# Dubai Islamic Bank P.J.S.C.

**Auditor's report and consolidated financial statements for the year ended 31 December 2024**

These audited consolidated financial statements are subject to approval from Central Bank of UAE and adoption by shareholders at the Annual General Meeting.

بنك دبي الإسلامي
Dubai Islamic Bank

**Directors' Report**

Dear Shareholders

Assalamu Alaikum wa Rehmatullah wa Barakatahu.

It is with immense pride and gratitude that I address you as we celebrate a landmark year in the history of Dubai Islamic Bank (DIB) – our 50th anniversary. This milestone represents not only a moment of reflection but also a renewed commitment to pioneering excellence in Islamic finance, a journey that has seen us evolve alongside the remarkable progress of Dubai and the UAE.

As one of the most prominent Islamic financial institutions, DIB continues to set new benchmarks in innovation, sustainability, and diversification, reinforcing our commitment to creating long-term value for all stakeholders.

In 2024, DIB maintained its leadership position in Islamic finance, leveraging strategic intent and operational resilience to navigate an evolving financial landscape. Guided by our prudent strategy and risk management measures, we have successfully advanced our journey, expanded our market presence, and strengthened our ESG agenda with initiatives that align with the UAE's ambitious vision for a sustainable future.

The 2024 success story is clearly reflected in the financial results as the bank recorded the highest Group Profit (Pre-Tax) crossing the AED 9 billion mark. Further, despite stiff market competition, the bank delivered superior returns to shareholders with ROTE 22% (2023: 20%) and ROA 2.5% (2023: 2.3%), even after absorbing new Corporate Tax charge introduced in UAE in 2024.With both financing book and sukuk investments showcasing a combined growth of over 10% to reach AED 295 billion and the overall balance sheet closing at nearly AED 345 billion, the bank's growth trajectory and plans remain steadily on track for more positives in the coming years.

Key achievements of the year include the successful launch of T.O.M. Katilim, our digital bank in Turkey, which underscores DIB's commitment to global expansion and technology-driven banking solutions. Across all markets, we continue to evolve and invest in tech based innovative solutions powered by AI and advanced analytics to deliver personalized, seamless banking experiences whilst simultaneously strengthening our governance and risk frameworks.

Our accomplishments would not have been possible without the dedication of our talented team, whose unwavering commitment to our vision drives DIB's success. As we look to the future, we remain committed to nurturing a culture of excellence, inclusivity, and collaboration to unlock new opportunities and ensure sustainable growth.

Dubai Islamic Bank's golden jubilee year serves as a reminder of our legacy and is a catalyst for the next phase of our journey. Confident in our strategic direction and the enduring strength of Islamic finance, we are poised to achieve new milestones and deliver exceptional value to our shareholders, customers, and communities in 2025 and beyond.

بنك دبي الإسلامي
Dubai Islamic Bank

I would also like to acknowledge the invaluable contributions of our Board of Directors, leadership team, and employees, whose unwavering commitment and innovative spirit have been the driving force behind our success. Together, we are not just building on a legacy but forging new pathways for the future of Islamic finance.

**H.E. Mohammed Ibrahim Al Shaibani**
**Chairman**
**Dubai Islamic Bank PJSC**

# Dubai Islamic Bank P.J.S.C.

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

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# INDEPENDENT AUDITOR'S REPORT

**The Shareholders**
**Dubai Islamic Bank PJSC**
**Dubai**
**United Arab Emirates**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of **Dubai Islamic Bank PJSC** ("the Bank") **and its subsidiaries** (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

### Basis for Opinion

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

### Key Audit Matters

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

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**Key Audit Matters (continued)**

| **Key audit matter** | **How our audit address the key audit matter** |
|---|---|
| **Impairment of carrying value of Islamic financing and investing assets** | |
| The Group's Islamic financing and investing assets are carried in the consolidated statement of financial position at AED 212 billion as at 31 December 2024. The expected credit loss ("ECL") allowance was AED 6.8 billion as at this date, which comprised an allowance of AED 1.7 billion against Stage 1 and 2 exposures and an allowance of AED 5.1 billion against exposures classified under Stage 3 and Purchased Originally Credit Impaired ("POCI").<br><br>The audit of the impairment of Islamic financing and investing assets is a key area of focus because of its size (representing 62% of total assets) and due to the significance and complexity of the estimates and judgments, which were used in classifying Islamic financing and investing assets into various stages and determining the ECL. Refer to Note 5 of the consolidated financial statements for the accounting policy, Note 6 for critical judgements and estimates and Note 47.2 for disclosures on credit risk.<br><br>The corporate portfolio of Islamic Financing and Investing assets is assessed individually for significant increase in credit risk ("SICR") and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement is also applied in manually overriding stages in accordance with the Group's policies.<br><br>The measurement of ECL for exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. However, it is important that models and its parameters (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process. The exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms. | We obtained a detailed understanding of the Group's Islamic financing and investing assets business processes including the critical accounting estimates and judgments used by management. This understanding enabled us to perform audit procedures on the computation and reasonableness/appropriateness of the ECL models. We have involved our subject matter experts to assist us in auditing the relevant ECL models as at 31 December 2024.<br><br>We assessed the relevant controls in the abovementioned business process to determine if they were appropriately designed and implemented.<br><br>We understood and evaluated the relevant ECL models by involving our subject matter experts to determine if they were in compliance with the requirements of IFRS Accounting Standards. We tested the mathematical integrity of the relevant ECL models by performing recalculations on a sample basis. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment.<br><br>For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology to determine the allowance, assessed the underlying relevant assumptions and the sufficiency of the data used by management. We assessed the Group's determination of SICR and the resultant basis for classification of exposures into various stages. For samples of exposures, we assessed the Group's staging criteria, including the basis for movement between stages. Furthermore, we evaluated post - model adjustments and management overlays. |

