GULF INTERNATIONAL BANK B.S.C. – ABU DHABI BRANCH

FINANCIAL STATEMENTS

For the year ended 31st December 2024

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KPMG Lower Gulf Limited
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Independent auditors' report

To the Head office of Gulf International Bank B.S.C- Abu Dhabi

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gulf International Bank B.S.C- Abu Dhabi ("the Branch"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in Head Office account and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 (IFRS Accounting Standards).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) 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 29 to the accompanying reissued financial statements, which states that these financial statements have been revised and reissued due to identified corrections to notes 27 and 28 to the financial statements previously authorized dated 24 March 2025 on which we issued our auditors' report dated 25 March 2025. This audit report supersedes our audit report dated 25 March 2025 on the previously issued financial statements. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

iii) the Branch has maintained proper books of account;

iv) as disclosed in note 1 to the financial statements, the Branch has not purchased any shares during the year ended 31 December 2024;

v) note 22 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Branch has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, which would materially affect its activities or its financial position as at 31 December 2024.

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

KPMG Lower Gulf Limited

Maher AlKatout
Registration No.: 5453
Abu Dhabi, United Arab Emirates
Date: 24 APR 2025

Statement of Financial Position

	Note	31.12.24 AED 000s	31.12.23 AED 000s
ASSETS			
Cash and other liquid assets	4	**331,219**	565,122
Placements	5	**720,000**	309,377
Investment securities	6	**531,369**	108,401
Loans and advances	7	**1,657,148**	1,802,478
Equipment	8	**545**	977
Due from Head Office and branches	9 & 22	**13,090**	10,056
Other assets	10	**90,725**	89,330
Total assets		**3,344,096**	2,885,741
LIABILITIES			
Deposits from customers	11	**2,306,969**	1,934,012
Due to Head Office and branches	12 & 22	**203,143**	56,337
Other liabilities	13	**126,841**	136,470
Senior term financing	14	**105,234**	124,575
Total liabilities		**2,742,187**	2,251,394
HEAD OFFICE ACCOUNT			
Capital funds	26	**550,000**	550,000
Other reserve	27	**31,071**	33,084
Retained earnings		**20,838**	51,263
Total Head Office account		**601,909**	634,347
Total liabilities and Head Office account		**3,344,096**	2,885,741

The financial statements along with the related notes from 1 to 29 have been approved by:

Waleed Hassan
Acting UAE Country Head

24 APR 2025

The attached notes 1 to 29 form part of these financial statements

Statement of profit or loss and other comprehensive Income

	Note	**Year ended 31.12.24 AED 000s**	Year ended 31.12.23 AED 000s
Interest income	15	**212,278**	219,607
Interest expense	15	**118,681**	124,209
Net interest income	15	**93,597**	95,398
Fee and commission income	16	**9,361**	5,054
Fee and commission expense	16	**476**	261
Net fee and commission income	16	**8,885**	4,793
Foreign exchange income	17	**2,478**	1,453
Trading income	18	**872**	1,634
Total income		**105,832**	103,278
Staff expenses		**(19,603)**	(22,582)
Premises expenses		**(1,534)**	(1,759)
Other operating expenses		**(6,819)**	(4,085)
Head office charges		**(17,860)**	-
Total operating expenses		**(45,816)**	(28,426)
Net income before provisions and tax		**60,016**	74,852
Provision (charge) / release for expected credit losses	19	**(32,492)**	3,855
Net income before tax		**27,524**	78,707
Taxation charge	20	**(8,699)**	(14,028)
Net income		**18,825**	64,679
Other comprehensive income		**-**	-
Total comprehensive income		**18,825**	64,679

The attached notes 1 to 29 form part of these financial statements

Statement of Changes in Head Office Account

	Capital funds AED 000s	Retained earnings AED 000s	Other reserve AED 000s	Total AED 000s
At 1st January 2024	**550,000**	**51,263**	**33,084**	**634,347**
Total comprehensive income:-				
Net income for the year	**-**	**18,825**	**-**	**18,825**
Total comprehensive income	**-**	**18,825**	**-**	**18,825**
Transfer to other reserve (note 27)	**-**	**3,896**	**(3,896)**	**-**
Transfer to statutory reserve (note 27)		**(1,883)**	**1,883**	**-**
Transfer of profit to Head Office	**-**	**(51,263)**	**-**	**(51,263)**
Total transactions with head office	**-**	**(51,263)**	**-**	**(51,263)**
At 31st December 2024	**550,000**	**20,838**	**31,071**	**601,909**
At 1st January 2023	550,000	-	19,668	569,668
Total comprehensive income:-				
Net income for the year	-	64,679	-	64,679
Total comprehensive income	-	64,679	-	64,679
Transfer to other reserve (note 27)	-	(3,138)	3,138	-
Transfer to statutory reserve (note 27)	-	(10,278)	10,278	-
Transfer of profit to Head Office	-	-	-	-
Total transactions with head office	-	-	-	-
At 31st December 2023	**550,000**	**51,263**	**33,084**	**634,347**

The attached notes 1 to 29 form part of these financial statements

Statement of Cash Flows

	Note	**Year ended 31.12.24 AED 000s**	Year ended 31.12.23 AED 000s
OPERATING ACTIVITIES			
Net income for the year		**18,825**	64,679
Adjustments for:			
Provision charge / (release) for expected credit losses	19	**32,492**	(3,855)
Depreciation		**666**	763
Operating income before changes in operating assets and liabilities		**51,983**	61,587
Changes in operating assets and liabilities:			
Statutory deposit with the central bank		**(44,373)**	7,796
Loans and advances		**109,851**	80,774
Amounts due from Head Office and branches		**(3,034)**	(7,715)
Amounts due to Head Office and branches		**146,806**	(160,109)
Interest receivable		**50**	(20,208)
Other assets		**(1,445)**	22,357
Interest payable		**(1,272)**	31,569
Other liabilities		**(5,313)**	10,242
Deposits from customers		**372,957**	(703,815)
Net cash from / (used in) operating activities		**626,210**	(677,522)
INVESTING ACTIVITY			
Purchase of investment securities		**(318,171)**	(28,854)
Maturity / sale of investment securities		**(104,854)**	(79,547)
Purchases of property and equipment		**(234)**	(206)
Net cash used in investing activities		**(423,259)**	(108,607)
FINANCING ACTIVITIES			
Senior term financing		**(19,341)**	13,051
Transfer of profits to Head Office		**(51,263)**	(18,910)
Net cash used in financing activities		**(70,604)**	(5,859)
Increase / (decrease) in cash and cash equivalents		**132,347**	(791,988)
Cash and cash equivalents at 1st January		**832,146**	1,624,134
Cash and cash equivalents at 31st December	4 & 5	**964,493**	832,146
Significant non-cash transactions:			
Transfer of loans from Head Office		**62,091**	-

The independent auditor's report is set out on pages 2 to 4.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2024

1 Incorporation and registration

Gulf International Bank B.S.C. – Abu Dhabi Branch (the "Branch") is a branch of a Bahraini Shareholding Company, Gulf International Bank B.S.C. (the "Head Office"). The ultimate parent of the Branch is the Public Investment Fund (PIF) of Saudi Arabia. The Abu Dhabi branch is registered as a wholesale branch with the Central Bank of the United Arab Emirates (CBUAE) under license number 13/322/2021 and commenced its operations on 9th December 2014. The registered office of the Branch is Nation Towers, Corniche Road, Abu Dhabi, United Arab Emirates.

The Branch is principally engaged in the provision of wholesale commercial banking services and carries out its operations in the UAE.

The Branch has not purchased any shares during the year ended 31 December 2024 (2023: nil).

