,910
Stage 1 and Stage 2 provisions under IFRS 9*	**7,905**	6,256

** In the case where provisions under IFRS9 fall short to provisions under CBUAE, the discrepancy shall be supplemented in form of impairment reserve. At the end of 2024, the shortfall was 17,968. The Branch's credit risk reserve at the end of 2023 was 12,946 and was subsequently topped up by 5,100. As of the end of 2024, the credit risk reserve is 18,046, which covers the above discrepancy.*

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

The Branch's internal credit rating grades for the year ended 31 December 2024:

Internal rating grade	*Internal risk rating description*	*Cash and balances with the Central Bank of UAE AED'000*	*Contingencies and commitments AED'000*	*Financial asset measure at amortized cost AED'000*	*Due from banks AED'000*	*Interest receivable AED'000*	*Other receivable AED'000*	*Loans and advances AED'000*	*Due from related parties AED'000*	*Total AED'000*
AAA1- AAA4	Very low	**155,937**	**186,345**	**1,059,031**	**-**	**-**	**-**	**411,951**	**-**	**1,813,264**
AAA5 - AAA7	Low	**-**	**197,241**	**-**	**724,046**	**-**	**-**	**929,893**	**-**	**1,851,180**
AA1 - AA3	Relatively low	**-**	**80,878**	**-**	**367,300**	**-**	**-**	**381,696**	**-**	**829,874**
A1 - A3	Medium	**-**	**23,604**	**-**	**367,300**	**-**	**-**	**-**	**-**	**390,904**
A4 - BB2	Relatively high	**-**	**-**	**-**	**-**	**-**	**-**	**13,794**	**-**	**13,794**
B1 - C	Very high	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D	Default	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Without Internal Rating		**-**	**2,103,428**	**-**	**-**	**19,033**	**1,303**	**58,768**	**49,992**	**2,232,524**
		155,937	**2,591,496**	**1,059,031**	**1,458,646**	**19,033**	**1,303**	**1,796,102**	**49,992**	**7,131,540**

24 FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

The Branch's internal credit rating grades for the year ended 31 December 2023:

Internal rating grade	*Internal risk rating description*	*Cash and balances with the Central Bank of UAE AED'000*	*Contingencies and commitments AED'000*	*Financial asset measure at amortised cost AED'000*	*Due from banks AED'000*	*Interest receivable AED'000*	*Other receivable AED'000*	*Loans and advances AED'000*	*Due from related parties AED'000*	*Total AED'000*
AAA1- AAA4	Very low	140,784	157,414	703,882			-	265,644	-	1,267,724
AAA5 - AAA7	Low	-	250,041	-	302,503	-	-	31,501	-	584,045
AA1 - AA3	Relatively low	-	30,500	-	973,345	-	-	400,757	-	1,404,602
A1 - A3	Medium	-	59	-	-	-	-	13,774	-	13,833
A4 - BB2	Relatively high	-	12,952	-	-	-	-	3	-	12,955
B1 - C	Very high	-	-	-	-	-	-	-	-	-
D	Default	-	-	-	-	-	-	-	-	-
Without Internal Rating		-	449,400	-	-	11,328	595	66,114	44,192	571,034
		140,784	900,366	703,882	1,275,848	11,328	595	777,793	44,192	3,854,193

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk

The Branch takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. Market risk consists of price risk, currency risk and interest rate risk.

The Assets Liability Committee ("ALCO") is responsible for formalising the Branch's key financial indicators and ratios, set the thresholds to manage and monitor market risk and also analyse the sensitivity of the Branch's interest rate and maturity mis-matches. ALCO also guides the Branch's investment decisions and provides guidance in terms of interest rate and currency movements.

B.1 Price risk

Price risk is the risk that the value of the entity's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movements. The price risk arises primarily from uncertainty about the future price of financial instruments that the entity holds. The Branch does not hold significant financial instruments whose value is affected by changes in market prices and, therefore the Branch is not exposed to price risk.

B.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

The Branch takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Head Office sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table on the next page summarises the Branch's exposure to foreign currency risk. Included in the table are the Branch's financial instruments at carrying amounts, categorised by currency before provisions.