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of carrying value of Islamic financing and investing assets (continued)** | |
| Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows including observable market prices and the fair value of the collateral. The impairment loss is calculated based on the shortfall in the Islamic financing and investing assets carrying value compared to the net present value of future cash flows using the original effective profit rate. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts. | We selected samples of Islamic financing and investing assets and assessed the accuracy of the Exposure at Default ("EAD"), appropriateness of the Probability of Default ("PD") and calculations of the Loss Given Default ("LGD") used by management in their ECL calculations.<br><br>For exposures determined to be individually impaired, we tested samples of Islamic financing and investing assets and assessed management's estimate of future cash flows and the resultant allowance calculations. We challenged the assumptions underlying the expected credit loss allowance calculations, such as estimated credit risk mitigation through discounted cash flows including collateral and estimates of recovery as well as considered the consistency of the Group's application of its policy for determining the ECL allowance.<br><br>We also assessed the relevant disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRS Accounting Standards. |
| **IT systems and controls over financial reporting** | |
| We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data. | Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems:<br><br>We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.<br><br>We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations.<br><br>We examined computer generated information used in financial reports from relevant applications and key controls over their report logics.<br><br>We performed testing on the key automated controls on significant IT systems relevant to business processes. |

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**INDEPENDENT AUDITOR'S REPORT**
To the Shareholders of Dubai Islamic Bank PJSC (continued)

**Other Information**

Management is responsible for the other information. The other information comprises the Board of Directors' report which we obtained prior to the date of this auditors' report and the Fatwa and Sharia Supervision Board's report which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**
To the Shareholders of Dubai Islamic Bank PJSC (continued)

**Report on Other Legal and Regulatory Requirements**

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- the Bank has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Bank's books of account;
- note 11 to the financial statements of the Bank discloses its investments in shares during the financial year ended 31 December 2024;
- note 43 to the financial statements of the Bank discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- note 31 to the financial statements discloses social contributions made during the financial year ended 31 December 2024; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

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

**Deloitte & Touche (M.E.)**

Firas Anabtawi
Registration No. 5482
11 February 2025
Dubai
United Arab Emirates

## Consolidated statement of financial position
as at 31 December 2024

| | Note | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | *7* | **26,700,468** | 24,019,524 |
| Due from banks and financial institutions | *8* | **5,642,110** | 4,483,687 |
| Islamic financing and investing assets, net | *9* | **212,426,748** | 199,453,349 |
| Investment in Sukuk | *10* | **82,160,734** | 68,172,165 |
| Other investments measured at fair value | *11* | **785,404** | 846,510 |
| Investments in associates and joint ventures | *12* | **2,502,668** | 2,431,828 |
| Properties held for development and sale | *13* | **988,138** | 1,050,081 |
| Investment properties | *14* | **4,520,483** | 5,625,224 |
| Receivables and other assets | *15* | **7,081,994** | 6,324,139 |
| Property and equipment | *16* | **1,878,071** | 1,884,996 |
| **Total assets** | | **344,686,818** | 314,291,503 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Customers' deposits | *18* | **248,545,755** | 222,054,207 |
| Due to banks and financial institutions | *19* | **5,854,493** | 12,966,965 |
| Sukuk issued | *20* | **24,154,397** | 20,480,977 |
| Payables and other liabilities | *21* | **12,697,749** | 10,863,851 |
| Zakat payable | *23* | **581,545** | 491,370 |
| **Total liabilities** | | **291,833,939** | 266,857,370 |
| **EQUITY** | | | |
| Share capital | *24* | **7,240,744** | 7,240,744 |
| Tier 1 Sukuk | *25* | **10,100,750** | 8,264,250 |
| Other reserves and treasury shares | *26* | **15,874,668** | 14,784,668 |
| Investments fair value reserve | *27* | **(1,267,060)** | (1,331,986) |
| Exchange translation reserve | *28* | **(2,028,690)** | (1,741,437) |
| Retained earnings | | **19,904,386** | 17,341,070 |
| **Equity attributable to owners and Sukuk-holders of the Bank** | | **49,824,798** | 44,557,309 |
| Non-controlling interests | *17.3* | **3,028,081** | 2,876,824 |
| **Total equity** | | **52,852,879** | 47,434,133 |
| **Total liabilities and equity** | | **344,686,818** | 314,291,503 |

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 11 February 2025 and signed on its behalf:

| H.E. Mohammad Ibrahim Al Shaibani | Yahya Saeed Ahmad Lootah | Dr. Adnan Chilwan |
|---|---|---|
| Chairman | Vice Chairman | Group Chief Executive Officer |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss
for the year ended 31 December 2024