2 Material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standard Board (IASB) and in conformity where applicable, with the Articles of Association of the Company and comply with the requirements of applicable laws in the UAE.

Decretal Federal Law No 14 of 2018 regarding the Central Bank and Organization of Financial Institutions and Activities was issued on 23 September 2018 and has come into force on that date. Banks were allowed three years to ensure compliance with the law No 14 of 2018 as per the transitional provision contained therein. The Branch has complied, where applicable, with the UAE Federal Law of No 14 of 2018.

The financial statements have been prepared under the historical cost convention except for derivative financial instruments which are recorded at fair value. The accounting policies have been consistently applied by the Branch and are consistent with those of the previous year, except for the adoption of the following:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1.
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7.

None of these amendments had an impact on the Branch's financial statements at 31st December 2024.

New and amended standards and interpretations issued but not yet effective:
New and amended standards and interpretations that are issued but not yet effective are being assessed by the Branch to determine the impact on the financial statements.

Lack of exchangeability – Amendments to IAS 21
In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

Lack of exchangeability – Amendments to IAS 21 (continued)
The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Branch's financial statements.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30th May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1st January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Branch is currently not intending to early adopt the Amendments.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Branch is currently performing an assessment of all material electronic payment systems utilised, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Branch is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Branch is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)
It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1st January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Branch is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The amendments are not expected to have a material impact on the Branch's financial statements.

2.2 Foreign currencies

Items included in the financial statements of the Branch are measured based on the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in UAE Dirhams (AED), representing the Branch's functional and presentation currency. Amounts have been rounded to the nearest thousand except where otherwise indicated.

Foreign currency transactions are translated into AED using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to AED at the foreign exchange rate ruling at the dates. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

2.3 Financial assets and liabilities

Financial assets and liabilities comprise all assets and liabilities reflected in the statement of financial position, excluding equipment, prepayments and accrued expenses. All financial assets and liabilities are classified at amortised cost except for derivative financial instruments which are measured at fair value.

2 Material accounting policies (continued)

2.3 Financial assets and liabilities (continued)

a) Initial recognition and measurement

The Branch recognises financial assets and liabilities in the statement of financial position when, and only when, the Branch becomes party to the contractual provisions of the instrument.

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Financial assets are initially recognised at fair value including transaction costs attributable to the financial asset, with the exception of trade receivables which are recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Branch commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the timeframe generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Branch's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost
Financial assets are measured at amortised cost using the effective interest rate method if:

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

If the first criteria is not met, the financial assets are classified and measured at fair value through other comprehensive income (FVTOCI). If both criteria are not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

Additionally, even if a financial asset meets the amortised cost criteria, the Branch may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

2 Material accounting policies (continued)

2.3 Financial assets and liabilities (continued)

a) Initial recognition and measurement (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)
At initial recognition, the Branch can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

The irrevocable election is on an instrument-by-instrument basis. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method as described in note 2.6(a).

Financial liabilities at fair value through the profit or loss
Financial liabilities not otherwise classified above are classified as financial liabilities at FVTPL. This classification includes derivatives that are liabilities measured at fair value.

b) Modification of Financial assets and liabilities

Financial assets
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, the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Branch recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income.

Financial liabilities
The Branch derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at either amortised cost or fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in the statement of comprehensive income.

2 Material accounting policies (continued)

2.3 Financial assets and liabilities (continued)

b) Modification of Financial assets and liabilities (continued)

Financial liabilities (continued)
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

2.4 Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments for which the credit risk has not increased significantly since their initial recognition.

The Branch classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:-

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Branch recognises an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, the Branch recognises an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments, the Branch recognises the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Branch and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

For stage 3 financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

2 Material accounting policies (continued)

2.4 Impairment of financial assets (continued)

Provisions for credit-impairment are recognised in the statement of comprehensive income and are reflected in an allowance account against loans and advances, investment securities, and placements.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

Financial assets which have been renegotiated or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been renegotiated, are subject to on-going review to determine whether they remain impaired or should be considered past due. All renegotiated or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of renegotiation. The ECL on renegotiated financial instruments is measured based on whether the terms of renegotiation resulted in the derecognition of an existing asset.

Central Bank of UAE (“CBUAE”) provision requirements:
As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, if the specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an “Impairment Reserve” as an appropriation from the Retained earnings. This Impairment Reserve should be split to that which relates to difference in specific provision and general/collective provision. The Impairment reserve will not be available for payment of dividend.

2.5 Offsetting financial assets and liabilities

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

2 Material accounting policies (continued)

2.6 Revenue recognition

a) Interest income and interest expense

Interest income and interest expense for all interest-bearing financial assets and liabilities except those classified as FVTPL are recognised using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognising interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial asset or liability but excluding future credit losses. Fees, including loan origination fees and early redemption fees, are included in the calculation of the effective interest rate to the extent that they are considered to be an integral part of the effective interest rate. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is suspended when either interest or principal on a credit facility is overdue by more than 90 days whereupon all unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities are restored to accrual status only after all delinquent interest and principal payments have been brought current and future payments are reasonably assured.

b) Fees and commissions

Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the calculation of the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. A contract with a customer that results in a recognised financial instrument in the Branch’s financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Branch first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

2 Material accounting policies (continued)

2.6 Revenue recognition (continued)

c) Foreign exchange income

Foreign exchange income arise from earnings generated from customer business and market making, and from changes in fair value resulting from movements in interest and exchange rates, equity prices and other market variables. Changes in fair value and gains and losses arising on the purchase and sale of trading instruments are included in trading income, together with the related interest income, interest expense and dividend income. Transactions in foreign currencies are recorded in UAE Dirhams at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income.

2.7 Equipment

Equipment includes technology and IT-related costs, office furniture and fittings, and vehicles.

Equipment is stated at cost less accumulated depreciation. The residual values and useful lives of equipment are reviewed at each Statement of Financial Position date, and adjusted where appropriate. Depreciation is calculated using the straight-line method over four to five years. Where the carrying amount of equipment is greater than the estimated recoverable amount, the carrying amount is reduced to the recoverable amount.

Generally, costs associated with the maintenance of equipment are recognised as an expense when incurred. However, expenditure that enhances and extends the benefits of equipment beyond their original specifications and lives is recognised as a capital improvement and capitalised as part of the original cost of the equipment.

2.8 Statutory reserve

As per Union Law No. (10) of 1980 concerning the Central Bank, the Monetary System and Organisation of Banking, and Regulations of Wholesale Commercial Banking, branches of foreign banks shall allocate at least 10 per cent of their annual net profits for the establishment of a special reserve until the reserve equals fifty per cent of the amount allocated as capital.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and other liquid assets and have insignificant risk of changes in value with original maturities of less than three months.

2.10 Due from and due to Head Office and Branches

Amounts due from and due to Head Office and Branches are stated at amortised cost.

2 Material accounting policies (continued)

2.11 Employees end of service benefits

The Branch's employees are eligible for post-retirement benefits. The Branch also pays contributions to Government defined contribution pension plans in accordance with the legal requirements. The Branch's contributions to defined contribution pension plans are expensed in the period to which they relate. 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 and are not less than the liability arising under the UAE Labour and National Pension and Social Security Laws.

2.12 Taxation

Income tax expense comprises current and deferred tax. It's recognized in statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive items.