The main currency that the Branch is exposed to is USD. Since AED is pegged to USD there is no effect on net results and all other net currency exposures are not considered to be significant.

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk (continued)

B.2 Currency risk (continued)

31 December 2024	*AED AED'000 (equivalent)*	*US$ AED'000 (equivalent)*	*HKD AED'000 (equivalent)*	*CNY AED'000 (equivalent)*	*EUR AED'000 (equivalent)*	*Total AED'000 (equivalent)*
Assets						
Cash and balances with the Central Bank of UAE	**155,937**	**-**	**-**	**-**	**-**	**155,937**
Due from banks	**-**	**1,458,265**	**-**	**0**	**-**	**1,458,265**
Due from related parties	**-**	**24,657**	**48**	**23,576**	**1,695**	**49,976**
Financial asset measured at amortised cost	**1,059,017**	**-**	**-**	**-**	**-**	**1,059,017**
Loans and advances, gross	**531,191**	**991,489**	**-**	**-**	**267,406**	**1,790,086**
Other assets excluding prepayments	**(1,072,225)**	**1,050,380**	**(48)**	**46,017**	**(289)**	**23,835**
Total financial assets	**673,920**	**3,524,791**	**-**	**69,593**	**268,812**	**4,537,116**
Liabilities						
Customer deposits	**160,375**	**1,612,601**	**-**	**63,669**	**1,179**	**1,837,824**
Due to related parties	**18,223**	**1,843,846**	**-**	**-**	**267,883**	**2,129,952**
Due to banks and other financial institutions	**1,000**	**-**	**-**	**5,978**	**-**	**6,978**
Other liabilities	**27,350**	**39,242**	**-**	**77**	**344**	**67,013**
Total financial liabilities	**206,948**	**3,495,689**	**-**	**69,724**	**269,406**	**4,041,767**
Net position	**466,972**	**29,102**	**-**	**(131)**	**(594)**	**495,349**

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk (continued)

B.2 Currency risk (continued)

31 December 2023	*AED AED'000 (equivalent)*	*US$ AED'000 (equivalent)*	*HKD AED'000 (equivalent)*	*CNY AED'000 (equivalent)*	*EUR AED'000 (equivalent)*	*Total AED'000 (equivalent)*
Assets						
Cash and balances with the Central Bank of UAE	140,784	-	-	-	-	140,784
Due from banks	-	1,275,848	-	-	-	1,275,848
Due from related parties	-	23,841	48	11,366	8,937	44,192
Financial asset measured at amortised cost	703,882	-	-	-	-	703,882
Loans and advances, gross	-	777,793	-	-	-	777,793
Other assets excluding prepayments	1,693	10,640	-	-	-	12,333
Deferred tax assets	1,278					1,278
Total financial assets	847,637	2,088,122	48	11,366	8,937	2,956,110
Liabilities						
Customer deposits	88,469	1,475,818	-	45,462	9,006	1,618,755
Due to related parties	18,183	808,060	-	-	-	826,243
Due to banks and other financial institutions	-	1	-	8,015	-	8,016
Other liabilities	20,556	20,928	-	-	1	41,485
Total financial liabilities	127,208	2,304,807	-	53,477	9,007	2,494,499
Net position	720,429	(216,685)	48	(42,111)	(70)	461,611

As at 31 December 2024, if the AED had strengthened/weakened by 10% (2023: 10%) against the CNY with all other variables held constant, the net result for the year of the Branch would have been higher/lower by AED 130 thousand (2023: AED 4,211 thousand) as a result of currency transaction gains/losses on the CNY denominated assets and liabilities.