| | *Note* | **2024 AED'000** | 2023 AED'000 |
|---|---|---|---|
| **NET INCOME** | | | |
| Income from Islamic financing and investing transactions | *31* | **19,453,766** | 17,226,558 |
| Commissions, fees and foreign exchange income | *32* | **1,748,434** | 1,794,691 |
| Income from other investments measured at fair value, net | *33* | **17,134** | 30,926 |
| Income from properties held for development and sale, net | *34* | **341,524** | 237,230 |
| Income from investment properties | *35* | **738,850** | 343,829 |
| Share of profit from associates and joint ventures | *12.3* | **485,268** | 214,933 |
| Other income | *36* | **556,126** | 294,189 |
| **Total income** | | **23,341,102** | 20,142,356 |
| Less: depositors' and Sukuk-holders' share of profit | *37* | **(10,504,562)** | (8,477,392) |
| **Net income** | | **12,836,540** | 11,664,964 |
| **OPERATING EXPENSES** | | | |
| Personnel expenses | *38* | **(1,989,055)** | (1,723,991) |
| General and administrative expenses | *39* | **(1,180,930)** | (1,232,004) |
| Depreciation of investment properties | *14.1* | **(64,840)** | (63,361) |
| Depreciation of property and equipment | *16* | **(189,978)** | (142,171) |
| **Total operating expenses** | | **(3,424,803)** | (3,161,527) |
| **Net operating income before net impairment charges and taxation** | | **9,411,737** | 8,503,437 |
| Impairment charges, net | *40* | **(406,813)** | (1,395,868) |
| **Profit for the year before income tax expense** | | **9,004,924** | 7,107,569 |
| Income tax expense | *22.1* | **(839,886)** | (97,612) |
| **Net profit for the year** | | **8,165,038** | 7,009,957 |
| Attributable to: | | | |
| Owners of the Bank | | **7,934,086** | 6,797,676 |
| Non-controlling interests | *17.3* | **230,952** | 212,281 |
| **Net profit for the year** | | **8,165,038** | 7,009,957 |
| **Basic and diluted earnings per share (AED per share)** | *41* | **1.04** | 0.88 |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

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

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| **Net profit for the year** | **8,165,038** | 7,009,957 |
| ***Other comprehensive loss items*** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of foreign operations, net | **(287,253)** | (175,771) |
| Fair value gain / (loss) on Sukuk investment, net | **7,567** | (45,296) |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Fair value gain / (loss) on other investments carried at FVTOCI, net | **39,233** | (238,099) |
| **Other comprehensive loss for the year** | **(240,453)** | (459,166) |
| **Total comprehensive income for the year** | **7,924,585** | 6,550,791 |
| Attributable to: | | |
| Owners of the Bank | **7,690,366** | 6,338,980 |
| Non-controlling interests | **234,219** | 211,811 |
| **Total comprehensive income for the year** | **7,924,585** | 6,550,791 |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

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

| | ---Equity attributable to owners and Sukuk-holders of the Bank--- | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital AED'000 | Tier 1 Sukuk AED'000 | Other reserves and treasury shares AED'000 | Investments fair value reserve AED'000 | Exchange translation reserve AED'000 | Retained earnings AED'000 | Total AED'000 | Non-controlling interests AED'000 | Total equity AED'000 |
| **Balance at 1 January 2023** | 7,240,744 | 8,264,250 | 14,654,668 | (1,062,927) | (1,565,666) | 13,772,643 | 41,303,712 | 2,671,256 | 43,974,968 |
| Net profit for the year | - | - | - | - | - | 6,797,676 | 6,797,676 | 212,281 | 7,009,957 |
| Other comprehensive loss for the year | - | - | - | (282,925) | (175,771) | - | (458,696) | (470) | (459,166) |
| Total comprehensive income / (loss) for the year | - | - | - | (282,925) | (175,771) | 6,797,676 | 6,338,980 | 211,811 | 6,550,791 |
| **Transaction with owners directly in equity:** | | | | | | | | | |
| Dividend paid (note 29) | - | - | - | - | - | (2,168,133) | (2,168,133) | - | (2,168,133) |
| Zakat (note 23) | - | - | - | - | - | (492,546) | (492,546) | (3,982) | (496,528) |
| Tier 1 Sukuk profit distribution | - | - | - | - | - | (404,030) | (404,030) | - | (404,030) |
| Board of Directors' remuneration | - | - | - | - | - | (20,393) | (20,393) | - | (20,393) |
| Transfer on disposal of other investments carried at FVTOCI | - | - | - | 13,866 | - | (13,866) | - | - | - |
| Regulatory credit risk reserve | - | - | 130,000 | - | - | (130,000) | - | - | - |
| Others | - | - | - | - | - | (281) | (281) | (2,261) | (2,542) |
| **Balance at 31 December 2023** | 7,240,744 | 8,264,250 | 14,784,668 | (1,331,986) | (1,741,437) | 17,341,070 | 44,557,309 | 2,876,824 | 47,434,133 |
| **Balance at 1 January 2024** | **7,240,744** | **8,264,250** | **14,784,668** | **(1,331,986)** | **(1,741,437)** | **17,341,070** | **44,557,309** | **2,876,824** | **47,434,133** |
| Net profit for the year | **-** | **-** | **-** | **-** | **-** | **7,934,086** | **7,934,086** | **230,952** | **8,165,038** |
| Other comprehensive loss for the year | **-** | **-** | **-** | **43,533** | **(287,253)** | **-** | **(243,720)** | **3,267** | **(240,453)** |
| Total comprehensive income / (loss) for the year | **-** | **-** | **-** | **43,533** | **(287,253)** | **7,934,086** | **7,690,366** | **234,219** | **7,924,585** |
| **Transaction with owners directly in equity:** | | | | | | | | | |
| Dividend paid (note 29) | **-** | **-** | **-** | **-** | **-** | **(3,252,200)** | **(3,252,200)** | **(96,303)** | **(3,348,503)** |
| Zakat (note 23) | **-** | **-** | **-** | **-** | **-** | **(580,565)** | **(580,565)** | **15** | **(580,550)** |
| Tier 1 Sukuk profit distribution | **-** | **-** | **-** | **-** | **-** | **(404,030)** | **(404,030)** | **-** | **(404,030)** |
| Tier 1 Sukuk issuance | **-** | **1,836,500** | **-** | **-** | **-** | **-** | **1,836,500** | **-** | **1,836,500** |
| Board of Directors' remuneration | **-** | **-** | **-** | **-** | **-** | **(19,296)** | **(19,296)** | **-** | **(19,296)** |
| Transfer on disposal of other investments carried at FVTOCI | **-** | **-** | **-** | **21,393** | **-** | **(21,393)** | **-** | **-** | **-** |
| Regulatory credit risk reserve | **-** | **-** | **1,090,000** | **-** | **-** | **(1,090,000)** | **-** | **-** | **-** |
| Others | **-** | **-** | **-** | **-** | **-** | **(3,286)** | **(3,286)** | **13,326** | **10,040** |
| **Balance at 31 December 2024** | **7,240,744** | **10,100,750** | **15,874,668** | **(1,267,060)** | **(2,028,690)** | **19,904,386** | **49,824,798** | **3,028,081** | **52,852,879** |
| | ======= | ======== | ======== | ======== | ======== | ======== | ======== | ======== | ======== |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