Current Tax
Current tax comprises the expected tax payable or receivable on the taxable income or for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that:
is not a business combination; and
- at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Branch is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

2 Material accounting policies (continued)

2.13 Fair value of financial instruments

The Branch's financial instruments are accounted for under the historical cost method with the exception of trading securities, equity investment securities and derivative financial instruments, which are accounted for at fair value. The fair value represents 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. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Branch is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices (level 1 measurement) or to the pricing prevailing for similar financial instruments (level 2 measurement) and the use of unobservable inputs in estimation techniques such as discounted cash flow analysis (level 3 measurement). The Branch recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

2.14 Financial guarantees

Financial guarantees are contracts that require the Branch to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are issued to financial institutions and other counterparties on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in relation to the performance of customers under obligations related to contracts, advance payments made by other parties, tenders and retentions.

Financial guarantees are initially recognised at fair value on the date the guarantee is issued. The guarantee liability is subsequently measured at the higher of the initial measurement, less amortisation to recognise the fee income earned over the period, or the present value of any expected payments to settle the liability when a payment under the contract has become probable. The expected loss on financial guarantees is measured at the expected payment to reimburse the holder less any amounts that the Branch expects to recover. Any increase in a liability relating to guarantees is recognised in the statement of comprehensive income.

2.15 Derivative financial instruments and hedge accounting

a) Classification:
The Branch enters into derivative financial instruments including forwards and swaps.

b) Initial and subsequent measurement:
In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist. The positive mark to market values (unrealised gains) of derivative financial instruments is included in other assets. The negative mark to market values (unrealised losses) of derivative financial instruments is included in other liabilities.

c) Gains and losses on subsequent measurement:
The gains or losses from derivative financial instruments classified as FVTPL are taken to the income statement.

3 Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at the reporting date.

Significant items where the use of estimates and judgments are required are outlined below:

Financial instruments

Judgements made in applying accounting policies in accordance with IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.
- Calculation of expected credit loss (ECL): In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. The information about the judgements made are set out in note 23.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

4 Cash and other liquid assets

	31.12.24 AED 000's	31.12.23 AED 000's
Cash and balances with banks	**244,493**	522,769
Statutory deposit with the CBUAE	**86,726**	42,353
Cash and other liquid assets	**331,219**	565,122

The statutory deposit with the CBUAE is subject to local regulations which provide for restrictions on the deployment of these funds.

5 Placements

	31.12.24 AED 000's	31.12.23 AED 000's
Inter-bank placements	**720,000**	309,377
	720,000	309,377

Placements at 31st December 2024 entirely comprised inter-bank placements with an original maturity of 1 day (2023: inter-bank placements with an original maturity of 1 to 10 days).

As at 31 December 2024 and 2023 Cash and balances with banks plus placements were included in cash and cash equivalents as short term deposits with an original maturity of three months or less.

6 Investment securities

	31.12.24 AED 000's	31.12.23 AED 000s
Debt securities	**531,426**	108,402
Provisions for expected credit losses	**(57)**	(1)
Net investment securities	**531,369**	**108,401**

Investment securities comprised investment-grade rated debt securities rated AA- issued by government-related entities at 31st December 2024 and are all Stage 1 exposures. Investment securities are classified as at amortised cost.

The debt securities are measured at amortized cost, this value is considered an approximation of the fair value, which would be classified as Level 2 in the fair value hierarchy.

7 Loans and advances

7.1 Composition

	31.12.24 AED 000's	31.12.23 AED 000s
Gross loans and advances	**1,704,985**	1,814,836
Stage 3 provision for expected credit losses	**(35,775)**	(3,703)
Carrying amount of loans and advances	**1,669,210**	1,811,133
Stage 1 and 2 provision for expected credit losses	**(12,062)**	(8,655)
Net loans and advances	**1,657,148**	1,802,478

	2024				2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3 l	
Gross loans and advances	**1,516,214**	**117,222**	**71,549**	**1,704,985**	1,778,483	32,650	3,703	1,814,836
ECL allowances	**(5,004)**	**(7,058)**	**(35,775)**	**(47,837)**	(8,298)	(357)	(3,703)	(12,358)
Net loans and advances	**1,511,210**	**110,164**	**35,774**	**1,657,148**	1,770,185	32,293	-	1,802,478

7 Net loans and advances (continued)

7.2 Industrial classification

	31.12.24 AED 000's	31.12.23 AED 000s
Trading and services	**287,405**	290,455
Manufacturing	**285,069**	95,719
Real estate	**252,815**	241,981
Financial	**344,813**	382,327
Transportation	**195,893**	263,755
Utilities	**109,825**	109,819
Energy, oil and petrochemical	**87,434**	145,921
Technology, media and telecommunication	**73,572**	79,990
Construction and engineering	**47,716**	61,332
Agriculture and Mining	**20,443**	129,687
Other	**-**	13,850
Gross loans and advances	**1,704,985**	1,814,836
Provision for expected credit losses	**(47,837)**	(12,358)
Net loans and advances	**1,657,148**	1,802,478

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For the year ended 31st December 2024

7 Loans and advances (continued)

7.3 Provision for expected losses

The movements in provisions for expected credit losses of loans and advances were as follows:-

	2024				2023			
	Stage 1 AED 000s	**Stage 2 AED 000s**	**Stage 3 AED 000s**	**Total AED 000s**	Stage 1 AED 000s	Stage 2 AED 000s	Stage 3 AED 000s	Total AED 000s
At 1st January	**8,298**	**357**	**3,703**	**12,358**	8,421	6,281	4,452	19,154
Transfer to stage 2	**(37)**	**37**	**-**	**-**	-	-	-	-
Transfer to stage 3	**(1,923)**	**-**	**1,923**	**-**	-	-	-	-
Exchange rate movements	**-**	**-**	**(1)**	**(1)**	-	-	(2)	(2)
Net remeasurement of loss allowance	**(1,334)**	**6,664**	**30,150**	**35,480**	(123)	(5,924)	(747)	(6,794)
Write-offs	**-**	**-**	**-**	**-**	-	-	-	-
At 31st December	**5,004**	**7,058**	**35,775**	**47,837**	8,298	357	3,703	12,358

7 Loans and advances (continued)

7.4 Past due but not credit impaired loans and advances

The gross and carrying amounts of loans for which either principal or interest was 1 to 89 days past due were as follows:-

	31.12.24		31.12.23	
	Gross AED 000s	**Carrying Amount AED 000s**	Gross AED 000s	Carrying Amount AED 000s
Transportation	**-**	**-**	102,069	101,988
Trading and Services	**62,091**	**55,407**	-	-

7.5 Restructured loans

During the years ended 31st December 2024 and 31st December 2023, the Branch did not restructure any loan or make any concessions that would not ordinarily have been accepted due to a deterioration in the customer's financial position.

7.6 Collateral

As at 31st December 2024, the Branch held credit risk mitigants with an estimated value of AED 857,243 thousand (2023: AED 1,330,065 thousand) against receivables from loans and advances in the form of cash deposits, listed equities and real estate. The Branch accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against placements with banks and other financial institutions, and no such collateral was held at 31st December 2024 or 31st December 2023.

An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	2024 AED 000s	2023 AED 000s
Stage 1	**857,243**	1,272,735
Stage 2	**-**	45,796
Stage 3	**-**	11,534
Balance at 31st December	**857,243**	1,330,065

The table below stratifies credit exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio:

LTV ratio	**2024 AED 000s**	2023 AED 000s
Less than 50%	**1,441,962**	1,364,462
51 – 70%	**-**	-
71 – 90%	**-**	-
91 – 100%	**-**	-
More than 100%	**263,023**	450,374
Balance at 31st December	**1,704,985**	1,814,836

Estimates of fair value are based on the value of collateral assessed at the time of the borrowing and generally updated periodically as per the Branch's policy.