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk (continued)

B.3 Interest rate risk

The table below summarises the average interest rate on the outstanding interest-bearing balances by major currencies for monetary financial instruments:

31 December 2024	***AED***	***CNY***	***US$***	***EUR***	***HKD***
	%	***%***	***%***	***%***	***%***
Assets					
Due from banks	**-**	**-**	**4.69**	**-**	**-**
Due from related parties	**-**	**-**	**-**	**-**	**-**
Loans and advances	**5.26**	**-**	**5.86**	**3.42**	**-**
Liabilities					
Due to banks	**-**	**-**	**-**	**-**	**-**
Due to related parties	**-**	**-**	**4.41**	**3.08**	**-**
Customer deposits	**1.82**	**0.42**	**2.85**	**-**	**-**

31 December 2023	*AED*	*CNY*	*US$*	*EUR*	*HKD*
	%	*%*	*%*	*%*	*%*
Assets					
Due from banks	-	-	5.41	-	-
Due from related parties	-	-	-	-	-
Loans and advances	5.89	-	6.41	-	-
Liabilities					
Due to banks	-	-	-	-	-
Due to related parties	-	-	5.16	-	-
Customer deposits	0.75	0.61	1.87		-

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Branch assumes a fluctuation in interest rates of 250 basis points (bps) as being reasonable and estimates the following impact on the results and equity for the year:

	Net Interest income AED'000 At 31 December 2024	*Net Interest income AED'000 At 31 December 2023*
Fluctuation of 250 bps	**3,599**	(2,478)

The above sensitivity analysis does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Branch takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The ALCO sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the treasury function.

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk (continued)

B.3 Interest rate risk (continued)

The table below summarises the Branch's exposure to interest rate risks by repricing or maturity date. It includes the Branch's financial instruments at gross carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2024	*Less than 3 months AED'000*	*3 months to 1 year AED'000*	*Over 1 year up to 5 years AED'000*	*Over 5 years AED'000*	*Non interest bearing AED'000*	*Total AED'000*
Assets:						
Cash and balances with the Central Bank of UAE	**155,937**	**-**	**-**	**-**	**-**	**155,937**
Due from banks	**1,508,638**	**-**	**-**	**-**	**-**	**1,508,638**
Due from related parties	**49,992**	**-**	**-**	**-**	**-**	**49,992**
Financial asset measured at amortised cost	**789,014**	**270,017**	**-**	**-**	**-**	**1,059,031**
Loans and advances, gross	**1,507,335**	**288,767**	**-**	**-**	**-**	**1,796,102**
Other assets excluding prepayments	**-**	**-**	**-**	**-**	**20,336**	**20,336**
Total	**4,010,916**	**558,784**	**-**	**-**	**20,336**	**4,590,036**
Liabilities:						
Customer deposits	**1,691,550**	**146,274**	**-**	**-**	**-**	**1,837,824**
Due to related parties	**2,129,952**	**-**	**-**	**-**	**-**	**2,129,952**
Due to banks and other financial institutions	**6,978**	**-**	**-**	**-**	**-**	**6,978**
Other liabilities	**-**	**-**	**-**	**-**	**67,300**	**67,300**
Total	**3,828,480**	**146,274**	**-**	**-**	**67,300**	**4,042,055**
Interest rate sensitivity gap	**182,436**	**412,510**	**-**	**-**	**(46,964)**	**547,981**

24 FINANCIAL RISK MANAGEMENT (continued)

B. Market risk (continued)

B.3 Interest rate risk (continued)

2023	*Less than 3 months AED'000*	*3 months to 1 year AED'000*	*Over 1 year up to 5 years AED'000*	*Over 5 years AED'000*	*Non interest bearing AED'000*	*Total AED'000*
Assets:						
Cash and balances with the Central Bank of UAE	140,784	-	-	-	-	140,784
Due from banks	1,275,848	-	-	-	-	1,275,848
Due from related parties	44,192	-	-	-	-	44,192
Financial asset measured at amortised cost	-	703,882	-	-	-	703,882
Loans and advances, gross	364,470	413,323	-	-	-	777,793
Other assets excluding prepayments	-	-	-	-	12,333	12,333
Total	1,825,294	1,117,205	-	-	12,333	2,954,832
Liabilities:						
Customer deposits	1,510,204	108,551	-	-	-	1,618,755
Due to related parties	826,243	-	-	-	-	826,243
Due to banks and other financial institutions	8,016	-	-	-	-	8,016
Other liabilities	-	-	-	-	41,485	41,485
Total	2,344,463	108,551	-	-	41,485	2,494,499
Interest rate sensitivity gap	(519,169)	1,008,654	-	-	(29,152)	460,333