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

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year before income tax expense | **9,004,924** | 7,107,569 |
| **Adjustments for:** | | |
| Share of profit of associates and joint ventures | **(485,268)** | (214,933) |
| Gain from disposal of properties held for development and sale | **(341,524)** | (237,230) |
| Dividend income | **(17,134)** | (30,926) |
| Gain on sale of investments in Sukuk | **(96,657)** | (688) |
| Gain on disposal of property and equipment | **(82,846)** | (22) |
| Gain from investment properties | **(607,205)** | (222,946) |
| Depreciation of property and equipment | **189,978** | 142,171 |
| Depreciation of investment properties | **64,840** | 63,361 |
| Amortization of Sukuk discount | **170** | 170 |
| Provision for employees' end-of-service benefits | **42,870** | 4,224 |
| Amortization of intangible assets | **10,545** | 67,795 |
| Impairment charge for the year, net | **406,813** | 1,395,868 |
| **Operating cash flow before changes in operating assets and liabilities** | **8,089,506** | 8,074,413 |
| Increase in Islamic financing and investing assets | **(13,462,495)** | (16,187,530) |
| Decrease in receivables and other assets | **(55,396)** | 1,065,769 |
| Increase in customers' deposits | **26,455,865** | 24,529,197 |
| (Decrease) / increase in due to banks and other financial institutions | **(11,078,012)** | 2,350,170 |
| Increase in payables and other liabilities and zakat payable | **621,286** | 483,655 |
| **Cash generated from operations** | **10,570,754** | 20,315,674 |
| Employees' end-of-service benefits paid | **(23,182)** | (18,030) |
| Tax paid | **(146,073)** | (142,130) |
| **Net cash generated from operating activities** | **10,401,499** | 20,155,514 |
| **Investing activities** | | |
| Net movement in investments in Sukuk | **(13,870,974)** | (16,305,164) |
| Net movement in other investments measured at fair value | **97,476** | 37,959 |
| Dividend received | **17,134** | 30,926 |
| Additions to properties held for development and sale | **(793,169)** | (298,364) |
| Proceeds from disposal of properties held for development and sale | **1,194,552** | 955,156 |
| Additions to investment properties | **(96,345)** | (195,301) |
| Proceeds from disposal of investment properties | **1,109,995** | 379,347 |
| Net movement in investments in associates and joint ventures | **120,528** | (393,322) |
| Additions of property and equipment, net | **(65,538)** | (216,277) |
| **Net cash used in investing activities** | **(12,286,341)** | (16,005,040) |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows (continued)
for the year ended 31 December 2024

| | 2024<br>AED'000 | 2023<br>AED'000 |
|---|---|---|
| **Financing activities** | | |
| Issuance of Sukuk | **3,673,000** | 3,673,000 |
| Payment of Sukuk | **-** | (5,509,202) |
| Tier 1 Sukuk issuance | **1,836,500** | - |
| Tier 1 Sukuk profit distribution | **(404,030)** | (404,030) |
| Tier 1 Sukuk issuance cost | **(3,286)** | (281) |
| Dividend paid | **(3,348,503)** | (2,168,133) |
| **Net cash generated from / (used in) financing activities** | **1,753,681** | (4,408,646) |
| **Net decrease in cash and cash equivalents** | **(131,161)** | (258,172) |
| Cash and cash equivalents at the beginning of the year | **26,614,258** | 27,014,449 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | **4,988** | (142,019) |
| **Cash and cash equivalents at the end of the year (note 42)** | **26,488,085** | 26,614,258 |

The notes on pages 13 to 96 form an integral part of these consolidated financial statements.

## 1. Legal status and principal activity

Dubai Islamic Bank (Public Joint Stock Company) (the "Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company.

The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries as disclosed in note 17 (together referred to as the "Group").

The Bank is listed on the Dubai Financial Market (Ticker: "DIB").

The Group is primarily engaged in corporate, retail and investment banking activities in accordance with Islamic Sharia principles under the guidance of Internal Sharia Supervision Committee ("ISSC") and Higher Sharia Authority of Central Bank of UAE ("HSA") and carries out its operations through its local branches and overseas subsidiaries. The principal activities of the Group entities are described in note 17 to these consolidated financial statements.

The registered head office of the Bank is at P.O. Box 1080, Dubai, United Arab Emirates.