Classifications and provisions are accurate and comply with accounting and regulatory standards", as per Article 2.18 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

8 Equipment

	31.12.24 AED 000s	31.12.23 AED 000s
Cost		
Opening balance	**3,141**	2,935
Additions during the year	**234**	206
Balance at 31st December	**3,375**	3,141
Accumulated depreciation		
Opening balance	**2,164**	1,401
Net charge for the year	**666**	763
Balance at 31st December	**2,830**	2,164
Net book value at 31st December	**545**	977

Equipment mainly include infrastructure, technology and IT-related costs.

9 Due from Head Office and branches

Amount due from Head Office and branches are on terms and conditions approved by the management and the Head Office of the Branch and repayable on demand. These mainly pertain to Nostro account and placement with Head office.

10 Other assets

	31.12.24 AED 000s	31.12.23 AED 000s
Derivative financial instruments	**37,933**	41,306
Accrued interest, fees and commission	**42,847**	42,897
Prepayments	**2,039**	1,628
Right-of-use assets	**2,762**	823
Other, including accounts receivable and deferred items	**5,144**	2,676
	90,725	89,330

Below are the carrying amounts of the Branch's right-of-use assets and movements during the year recognised in the statement of financial position and statement of income:

	31.12.24 AED 000s	31.12.23 AED 000s
At 1st January	**823**	1,767
New leases	**2,762**	-
Depreciation	**(823)**	(944)
At 31st December	**2,762**	823

11 Deposits from customers

Deposits at 31st December 2024 and 31st December 2023 with interest rates ranging between 2024: 3.0%-5.7%, 2023: 2.3%-6.2% were mainly from entities in the Gulf Cooperation Council (GCC) states.

12 Due to Head Office and Branches

At 31st December 2024, the balance due to Head Office and branches are conducted on terms and conditions approved by the management and the Head Office of the Branch and repayable on demand. These mainly pertain to deposits from branches, vostro account with head office and intercompany charges payable.

13 Other liabilities

	31.12.24	31.12.23
	AED 000s	AED 000s
Derivative financial instruments	**35,785**	41,377
Accrued interest	**52,215**	53,487
Deferred income	**4,840**	5,884
Lease liability	**2,762**	1
Expected credit losses on contingent liabilities	**711**	3,755
Other, including accounts payable and accrued expenses	**30,528**	31,966
	126,841	136,470

Below are the carrying amounts of the Branch's lease liabilities and movements during the year recognised in the statements of financial position and profit or loss:

	31.12.24	31.12.23
	AED 000s	AED 000s
At 1st January	**1**	1,919
New leases	**2,762**	-
Interest expense	**(1)**	(16)
Payments	**-**	(1,902)
At 31st December	**2,762**	1

14 Senior term financing

	Maturity	**31.12.24**	Maturity	31.12.23
		AED 000s		AED 000s
Floating rate loans (2024: 5.7%-6.0% and 2023: 6.7%-7.1%)	**2025-2029**	**105,234**	2024-2028	124,575

15 Net interest income

	Year ended 31.12.24	Year ended 31.12.23
	AED 000s	AED 000s
Interest income		
Placements and other liquid assets	**49,232**	52,167
Loans and advances	**144,986**	167,426
Investment securities	**18,060**	14
Total interest income	**212,278**	219,607
Interest expense		
Deposits from customers	**109,787**	112,849
Senior term financing	**8,894**	11,344
Finance cost on lease liability	**-**	16
Total interest expense	**118,681**	124,209
Net interest income	**93,597**	95,398

Interest income on loans and advances includes loan origination fees that form an integral part of the effective interest rate of the loan.

Accrued interest on impaired and past due loans included in interest income for the year ended 31st December 2024 amounted to AED nil (2023: AED nil). There was no accrued neither uncollected interest included in interest income on past due loans for either the year ended 31st December 2024 or year ended 31st December 2023.

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16 Fee and commission income

	Year ended 31.12.24 AED 000s	Year ended 31.12.23 AED 000s
Fee and commission income		
Commissions on letters of credit and guarantee	**2,564**	1,734
Loan commitment fee	**1,407**	1,225
Loan agency fees	**790**	-
Other fee and commission income	**4,600**	2,095
Total fee and commission income	**9,361**	5,054
Fee and commission expense	**(476)**	(261)
Net fee and commission income	**8,885**	4,793

17 Foreign exchange income

Foreign exchange income principally comprises customer-initiated foreign exchange contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these offset customer-related foreign exchange contracts.

18 Trading income

	Year ended 31.12.24 AED 000s	Year ended 31.12.23 AED 000s
Net gain on derivatives trading	**914**	1,634
Foreign exchange loss	**(42)**	-
	872	1,634

Trading income comprises gains and losses arising both on the purchase and sale, and from changes in the fair value of trading instruments, together with the related interest income, interest expense and dividend income. Trading income accordingly incorporates all income and expenses related to the Branch's trading activities.

19 Provision (charge) / release for expected credit losses

	2024			
	Stage 1 AED 000s	**Stage 2 AED 000s**	**Stage 3 AED 000s**	**Total AED 000s**
Loans and advances (note 7)	**(1,334)**	**6,664**	**30,150**	**35,480**
Investment securities (note 6)	**57**	**-**	**-**	**57**
Credit-related contingent items	**189**	**100**	**(3,334)**	**(3,045)**
	(1,088)	**6,764**	**26,816**	**32,492**

	2023			
	Stage 1 AED 000s	Stage 2 AED 000s	Stage 3 AED 000s	Total AED 000s
Loans and advances (note 7)	(123)	(5,924)	(747)	(6,794)
Investment securities (note 6)	1	-	-	1
Credit-related contingent items	(395)	-	3,333	2,938
	(517)	(5,924)	2,586	(3,855)

20 Income tax

	31.12.24	31.12.23
	AED 000s	AED 000s
Net income before provisions and tax		
For the year	**27,524**	78,707
	27,524	78,707
The relationship between the tax expense and the accounting income		
Accounting profit	**27,524**	78,707
Federal Tax (@ 9%)	**2,443**	-
Add / (deduct): tax adjustments	**3,754**	(6,449)
Emirate-level taxable income	**31,278**	72,258
Loss utilized	**-**	(2,120)
Net taxable income	**31,278**	70,138
Tax (@ 20%)	**6,256**	14,028
Net taxation charge	**8,699**	-

Currently, the Branch is following tax guidelines issued by Abu Dhabi emirate. On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

For the branch, the first accounting period to be subject to UAE CT will be 2024 given that the branch's financial year coincides with the calendar year. On 30 December 2022, the UAE government issued Cabinet Decision 116 of 2022 effective from 2023 confirming the threshold for the new Corporate Income Tax. A rate of 9% will apply to taxable income exceeding AED 375,000. Accordingly, the Corporate Income Tax Law is now considered substantively enacted and enacted within the meaning of IAS 12. Enactment of the legislation requires the recognition of deferred taxes where relevant. The Branch has assessed the impact of CT on the financial statements, from current tax and deferred tax perspective and Accordingly, it has computed and recognized the CT expense and corresponding liability in the Branch's financial statements for the year ended December 31, 2024, as indicated above.

For now, the bank is subject to both the new CT regime at tax rate of 9% from taxable income and, Abu Dhabi Emirate law for foreign banks, at tax rate of 20% of taxable income.

Emirate Level Tax: Taxation is provided at 20% (31st December 2023: 20%) on the adjusted taxable profit attributable to the operations of the Branch. Corporate Tax: Taxation is provided at 9% (31st December 2023: 0%) on the adjusted taxable profit attributable to the operations of the Branch.