24 FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk

Liquidity risk is the risk that the Branch will not be able to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Branch manages its liquidity in accordance with the CBUAE's requirements and the Branch's internal guidelines mandated by ALCO. The CBUAE has reserve requirements on deposits ranging between 1% and 11% on demand and time deposits. The CBUAE also imposes mandatory 1:1 advances to deposit ratio whereby loans and advances (combined with inter-bank placements having a remaining term of greater than three months) should not exceed stable funds as defined by the CBUAE. ALCO monitors liquidity ratios on a regular basis and for covering the risk of any mismatch in liquidity, Head Office funding is available to the Branch.

The table below presents the cash flows payable by the Branch under non-derivative financial instruments by remaining contractual maturity at the statement of financial position date. The amounts disclosed in the table are the contractual discounted cash flows.

Financial liabilities 31 December 2024	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
Customer deposits	**1,203,847**	**487,703**	**146,274**	**-**	**-**	**1,837,824**
Due to related parties	**18,223**	**1,744,429**	**367,300**	**-**	**-**	**2,129,952**
Due to banks and other financial institutions	**6,978**	**-**	**-**	**-**	**-**	**6,978**
Other liabilities	**34,329**	**6,407**	**22,602**	**3,962**	**-**	**67,300**
Total financial liabilities	**1,263,377**	**2,238,539**	**536,176**	**3,962**	**-**	**4,042,054**

Financial liabilities 31 December 2023	*Ondemand AED'000*	*Lessthan3months AED'000*	*3to12months AED'000*	*1to5 years AED'000*	*Over 5years AED'000*	*Total AED'000*
Customer deposits	923,053	587,151	108,551	-	-	1,618,755
Due to related parties	18,183	808,060	-	-	-	826,243
Due to banks and other financial institutions	8,016	-	-	-	-	8,016
Other liabilities	15,509	8,685	12,886	4,405	-	41,485
Total financial liabilities	964,761	1,403,896	121,437	4,405	-	2,494,499

24 FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

At 31 December 2024	***Within 12 months AED'000***	***After 12 months AED'000***	***Total AED'000***
Assets			
Cash and balances with the Central Bank of UAE	**155,937**	**-**	**155,937**
Due from banks (including related parties balances)	**1,508,638**	**-**	**1,508,638**
Financial asset measured at amortised cost	**1,059,031**	**-**	**1,059,031**
Loans and advances	**-**	**1,796,102**	**1,796,102**
Other assets	**22,712**	**2,703**	**25,415**
Total	**2,746,318**	**1,798,805**	**4,545,123**
Liabilities			
Customer deposits	**1,837,824**	**-**	**1,837,824**
Due to banks and other financial institutions (including related party balances)	**2,136,930**	**-**	**2,136,930**
Other liabilities	**63,338**	**3,962**	**67,300**
Total	**4,038,092**	**3,962**	**4,042,054**

At 31 December 2023	*Within 12 months AED'000*	*After 12 months AED'000*	*Total AED'000*
Assets			
Cash and balances with the Central Bank of UAE	140,784	-	140,784
Due from banks (including related parties balances)	1,320,040	-	1,320,040
Financial asset measured at amortised cost	703,882	-	703,882
Loans and advances	13,774	764,019	777,793
Other assets (including property, equipment and right of use assets, intangible assets and deferred tax asset)	1,278	15,898	17,176
Total	2,179,758	779,917	2,959,675
Liabilities			
Customer deposits	1,618,755	-	1,618,755
Due to banks and other financial institutions (including related party balances)	834,259	-	834,259
Other liabilities	37,080	4,405	41,485
Total	2,490,094	4,405	2,494,499

D. Prepayment risk

Prepayment risk is the risk that the Branch will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected such as fixed rate loans and advances when interest rates fall. Majority of the Branch's interest bearing financial assets are at floating rates.

24 FINANCIAL RISK MANAGEMENT (continued)

E. Operational risk

Operational risk is the risk of loss caused by failures in operational processes, people, fraud, external events and system failures that supports operational processes. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Branch cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Branch manages this risk by setting policies and procedures, which are approved by the Head Office and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Branch. The Branch manages operational risk through the Risk Management Division of the Branch and the guidance of Head Office.