## 2 Application of new and revised International Financial Reporting Standards (IFRSs)

### 2.1 New and revised IFRSs applied on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 Presentation of Financial Statements relating to classification of liabilities as current or non-current;
- Amendments to IFRS 16 Leases relating to lease liability in a sale and leaseback transaction;
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and
- IFRS S2 Climate Related Disclosures.

### 2.2 New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

| New and revised IFRS | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* relating to Lack of Exchangeability | 01 January 2025 |
| IFRS 18 *Presentation and Disclosures in Financial Statements* | 01 January 2027 |
| Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to treatment of sale or contribution of assets from investors | Effective date deferred indefinitely. |

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

## 3 Definitions

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

### 3.1 Murabaha

A contract whereby the Seller sells an asset to the Purchaser, on a deferred payment basis, after purchasing the asset and obtaining possession thereof and title thereto. This sale is based on a promise received from the Purchaser to buy the asset from the Seller according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the outstanding Murabaha cost price. The Murabaha sale price is paid by the Purchaser to the Seller either through installments over the period of the Murabaha contract or as a lump sum payment, as stated in the contract.

### 3.2 Ijarah

#### 3.2.1 Ijarah Muntahiya Biltamleek

An agreement whereby the Group (the "Lessor") leases a specific/identified asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed and variable rental basis.

The Ijarah agreement identifies the leased asset, duration of the lease term, as well as the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represents the cost of the leased asset).

#### 3.2.2 Istisna' & Forward Ijarah

Under this structure, the Bank and the customer will enter into an Istisna' Agreement for the construction/manufacturing of a fully described asset against an agreed price which is normally paid through an agreed payment schedule corresponding with different milestones of the manufacturing/construction process.
Under the Istisna' Agreement, the Customer is responsible for constructing/manufacturing the Istisna' Asset and delivering it to the Bank on an agreed future date.

In parallel, the Bank (as Lessor) and the Customer (as Lessee) will enter into a Forward Lease Agreement (Ijarah Mausoofa Fiz Zimma). Under this agreement, the Bank will lease a fully described asset to be manufactured and delivered to the Customer (Ijara Asset) on a specified future date.

The Forward Ijarah agreement sets out the full description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period under Istisna, the Group pays the purchase price of the Istisna' asset to the Seller either as a lumpsum in a single payment or through multiple payments throughout the construction period. Pursuant to Forward Lease Agreement, the Customer normally pays certain instalments on account of rental to the Bank before the asset is delivered by the Bank to the Customer. Once the Ijara Asset is delivered to the Customer, the amounts paid on account of rental will be adjusted against the additional rental element and treated as income of the Bank.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor. The Lessee undertakes under the Forward Ijarah agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

## 3 Definitions (continued)

### 3.2.2 Istisna' & Forward Ijarah (continued)

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Forward Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

In case the Group fails to give possession of the asset under Forward Ijarah to the lessee, the Forward Ijarah will be cancelled and the Group will refund all on account rentals collected during the construction period to the lessee.

### 3.3 Musharaka

An agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle, Musharaka profit is distributed on liquidation of the Musharaka and declaration/distribution by the managing partner. However, when actual liquidation is not possible, Sharia allows constructive liquidation of the Musharaka as per the agreed schedule and distribution of profit based upon it. The loss, if any, is shared in proportion to the capital contribution ratios of the partners, provided the Group, in the absence of the managing partner's negligence, breach or default, receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

### 3.4 Mudaraba

A contract between two parties whereby one party is a fund provider (the "Rabb-ul-Maal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity based on its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rabb-ul-Maal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on liquidation of the Mudaraba and declaration/distribution by the Mudarib. However, when the actual liquidation is not possible, Sharia allows constructive liquidation of the Mudaraba and distribution of profit based on it. The Mudarib shall bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rabb-ul-Maal, provided the Rabb-ul-Maal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences thereof on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rabb-ul-Maal, as the case may be. The Mudarib with the consent of the Rabb-ul-Maal can commingle his own funds with the Mudaraba capital, and thus establish a common Mudaraba pool.

### 3.5 Investment Wakala

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to the agent (the "Wakeel"), who invests the Wakala Capital in a Sharia compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital and the Muwakkil is entitled to the entire profit generated from the Wakala. The Wakeel may be granted any excess profit over and above a certain pre-agreed rate of return as a performance incentive. In principle, Wakala profit is distributed on liquidation of Wakala Capital and declaration/distribution by the Wakeel. However, when actual liquidation is not possible, Sharia allows constructive liquidation of the Wakala and distribution of profit based upon it. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise, the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

## 3 Definitions (continued)

### 3.6 Service Agency

Under this structure, the Bank will purchase an Asset from the owner (whether it is the Customer or a third party) through a purchase agreement. Subsequently, the Bank will appoint the customer as its service agent to carry out specific Sharia-compliant services related to managing the Asset on behalf of the Bank, in exchange for a pre-agreed fee and/or incentive. Under the service agency arrangement, the Customer will collect income generated from the Asset and transfer it to the Bank in accordance with the terms of the Service Agency Agreement. Upon maturity, the Bank will sell the Asset to the Customer, pursuant to a Purchase Undertaking issued by the Customer in favour of the Bank, at an agreed-upon exercise price.

Pursuant to the Agency Agreement, the Customer will be obliged to collect income generated from the Asset and transfer the same to the Bank on each Income Payment Date.

If the Income payable to Bank on an Income Payment Date is greater than the Expected Income Amount (as agreed between the Bank and Agent), the surplus income will be kept in a reserve for the payment of future income and will be credited to the Income Reserve Account maintained by the Agent.