21 Credit-related contingent items

Credit-related contingent items include commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The notional principal amounts of outstanding credit-related contingent items were as follows:

	31.12.24	31.12.23
	AED 000s	AED 000s
Direct credit substitutes	**77,990**	70,724
Transaction-related contingent items	**495,802**	295,758
Undrawn loan commitments	**237,398**	104,303
Short-term self-liquidating trade-related contingent items	**9,856**	-
	821,046	470,785

Commitments may be drawdown on demand.

Direct credit substitutes at 31st December 2024 and 31st December 2023 comprise financial guarantees which may be called on demand.

22 Related party transactions

The Branch enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise entities under common ownership and/or common management and control and key management personnel. The Branch's transactions with its Head Office, subsidiaries and other branches of its Head Office are conducted in the ordinary course of the Branch's business on arm's length basis. The Head Office and the management decide on the terms and conditions of the transactions and services received/ rendered from/to related parties as well as on other charges. Banking transactions are entered with related parties on terms and conditions approved by the management and the Head Office of the Branch. The balances at 31st December resulting from such transactions included in the financial statements are as follows:

	31.12.24	31.12.23
	AED 000s	AED 000s
As at 31 December:		
Gulf International Bank B.S.C. (Head Office)		
Due from Head Office	**11,359**	9,576
Other assets	**62,486**	61,974
Due to Head Office	**172,353**	50,408
Other liabilities	**10,267**	11,596
Interest rate swaps (notionals)	**1,239,976**	1,325,462
Foreign exchange contracts	**298,151**	24,364
Credit default swaps	**105,234**	124,575
Credit-related contingent items	**299,748**	213,393
Gulf International Bank B.S.C. – Saudi Arabia		
Due from entity under common control	**501**	391
Due to entity under common control	**30,543**	5,621
Credit-related contingent items	**3,452**	-
Gulf International Bank (UK) Limited		
Due to entity under common control	**247**	308
Gulf International Bank B.S.C. – Retail Branch (Meem)		
Due from entity under common control	**1,230**	89
Gulf International Bank B.S.C. – New York		
Credit-related contingent items	**3,184**	6,277
Affiliates		
Loans and advances	**128,558**	136,070
Other assets	**1,312**	1,768
Deposits	**43,636**	310
Other liabilities	**13,249**	-
Credit-related contingent items	**-**	1,713
For the year ended:		
Gulf International Bank B.S.C. (Head Office)		
Net interest income / (expense)	**340**	(3,768)
Trading income	**7,507**	5,645
Cost Allocation	**5,574**	-
Gulf International Bank B.S.C. – Saudi Arabia		
Cost Allocation	**12,286**	-
Affiliates		
Net interest income	**5,503**	378
Net Fee and Commission Income	**267**	12
Trading income	**6**	-

22 Related party transactions (continued)

Balances with key management personnel:

	31.12.24	31.12.23
	AED 000s	AED 000s
Short-term employee benefits	**4,120**	3,660
Post-employment benefits	**351**	340
	4,471	4,001

The following table summarises the carrying amount of the loans and advances, and related provisions transferred from Head Office:

	31.12.24	31.12.23
	AED 000s	AED 000s
Gross loans and advances	**62,091**	-
ECL allowances	**(6,684)**	-
	55,407	-

23 Risk management

Financial assets of the Branch comprise cash and other liquid assets, placements, securities, loans and advances and amounts due from Head Office and Branches and certain other assets. The Branch's financial liabilities comprise deposits from customers, senior term financing, amount due to Head Office and branches and certain other liabilities. At 31st December 2024 and 31st December 2023 most deposits are short-term, with a maximum maturity of one year.

Credit risk

Credit risk is the risk that counterparties will be unable to meet their obligations to the Branch. Credit risk arises principally from the Branch's lending and investment activities in addition to other transactions involving both on- and off-balance sheet financial instruments. Disciplined processes are in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counterparty, country and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography, and the regular appraisal of counterparty credit quality through the analysis of qualitative and quantitative information.

Credit risk is actively managed and rigorously monitored by the Head Office in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The risk assessment generates an internal credit risk rating for each exposure, which affects the credit approval decision and the terms and conditions of the transaction. For cross border transactions an analysis of country risk is also conducted. The Head Office bases its credit decision for an individual counterparty on the aggregate Head Office exposure to that counterparty and all its related entities. Group wide credit limit setting and approval authorisation requirements are conducted within Board approved guidelines, and the measurement, monitoring and control of credit exposures are done on a Group wide basis in a consistent manner.

The Head Office also mitigates its credit exposures on foreign exchange and derivative financial instruments through the use of master netting agreements and collateral arrangements.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Head Office considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Head Office's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward-looking information.

23 Risk management (continued)

Credit risk (continued)

Significant increase in credit risk (continued)
The Head Office considers all counterparties internally rated 2 and above, between 2- and 3+, between 3 and 4+, between 4 and 5-, between 6+ and 6 and 6- to be significantly deteriorated where they have been downgraded 6 notches, 5 notches, 4 notches, 3 notches, 2 notches and 1 notch respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

Definitions of default and curing
The Head Office considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations in full, without recourse by the Head Office to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation. In assessing whether a borrower is in default, the Head Office considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Head Office.

The Head Office considers a financial asset to be cured, and accordingly reclassified from stage 3 to stage 2 when none of the default criteria have been present for a period of at least 24 consecutive months. The financial asset is then transferred from stage 2 to stage 1 after a cure period of a further six months.

Incorporation of forward-looking information
The Head Office 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. GIB takes into consideration the economic forecasts published by the IMF and formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios and its weights.

The Head Office has identified economic factors such as the International Monetary Fund (IMF) and Central Bank forecasts for fiscal balances and GDP growth in key markets of the Kingdom of Saudi Arabia, United Arab Emirates and United States of America as well as the views of the Chief Economist. Given the nature of the Head Office's exposures and availability of historical statistically reliable information, the Head Office derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Standard & Poors (S&P) for each rating category. The Head Office uses the Vasicek model to link the TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The Vasicek model takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category (as per the Basel IRB economic capital formula), and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

Measurement of ECL
The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived using both internal and external factors/data and incorporates forward-looking information.

PD estimates are estimates at a certain date. For corporate exposures, corporate PD estimates are internally derived using the Head office's central default tendency for the Corporate portfolio. For Banks/FIs exposures, the Bank applies a separate set of TTC PDs that are developed are based on external rating data of global financial institutions. Furthermore, for Sovereign exposures, the Bank applies a separate set of TTC PDs that are based on external rating data of Sovereigns rated by S&P.

The TTC PD estimates are converted to PIT PDs using the Regression model for the Loans portfolio and Vasicek model for the Investments securities and placements portfolio. For exposures that have tenors in excess of one year and that are assessed on lifetime PDs, Cumulative lifetime PDs are calculated by compounding the 12-month PIT PDs.

23 Risk management (continued)

Credit risk (continued)

Measurement of ECL (continued)
LGD is the magnitude of the likely loss if there is a default. The Head Office estimates LGD parameters based on the regulatory estimates.

EAD represents the expected exposure in the event of a default. The Head Office derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Head Office measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Head Office calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31st December 2024, the probabilities assigned to the base case, negative case and positive case scenarios were in the ratio of 50:45:5 respectively (2023: 50:45:5).

Modified financial assets
The contractual terms of a loan may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Head Office renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The Head Office grants forbearance on a selective basis if there is evidence that the customer has made all reasonable efforts to honour the original contractual terms and the customer is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a customer would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL.