F. Capital management

The Central Bank of UAE sets and monitors capital requirements for the Branch. The Branch's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes allocated capital, statutory reserve and retained earnings, after deductions for goodwill and intangible assets, if any.
- Tier 2 capital, which includes qualifying subordinated liabilities.

During the year ended 31 December 2024 and 2023, the Branch complied in full compliance with the capital requirements. All banks operating in UAE are required to maintain a minimum capital adequacy of 13%.

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

Capital adequacy ratio as at 31 December:

	2024 AED'000	*2023 AED'000*
Tier 1 capital		
Allocated capital	**367,200**	367,200
Statutory reserves	**10,968**	10,967
Retained earnings	**104,015**	69,471
Other adjustments	**1,432**	2,040
Total	**483,615**	449,678
Tier 2 capital		
Collective impairment provision	**21,807**	15,758
Total capital base	**505,422**	465,436
Regulatory adjustments		
Goodwill and other intangibles	**125**	(15)
Deferred tax assets	**2,280**	(1,278)
Total capital base	**503,017**	464,143
Risk weighted assets		
Credit risk	**1,744,592**	1,260,641
Market risk	**766**	949
Operational risk	**77,005**	39,800
Total risk weighted assets	**1,822,363**	1,301,390
Capital adequacy ratio (%)	**27.60%**	35.67%
Capital ratio (%):		
Total regulatory capital as a percentage of total risk weight assets	**27.60%**	35.67%
Total tier 1 regulatory capital as a percentage of total risk weight assets	**26.41%**	34.55%

24 FINANCIAL RISK MANAGEMENT (continued)

F. Capital management (continued)

Minimum capital requirement under each of the above items including capital conservation buffer ("CCB") is as follows:

Capital element:	***2024***	*2023*
Minimum Common Tier I (CET 1) ratio	**7.00%**	7.00%
Minimum Tier I (CET 1) ratio	**8.50%**	8.50%
Minimum capital adequacy ratio	**10.50%**	10.50%
CCB	**2.50%**	2.50%

25 CASH AND CASH EQUIVALENTS

	2024	*2023*
	AED' 000	*AED' 000*
Cash and balances with the CBUAE (Note 9):		
- Current account with CBUAE	**24,337**	21,944
Due from banks (Note 10)	**1,458,646**	1,275,848
Due from related parties (Note 22)	**49,992**	44,192
Due to banks and other financial institutions (Note 10)	**(6,978)**	(8,016)
Due to related parties (Note 22	**(814,352)**	(826,243)
	711,645	507,725

For the purposes of the statement of cash flows, cash and cash equivalents includes balances with banks and placements with the UAE Central Bank, and with other financial institutions with original maturities of three months or less, excluding statutory deposits required to be maintained with the Central Bank of the UAE.

26 UAE CORPORATE TAX LAW

The Bank will continue to be subject to Emirate Level Tax laws Abu Dhabi at 20% on their annual taxable income. Additionally, in the Frequently Asked Questions issued by the Federal Tax Authority of UAE on 9 December 2022 along with the Corporate Tax (CT) Law clarified (Question no. 120) that the branches of foreign banks will be subject to UAE CT regime. It was also mentioned that branches of foreign banks will be subject to both CT and the Emirate level taxation regime (Question no. 8). Accordingly, the UAE CT Law apply to the Bank with effect from 1 January 2024.

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since the Bank is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 June 2023, current taxes relating to UAE federal tax have been accounted for in the financial statements for the period beginning from 1 January 2024 along with the Abu Dhabi Emirate level corporate tax.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law is considered 'substantively enacted' as at 31 December 2023 for the purposes of IAS 12, the Bank considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes (if any) for the year ended 31 December 2023 and 2024. Based on an assessment conducted by the Bank's management, there were no temporary differences identified where the deferred tax should have been accounted for. However, for Emirate level taxes, deferred tax has been accounted for certain temporary differences.

27 SUBSEQUENT EVENTS

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

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2024 were approved by the General Manager and authorised for issue on 8 May 2025.