The Agent will be entitled to any amount available in the Income Reserve Account on the facility end date as an incentive.

The Service Agency may be terminated pursuant to the purchase of the Asset by the Agent from the Bank either by exercise under the Purchase Undertaking or under the Sale Undertaking. The Asset Purchase Agreement provided as an addendum to the Sale Undertaking and Purchases Undertaking shall be duly executed between the Customer and DIB to conclude sale of the Asset to the Customer

### 3.7 Salam

A Salam financing contract is a contract whereby the Group purchases a fixed quantity of a specified commodity from the customer and pays to him the full Salam price of the commodity in advance, whereas the customer delivers the quantity of the commodities in accordance with an agreed delivery schedule. The customer may appoint an agent to act on its behalf in procuring and delivering the commodities to the Group.

The Group makes profit on Salam transactions, when the Salam commodities are received from the customer and subsequently sold to a third party at profit. Salam profit is internally accounted for on a time-apportioned basis over the period of the Salam contract based on the value of the outstanding Salam commodities.

### 3.8 Istisna'

A sale contract between two parties whereby the Sani (Seller) undertakes to construct or manufacture, for the Mustasni (Purchaser), a described asset or property (being "Al-Masnoo'") according to certain pre-agreed specifications and deliver the same at a pre-agreed time against an agreed price. The work undertaken is not required to be carried out by the Seller alone and the whole or part of the construction/development or manufacturing can be undertaken by third parties but it would be the responsibility of the Seller to deliver the asset at the agreed time as per the agreed specifications.

Under an Istisna' contract the Group could be the Seller or the Purchaser. Istisna' profit (difference between the sale price of Al-Masnoo to the customer and the Group total Istisna' cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

### 3.9 Sukuk

Sukuk is defined as "investment certificates of equal denomination representing undivided ownership interests in a portfolio of eligible assets. Sukuk commonly refers to the Islamic alternative of bonds. Sukuk, generally, represent ownership of the underlying assets by the holder with all the rights and obligations of ownership; however, it may represent usufruct, services or receivables in some cases.

### 3 Definitions (continued)

### 3.10 Investment accounts & Relevant Asset Pools

Deposits are generated primarily under Sharia compliant Qard, Mudaraba and Wakala contracts.

Deposits taken on Qard basis are classified as 'Current accounts' and deposits generated on Mudaraba and Wakala basis are classified as 'Savings deposits' and 'Fixed deposits'. The current account depositors are not entitled to any profit nor do they bear any losses. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and savings accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

The Bank is managing separate asset pools for Mudaraba (also referred to as common pool) and Wakala deposits.

Profits realised in common pool are initially distributed between the Bank and the Mudaraba in proportion to their respective shares in the pool. The Mudaraba Profit (if any) is then distributed between the Bank, as Mudarib, and the depositors, as Rab-ul-Maal, according to the pre-agreed profit-sharing ratio between Mudarib and Rab-ul-Maal. All Mudaraba based deposits are fully invested (except for cash reserves margins required under the central bank regulations) in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds; including shareholders' funds, available for investment, priority is given to the funds available in the Common Pool. Rab-ul-Maal share of profit is distributed among depositors according to the weightages assigned at the inception of profit calculation period. In certain circumstances, the Mudarib may give away a portion of its share of profit to Rabb-ul-Maal as a gift (Hiba). The investment deposits in a pool are entitled to the profit, if any, of the assets of that pool during the profit distribution period as per the allocated weightages and/or profit sharing ratio, and if there is any loss, bear the same, in accordance with the ratio of their investments.

Fixed deposits under Wakala structure are maintained in a separate asset pool to match expected yields and maturity of Wakala deposits. In accordance with the terms of Wakala agreement, the agent / bank (wakil) is granted the excess over the expected profit as incentive.

#### 3.10.1 Asset Pools and Allocation Approach

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Wakala modes.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rabb-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in Sharia compliant modes of financing, investments and placements. When utilising and investing funds, the Bank prioritises the funds available in the Common Pool over the shareholders' funds after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for deposits accepted on Wakala basis. The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of specific impact losses/recoveries expenses directly incurred in earning the income of such pool along with related fee, if any. No expense of general or administrative nature is charged to the pools. The profit of the pool is shared among the depositors of the pool on pre-defined mechanism based on the weightages announced before the commencement of profit calculation period after deducting Wakeel's fee. These weightages are declared by the Bank in compliance with the requirements of the Higher Sharia Authority of Central Bank of U.A.E. and Internal Shariah Supervision Committee.

The Bank has made all the investments in its subsidiaries and associates from the Mudaraba Pool which consists of the Mudaraba based deposits and Shareholders' funds. However, no asset is moved from one portfolio or pool to another without proper procedures as required under the ISSC approved policies and procedures.

**Key features and risk & reward characteristics of all pools**

The risk characteristics of each pool mainly depends on the assets and liability profile of each pool. The pools are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved, along with the risk that is associated with mode of finance(s) applied / used under the transaction structure(s). The Bank is well equipped to identify and properly mitigate such risks.

The allocation (of income and expenses to different pools) is based on pre-defined mechanism and accounting principles / standards. There have been no changes in any asset allocation strategies to pools during the year.

## 4 Basis of preparation

### 4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and applicable requirements of the laws of the U.A.E., including the UAE Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") which was issued on 20 September 2021 and has come into effect on 02 January 2022 and the Decretal Federal Law No. (14) of 2018.