Cash and cash equivalents are placed with the central bank which is subject to minimum risk or with banks with external ratings of BBB+/Baa1 or higher. Placements are placed with multiple banks with external ratings of BBB+/Baa1 or higher. Loans and advances are actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. A detailed credit risk assessment is carried out which includes an analysis of obligor's financial condition among other factors.

Disciplined processes are in place that are intended to ensure that risks are accurately assessed and properly approved and monitored. The gross maximum exposure to credit risk is the carrying value of financial assets and credit-related financial instruments as disclosed in the notes 4, 6, 9 and 19 of the financial statements.

The Branch measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset and impairment losses, if any.

Experienced credit judgment
The Branch's ECL allowance methodology requires the use of experienced credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods. Default definition followed by the Branch for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements. The policy on the write-off of financing transactions remains unchanged.

23 Risk management (continued)

Credit risk (continued)

Experienced credit judgment (continued)
The internal ratings map directly to the external rating grades used by the international credit rating agencies as follows:

Internal rating grade	Internal classification	Fitch and Standard & Poor's	Moody's
Investment grade			
Rating grade 1	Standard	AAA	Aaa
Rating grade 2	Standard	AA	Aa
Rating grade 3	Standard	A	A
Rating grade 4	Standard	BBB	Baa
Sub-investment grade			
Rating grade 5	Standard	BB	Ba
Rating grade 6	Standard	B	B
Rating grade 7	Standard	CCC	Caa
Classified			
Rating grade 8	Substandard	CC	Ca
Rating grade 9	Doubtful	C	C
Rating grade 10	Loss	D	-

Credit risk profile

	31.12.24			
	Placements & other assets	Securities	Loans and advances	Credit-related contingent items
	AED 000s	AED 000s	AED 000s	AED 000s
Stage 1 (12-month ECL)				
Rating grades 1 to 4-	**1,051,219**	**531,369**	**1,137,610**	**633,024**
Rating grades 5+ to 5-	**-**	**-**	**373,600**	**17,710**
Rating grades 6+ to 6-	**-**	**-**	**-**	**-**
Rating grade 7	**-**	**-**	**-**	**-**
Carrying amount (net of ECL)	**1,051,219**	**531,369**	**1,511,210**	**650,734**
Stage 2 (Lifetime ECL but not credit-impaired)				
Rating grades 4 to 4-	**-**	**-**	**20,417**	**-**
Rating grades 5+ to 5-	**-**	**-**	**34,342**	**-**
Rating grades 6+ to 6-	**-**	**-**	**55,405**	**-**
Rating grade 7	**-**	**-**	**-**	**-**
Rating grades 7+ to 7-	**-**	**-**	**-**	**-**
Carrying amount (net of ECL)	**-**	**-**	**110,164**	**-**
Stage 3 (Lifetime ECL and credit-impaired)				
Rating grade 8	**-**	**-**	**35,774**	
Rating grade 9	**-**	**-**	**-**	**-**
Rating grade 10	**-**	**-**	**-**	**-**
Carrying amount (net of ECL)	**-**	**-**	**35,774**	**-**
Other credit risk exposures				
Performance bonds	**-**	**-**	**-**	**170,312**
Carrying amount (net of ECL)	**-**	**-**	**-**	**170,312**
	1,051,219	**531,369**	**1,657,148**	**821,046**

23 Risk management (continued)

Credit risk (continued)

Experienced credit judgment (continued)
The above exposures analysis is reported net of the following provisions for impairment, whereas provisions for off-balance sheet items are recorded in other liabilities:

	31.12.24			
	Placements & other assets	**Securities**	**Loans and advances**	**Credit-related contingent items**
	AED 000s	**AED 000s**	**AED 000s**	**AED 000s**
Stage 1	**-**	**57**	**5,004**	**611**
Stage 2	**-**	**-**	**7,058**	**100**
Stage 3	**-**	**-**	**35,775**	**-**
Total	**-**	**57**	**47,837**	**711**

	31.12.23			
	Placements & other liquid assets	Securities	Loans and advances	Credit-related contingent items
	AED 000s	AED 000s	AED 000s	AED 000s
Stage 1 (12-month ECL)				
Rating grades 1 to 4-	874,499	108,401	1,149,940	369,102
Rating grades 5+ to 5-	-	-	542,564	435
Rating grades 6+ to 6-	-	-	77,681	-
Rating grade 7	-	-	-	-
Carrying amount (net)	874,499	108,401	1,770,185	369,537
Stage 2 (Lifetime ECL but not credit-impaired)				
Rating grades 4 to 4-	-	-	-	-
Rating grades 5+ to 5-	-	-	18,601	-
Rating grades 6+ to 6-	-	-	13,692	-
Rating grade 7	-	-	-	-
Rating grades 7+ to 7-	-	-	-	-
Carrying amount (net)	-	-	32,293	-
Stage 3 (Lifetime ECL and credit-impaired)				
Rating grade 8	-	-	-	
Rating grade 9	-	-	-	-
Rating grade 10	-	-	-	1,667
Carrying amount (net)	-	-	-	1,667
Other credit risk exposures				
Performance bonds	-	-	-	99,581
Carrying amount	-	-	-	99,581
	874,499	108,401	1,802,478	470,785

23 Risk management (continued)

Credit risk (continued)

Experienced credit judgment (continued)
The above exposures analysis is reported net of the following provisions for impairment, whereas provisions for off-balance sheet items are recorded in other liabilities:

	31.12.23			
	Placements & other liquid assets	Securities	Loans and advances	Credit-related contingent items
	AED 000s	AED 000s	AED 000s	AED 000s
Stage 1	-	1	8,298	422
Stage 2	-	-	357	-
Stage 3	-	-	3,703	3,333
Total	-	1	12,358	3,755

Market Risk
Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates and market conditions, such as liquidity. The principal market risks to which the Branch is exposed are interest rate risk and foreign exchange risk associated with its asset and liability management activities.

The Branch's exposure to market risk is minimal as the placements, investment securities and amounts due from and due to Head Office are designated in AED or USD and are short-term.

Liquidity risk
Liquidity risk is the risk that sufficient funds are not available to meet the Branch's financial obligations on a punctual basis as they fall due.

The Branch's exposure to liquidity risk relates to the Branch's customer deposits, senior term financing and the amount due to Head Office and Branches.

In accordance with CBUAE regulations, the Branch is required to maintain a minimum balance with the Central Bank of UAE equal to 11 per cent of current, bank savings, call and similar accounts and one per cent of fixed deposits (time deposits).

23 Risk management (continued)

Liquidity risk (continued)

The maturity profile of the carrying amount of assets, liabilities and equity, based on the contractual maturity dates, was as follows:

	Within 3 months AED 000s	**4 months to 1 year AED 000s**	**Years 2 and 3 AED 000s**	**Over 3 years and undated AED 000s**	**Total AED 000s**
At 31st December 2024					
Cash and other liquid assets	**244,493**	**-**	**-**	**86,726**	**331,219**
Placements	**720,000**	**-**	**-**	**-**	**720,000**
Investment securities	**349,101**	**-**	**182,268**	**-**	**531,369**
Loans and advances	**667,334**	**430,626**	**280,436**	**278,752**	**1,657,148**
Equipment	**-**	**-**	**-**	**545**	**545**
Due from Head Office and branches	**13,090**	**-**	**-**	**-**	**13,090**
Other assets	**44,886**	**37,933**	**2,762**	**5,144**	**90,725**
Total assets	**2,038,904**	**468,559**	**465,466**	**371,167**	**3,344,096**
Deposits from customers	**1,363,912**	**943,057**	**-**	**-**	**2,306,969**
Due to Head Office and branches	**203,143**	**-**	**-**	**-**	**203,143**
Other liabilities	**52,215**	**-**	**2,762**	**71,864**	**126,841**
Senior term financing	**10,099**	**20,199**	**-**	**74,936**	**105,234**
Head office account	**-**	**-**	**-**	**601,909**	**601,909**
Total liabilities & equity	**1,629,369**	**963,256**	**2,762**	**748,709**	**3,344,096**
Net liquidity gap	**409,535**	**(494,697)**	**462,704**	**(377,542)**	
Cumulative liquidity gap	**409,535**	**(85,162)**	**377,542**	**-**	