### 4.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below.

### 4.3 Functional and reporting currency

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

The principal accounting policies applied in preparation of these consolidated financial statements are set out below.

## 5 Significant accounting policies

### 5.1 Basis of consolidation

#### 5.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of Islamic financing or equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### 5.1.2 Subsidiary

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved when the Group has:

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

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

**5 Significant accounting policies (continued)**

**5.1 Basis of consolidation (continued)**

**5.1.2 Subsidiary (continued)**

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests.

Total comprehensive income of the subsidiaries is attributable to the owners of the group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

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

**5.1.3 Foreign currencies**

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

Exchange differences on monetary items are recognised in the consolidated statement of profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the consolidated statement of profit or loss on settlement of the monetary items.

## 5 Significant accounting policies (continued)

### 5.1 Basis of consolidation (continued)

#### 5.1.3 Foreign currencies (continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations are translated into Arab Emirates Dirham, which is the Group presentation currency, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to the consolidated statement of profit or loss.

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

Fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

#### 5.1.4 Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 5.1.5 Special purpose vehicles ("SPVs")

Special purpose vehicles are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of assets, or the execution of a specific Islamic financing transaction. An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPV's risk and rewards, the Group concludes that it controls the SPV.

#### 5.1.6 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group consolidated financial statements as they are not assets of the Group.

**5 Significant accounting policies (continued)**

**5.2 Financial instruments**

**5.2.1 Initial recognition**

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

**5.2.2 Initial measurement**

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

**5.3 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace subject to the Sharia guidance provided in this regard.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**5.3.1 Classification of financial assets**

Balances with central banks, due from banks and financial institutions, Islamic financing and investing assets, investments in Sukuk and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss or other comprehensive income on initial recognition):

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

All other financial assets are subsequently measured at fair value.

**5.3.2 Business model assessment**

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

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

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

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

## 5 Significant accounting policies (continued)

### 5.3 Financial assets (continued)

#### 5.3.3 Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as any excess to the principal generated from the business for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

#### 5.3.4 Amortised cost and effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of profit rate benchmark reform, then the Group updates the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, then the Group first updates the effective profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

**5 Significant accounting policies (continued)**

**5.3 Financial assets (continued)**

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

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in Sharia compliant equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

FVTOCI assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposals.

**5.3.6 Debt instruments at fair value through other comprehensive income (FVTOCI)**

Debt instruments are measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit income and foreign exchange gains and losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

Investments in Sharia compliant equity instruments are classified as at FVTPL, unless the Group designates an investment at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets (other than equity instruments) that do not meet the amortised cost criteria are measured at FVTPL. In addition, financial assets (other than equity instruments) that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. Financial assets (other than equity instruments) may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit/loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the ‘gain from other investments at fair value’ line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 46.2.1 to these consolidated financial statements.

## 5 Significant accounting policies (continued)

### 5.3 Financial assets (continued)

#### 5.3.8 Foreign exchange gains and losses

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

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidated statement of profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

#### 5.3.9 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at each reporting date.

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are measured at amortised cost:

- Islamic financing and investing assets and investment in Sukuk;
- Off-balance sheet instruments issued;
- Financial guarantee contracts issued;
- Due from banks and financial institutions;
- Balances with Central Banks; and
- Other financial assets

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

No impairment loss is recognised on equity investments.

## 5 Significant accounting policies (continued)

### 5.3 Financial assets (continued)

#### 5.3.9 Impairment of financial assets (continued)

**Expected credit loss impairment model**

The Expected Credit Loss (ECL) model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. The 12 months ECL is calculated as the portion of life time ECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective profit rate.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. The PD and LGD are estimated over the lifetime of the instrument and the expected cash shortfalls are discounted by an approximation to the original effective profit rate.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets, with the PD set at 100%.

When estimating ECL for undrawn commitments, the Bank estimates the expected portion of the commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted rate relevant to the exposure.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

## 5 Significant accounting policies (continued)

### 5.3 Financial assets (continued)

#### 5.3.9 Impairment of financial assets (continued)

**Measurement of ECL**

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective profit rate. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

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

Details of these statistical parameters/inputs are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and

The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive (and expected cash flows generally in case of stage 3 accounts), including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

**Macroeconomic factors, forward looking information and multiple scenarios**

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside) with a weightage of 40%, 30% and 30% respectively. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financing are expected to be recovered, including the probability that the financing will cure and the value of collateral or the amount that might be received for selling the asset.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Real Government consumption
- Real imports of goods and services
- House price index
- Residential properties – Abu Dhabi and Dubai
- Consumer price index
- Real gross domestic product
- General Government finance expenditure
- National Accounts: Real export of goods and services

Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

**5 Significant accounting policies (continued)**

**5.3 Financial assets (continued)**

**5.3.9 Impairment of financial assets (continued)**

**Assessment of significant increase in credit risk**

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk rating and risk management processes. At each reporting date, the assessment of a change in credit risk is assessed individually for both corporate and retail exposures.

The group of assets are moved from stage 1 to stage 2 if:

- the probability of default or credit risk rating change beyond the Bank's established threshold related to the initial recognition;
- an instrument is past due beyond 30 days; and
- an instrument's credit risk is considered higher based on qualitative criteria of the Bank.

The instruments moved to stage 2 from stage 1 remain in the stage until they perform for a sustained period as per the Bank's policy.

Movement from stage 2 to stage 3 are based on whether the financial assets are credit impaired at the reporting date.

**Experienced credit judgement**

The Bank's ECL allowance methodology requires the use of experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements.