	Within 3 months AED 000s	4 months to 1 year AED 000s	Years 2 and 3 AED 000s	Over 3 years and undated AED 000s	Total AED 000s
At 31st December 2023					
Cash and other liquid assets	522,769	-	-	42,353	565,122
Placements	309,377	-	-	-	309,377
Investment securities	104,853	-	3,548	-	108,401
Loans and advances	530,509	226,084	647,641	398,244	1,802,478
Equipment	-	-	-	977	977
Due from Head Office and branches	10,056	-	-	-	- 10,056
Other assets	44,525	41,306	823	2,676	89,330
Total assets	1,522,089	267,390	652,012	444,250	2,885,741
Deposits from customers	1,320,611	582,639	30,762	-	1,934,012
Due to Head Office and branches	56,337	-	-	-	- 56,337
Other liabilities	53,487	-	1	82,982	136,470
Senior term financing	-	29,994	50,511	44,070	124,575
Head office account	-	-	-	634,347	634,347
Total liabilities & equity	1,430,435	612,633	81,274	761,399	2,885,741
Net liquidity gap	91,654	(345,243)	570,738	(317,149)	
Cumulative liquidity gap	91,654	(253,589)	317,149	-	

23 Risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Branch's financial liabilities based on contractual undiscounted repayment obligations:

	Within 3 months AED 000s	4 months to 1 year AED 000s	Years 2 and 3 AED 000s	Over 3 years and other AED 000s	Total AED 000s
At 31st December 2024					
Deposits from customers	**1,432,125**	**1,031,160**	**-**	**-**	**2,463,285**
Senior term financing	**10,101**	**20,253**	**-**	**75,057**	**105,411**
Total non-derivative financial liabilities	**1,442,226**	**1,051,413**	**-**	**75,057**	**2,568,696**
Derivative financial instruments	**5,847**	**5,678**	**-**	**26,527**	**38,052**
Credit-related financial instruments	**535,753**	**121,292**	**133,129**	**53,876**	**844,050**
At 31st December 2023					
Deposits from customers	1,429,474	639,561	32,405	-	2,101,440
Senior term financing	-	56,075	35,643	47,546	139,264
Total non-derivative financial liabilities	1,429,474	695,636	68,048	47,546	2,240,704
Derivative financial instruments	17,493	13,241	2,772	9,437	42,943
Credit-related financial instruments	134,852	193,213	147,866	8,530	484,461

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

	Fair value through profit or loss AED 000s	Amortised Cost AED 000s	Total AED 000s
At 31st December 2024			
Cash and other liquid assets	**-**	**331,219**	**331,219**
Placements	**-**	**720,000**	**720,000**
Investment Securities		**531,369**	**531,369**
Loans and advances	**-**	**1,657,148**	**1,657,148**
Due from Head Office and branches	**-**	**13,090**	**13,090**
Other assets	**37,933**	**47,991**	**85,924**
Total assets	**37,933**	**3,300,817**	**3,338,750**
Deposits from customers	**-**	**2,306,969**	**2,306,969**
Due to Head Office and branches	**-**	**203,143**	**203,143**
Senior term financing	**-**	**105,234**	**105,234**
Other liabilities	**35,785**	**85,505**	**121,290**
Total liabilities	**35,785**	**2,700,851**	**2,736,636**

23 Risk management (continued)

Liquidity risk (continued)

	Fair value through profit or loss AED 000s	Amortised Cost AED 000s	Total AED 000s
At 31st December 2023			
Cash and other liquid assets	-	565,122	565,122
Placements	-	309,377	309,377
Investment Securities		108,401	108,401
Loans and advances	-	1,802,478	1,802,478
Due from Head Office and branches	-	10,056	10,056
Other assets	41,306	45,573	86,879
Total assets	41,306	2,841,007	2,882,313
Deposits from customers	-	1,934,012	1,934,012
Due to Head Office and branches	-	56,337	56,337
Senior term financing	-	124,575	124,575
Other liabilities	41,377	85,454	126,831
Total liabilities	41,377	2,200,378	2,241,755

23 Risk management (continued)

Interest rate risk

Interest rate risk results from exposure to changes in the level and volatility of interest rates and credit spreads.

The repricing profile of assets and liabilities categories and equity were as follows:-

	Within 3 months AED 000s	Months 4 to 6 AED 000s	Months 7 to 12 AED 000s	Over 1 year AED 000s	Non-interest bearing items AED 000s	Total AED 000s
At 31st December 2024						
Cash and other liquid assets	331,219	-	-	-	-	331,219
Placements	720,000	-	-	-	-	720,000
Investment Securities	527,696	3,673		-	-	531,369
Loans and advances	1,567,925	40,796	12,653	-	35,775	1,657,148
Equipment	-	-	-	-	545	545
Due from Head Office and branches	13,090	-	-	-	-	13,090
Other assets	-	-	-	-	90,725	90,725
Total assets	3,159,930	44,469	12,653	-	127,045	3,344,096
Deposits from customers	1,390,592	298,919	353,657	-	263,801	2,306,969
Due to Head Office and branches	203,143	-	-	-	-	203,143
Other liabilities	-	-	-	-	126,841	126,841
Senior term financing	105,234	-	-	-	-	105,234
Head office account	-	-	-	-	601,909	601,909
Total liabilities & equity	1,698,969	298,919	353,657	-	992,551	3,344,096
Interest rate sensitivity gap	1,460,961	(254,450)	(341,004)	-	(865,506)	-
Cumulative interest rate sensitivity gap	1,460,961	1,206,510	865,506	865,506	-	-

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For the year ended 31st December 2024

23 Risk management (continued)

Interest rate risk (continued)

	Within 3 months AED 000s	Months 4 to 6 AED 000s	Months 7 to 12 AED 000s	Over 1 year AED 000s	Non-interest bearing items AED 000s	Total AED 000s
At 31st December 2023						
Cash and other liquid assets	565,122	-	-	-	-	565,122
Placements	309,377	-	-	-	-	309,377
Investment Securities	108,401			-	-	108,401
Loans and advances	1,728,980	59,046	14,452	-	-	1,802,478
Equipment	-	-	-	-	977	977
Due from Head Office and branches	10,056	-	-	-	-	10,056
Other assets	-	-	-	-	89,330	89,330
Total assets	2,721,936	59,046	14,452	-	90,307	2,885,741
Deposits from customers	1,712,093	51,503	12,792	-	157,624	1,934,012
Due to Head Office and branches	56,337	-	-	-	-	56,337
Other liabilities	-	-	-	-	136,470	136,470
Senior term financing	124,575	-	-	-	-	124,575
Head office account	-	-	-	-	634,347	634,347
Total liabilities & equity	1,893,005	51,503	12,792	-	928,441	2,885,741
Interest rate sensitivity gap	828,931	7,543	1,660	-	(838,134)	-
Cumulative interest rate sensitivity gap	828,931	836,474	838,134	838,134	-	-

23 Risk management (continued)

Interest rate risk (continued)

Based on the repricing profile at 31st December 2024, and assuming that the financial assets and liabilities were to remain until maturity or settlement with no action taken by the Branch to alter the interest rate risk exposure, an immediate and sustained two per cent increase in interest rates across all maturities would result in an increase in net income before tax for the following year by approximately AED 20,820 thousand (2023:15,542 thousand) and an increase in the Branch's equity by AED 5,514 thousand (2023:518 thousand). The impact on the Branch's equity represents the cumulative effect of the increase in interest rates over the entire duration of the mismatches in the repricing profile of the interest rate sensitive financial assets and liabilities.

Operational Risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, system failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. A framework and methodology has been developed to identify and control the various operational risks. Whilst operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Branch.

24 Fair value of financials assets and liabilities

The Branch's financial assets and liabilities are accounted for under the historical cost method except for derivative assets and liabilities which are recorded at fair value. The fair value represents 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. Differences therefore can arise between book values under the historical cost method and fair value estimates.

As at year end derivative financial assets of AED 37,933 thousand (2023: AED 41,306 thousand) and derivative financial liabilities of AED 35,785 thousand (2023: AED 41,377) as mentioned in notes 10 and 13 respectively were falling under level 2 category. During current or prior year, the Branch has not classified any financial and non-financial instrument in level 1 or level 3 of the fair value hierarchy. There were no transfers between level 1,2 and 3 during the year.

25 Derivatives and foreign exchange instruments

The Branch utilises derivative and foreign exchange instruments to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management (ALM) activity to hedge its own exposure to market risk. Derivative instruments are contracts whose value is derived from one or more financial instruments or indices. They include futures, forwards and swaps in the interest rate, foreign exchange, equity, credit and commodity markets. Derivatives and foreign exchange are subject to the same types of credit and market risk as other financial instruments. The Branch has appropriate and comprehensive Board-approved policies and procedures for the control of exposure to both market and credit risk from its derivative and foreign exchange activities.

In the case of derivative transactions, the notional principal typically does not change hands. It is simply a quantity which is used to calculate payments. While notional principal is a volume measure used in the derivative and foreign exchange markets, it is neither a measure of market nor credit risk. The Branch measure of credit exposure is the cost of replacing contracts at current market rates should the counterparty default prior to the settlement date. Credit risk amounts represent the gross unrealised gains on non-margined transactions before taking account of any collateral held or any master netting agreements in place.

25 Derivatives and foreign exchange instruments (continued)

	Positive fair value AED 000s	Negative fair value AED 000s	Notional amounts AED 000s
At 31st December 2024			
Derivatives held for trading:			
Foreign exchange contracts	**3,507**	**-**	**438,997**
Interest rate contracts	**34,426**	**34,115**	**871,623**
Derivatives held for hedging*:			
Foreign exchange contracts	**-**	**-**	**-**
Interest rate contracts	**-**	**1,670**	**909,398**
	37,933	**35,785**	**2,220,018**
At 31st December 2023			
Derivatives held for trading:			
Foreign exchange contracts	6	789	1,109,110
Interest rate contracts	41,300	23,856	1,192,716
Derivatives held for hedging*:			
Foreign exchange contracts	-	-	-
Interest rate contracts	-	16,732	865,385
	41,306	41,377	3,167,211

*These contracts are back to back with the head office.

26 Capital funds

As per Union Law No. (10) of 1980 concerning the Central Bank, the Monetary System and Organisation of Banking, and Regulations of Wholesale Commercial Banking, branches of foreign banks must ensure that no less than AED 40,000 thousand has been allocated as capital funds for their operation in UAE.

The Branch's capital funds at 31st December 2024 were AED 550,000 thousand (2023: AED 550,000 thousand).

27 Other reserve

The Bank has made a transfer of 10% of annual net profits which amounts to AED 1,883 thousand during the year to the statutory reserve. Statutory reserve balance as at year end amount to AED 12,161 (2023: 10,278 thousand) .

Per the new credit risk management standards (CRMS) issued by CBUAE (Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024), Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

27 Other reserve (continued)

	31.12.24	31.12.23
	AED 000s	AED 000s
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 &2 as per CBUAE requirements	**31,744**	31,885
Less: Stage 1 and 2 impairment provision taken against income	**12,834**	9,079
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	**18,910**	22,806
Balance of impairment reserve - general as at January 1	**22,806**	19,668
Non-distributable reserve (released)/ charged during the year (Impairment reserve-general)	**(3,896)**	3,138
Balance of impairment reserve - general as at December 31	**18,910**	22,806

28 Capital management

The Branch's lead regulator, the Central Bank of the UAE, sets and monitors capital requirements for the Branch. The Branch is required to comply with the provisions of the Central Bank of the UAE in respect of regulatory capital.

The Branch's capital adequacy ratio as per effective regulatory framework, Basel III, at the minimum level is analysed into two tiers as follows:

	2024	2023
	AED 000s	AED 000s
Tier 1 capital:		
Capital funds	**550,000**	550,000
Current year profits	**18,825**	64,679
Accumulated Retained Earnings	**2,013**	(13,416)
IFRS transitional arrangement: Partial addback of ECL	**-**	2,432
Statutory reserve	**12,161**	10,278
Other Disclosed Reserves	**18,910**	22,806
	601,908	636,779
Deductions from Tier 1 capital	**(401)**	(265)
CBUAE Regulatory deductions	**(18,910)**	-
Total Tier 1 capital	**582,597**	636,514
Tier 2 capital:		
Collective impairment provision for financing assets	**26,453**	26,571
	26,453	26,571
Deductions from Tier 2 capital	**-**	-
Total Tier 2 capital	**26,453**	26,571
Total capital base	**609,050**	663,085

28 Capital management (continued)

	2024	2023
	AED 000s	AED 000s
Risk weighted assets		
Credit risk	**2,116,271**	2,125,679
Market risk	**17,080**	687
Operational risk	**169,439**	126,011
Total risk weighted assets	**2,302,790**	2,252,377
Tier 1 risk asset ratio	**25.3%**	28.3%
Total risk asset ratio	**26.4%**	29.4%

28.1 Basel III capital ratio

CBUAE has put in regulatory thresholds for Common Equity Tier 1, Tier 1 and overall regulatory Capital. 1. CET1 must be at least 7.0% of risk weighted assets (RWA); 2. Tier 1 Capital must be at least 8.5% of RWA; 3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA. On top of this minimum capital requirement CBUAE has also mandated the Banks to keep an additional buffer, in addition to the minimum CET1 capital of 7.0% of RWA, banks must maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of CET1 capital.

The table below summarises the Branch's capital ratios along with the minimum capital requirements:

	2024	**Minimum capital requirement 2024**	2023	Minimum capital requirement 2023
	%	**%**	%	%
CET1 (including buffer)	**25.3**	**9.5**	28.3	9.50
Tier 1 ratio	**25.3**	**11.0**	28.3	11.00
Total capital ratio	**26.4**	**13.0**	29.4	13.00

29 Details on Adjustments and Reissuance

The financial statements for the year ended 31 December 2024 were originally approved and issued on 24 March 2025. Subsequent to their issuance, management identified that certain updates to disclosures within the financial statements are required to ensure compliance with the revised regulatory requirements under CBUAE Circular No. 3/2024.

Accordingly, the financial statements have been reissued on 24 April 2025 to reflect the following: updates:

• Revisions to Note 27 and Note 28, relating to the disclosure of the Capital Adequacy Ratio to exclude the impairment reserve-general from Tier 1 capital, reclassification between statutory reserve and other disclosed reserve and additional narrative.
• Removal of the comparison between specific provisions as previously disclosed in note 27.
• Inclusion of this Note 29 explaining the rationale for the reissuance.

No other changes have been made to the financial statements as originally issued.