**Expected life**

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

**5 Significant accounting policies (continued)**

**5.3 Financial assets (continued)**

**5.3.9 Impairment of financial assets (continued)**

**Definition of default**

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

- it is established that due to financial or non-financial reasons the customer is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
- the customer is past due 90 days or more on any material credit obligation to the Bank.

In assessing whether a customer is in default, the Bank considers indicators that are:
(i) qualitative - e.g. material breaches of covenant;
(ii) quantitative - e.g. overdue status and non-payment on another obligation of the same customer / customer group to the banks; and
(iii) based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances. Indicators of unlikeness to pay may include, but are not limited to, sector crisis, repeated restructuring, significant deterioration in operating assets and very high likelihood of bankruptcy.

**Renegotiated financing facilities**

The Bank sometimes makes concessions or modifications to the original terms of financing as a response to the customer's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a financing forborne when such concessions or modifications are provided as a result of the customer's present or expected financial difficulties and the Bank would not have agreed to them if the customer had been financially healthy. Indicators of financial difficulties include defaults on covenants or that a customer may not be in a position to honour contractual commitments. Forbearance may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, any impairment is measured using the original effective profit rate as calculated before the modification of terms. It is the Bank's policy to monitor forborne financing to help ensure that future payments continue to be likely to occur. Classification between Stage 2 and Stage 3 are determined based on IFRS 9 staging criteria. If these procedures identify a loss in relation to a financing, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the financing has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the financing to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing; and
- Regular payments of more than an insignificant amount of principal or profit have been made during the probation period.

## 5 Significant accounting policies (continued)

### 5.3 Financial assets (continued)

#### 5.3.9 Impairment of financial assets (continued)

**Acquired financing**

All acquired financing is initially measured at fair value on the date of acquisition. As a result no allowance for expected credit losses is recorded in the consolidated statement of financial position on the date of acquisition. Acquired financing may fit into either of the two categories: performing financing or Purchased or Originated Credit Impaired (POCI) financing.

Purchased performing financing follow the same accounting as originated performing financing and are reflected in Stage 1 on the date of the acquisition. They will be subject to a 12 month ECL which is recorded as a provision for expected credit losses in the consolidated statement of profit or loss when the carrying value of these assets exceed the nominal values of acquired exposure. The fair value adjustment set up for these financing on the date of acquisition is amortized into profit income over the life of these financing.

POCI financing are separately presented and are always subject to lifetime allowance for credit losses. Any changes in the expected cash flows since the date of acquisition are recorded as a charge / recovery in the provision for credit losses in the consolidated statement of profit or loss at the end of all reporting periods subsequent to the date of acquisition.

#### 5.3.10 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised Islamic financing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit or loss.

On derecognition of a financial asset that is investment in equity instrument and is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated statement of profit or loss, but is transferred to retained earnings within equity.

#### 5.3.11 Financial guarantees, letters of credit and undrawn financing commitments

The Bank issues financial guarantees, letters of credit and financing commitments in the normal course of business. Financial guarantees are initially recognised in the financial statements at fair value, being the charges received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and an ECL provision.

Undrawn financing commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a financing with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

### 5.4 Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity.

## 5 Significant accounting policies (continued)

### 5.4 Offsetting (continued)

The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

### 5.5 Classification of financial liabilities and equity instruments

Liability and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

### 5.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Bank’s own equity instruments.

Tier 1 Sukuk are perpetual Mudaraba Sukuk which are not redeemable by Sukuk-holders and bear an entitlement to profit distributions that is non-cumulative and at the discretion of the Board of Directors. Accordingly Tier 1 Sukuk are presented as a component of equity instruments issued by the Group in equity.

Dividends on ordinary shares and profit distribution to Tier 1 Sukuk are recognised as a liability and deducted from equity when they are approved by the Group shareholders and Board of Directors, respectively. Dividends for the year that are approved after the reporting date are disclosed as an unadjusted event after the reporting date.

### 5.7 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantees issued by the Group, and commitments issued by the Group to provide a facility at below-market profit rate are measured in accordance with the specific accounting policies set out below.

#### 5.7.1 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating customers’ share of profit over the relevant period. The effective profit rate is the rate that is used to calculate the present value of estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs through the expected life of the financial liability, or (where appropriate) a shorter period, to arrive at the net carrying amount on initial recognition.

Financial liabilities measured at amortised cost include due to banks and financial institutions, customers’ deposits (Al Qard Al Hassan, Mudaraba and Wakala Deposits), Sukuk instruments, certain payables and other liabilities.

Customer deposits or funds are invested in well-defined and managed asset pools to meet and match risk and rewards associated with varied nature of investment deposits under the guidance of the relevant investment and credit committees and in line with the decisions and guidance of Internal Sharia Supervision Committee of the Bank (“ISSC”). All associated returns and costs are grouped according to asset pools to provide distribution of returns and profits to depositors and investment accountholders.

**5 Significant accounting policies (continued)**

**5.7 Financial liabilities (continued)**

### 5.7.2 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated statement of profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

### 5.7.3 Financial guarantee

A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

### 5.7.4 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, if any, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss.

## 5.8 Sharia-compliant derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of Sharia-compliant derivative financial instruments to manage the exposure to profit and foreign exchange rate risks, including unilateral promise to buy/sell currencies and Sharia-compliant profit rate swap.

Sharia-compliant derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Sharia-compliant derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Sharia-compliant derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Sharia-compliant derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Sharia-compliant derivative’s components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether Sharia-compliant derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of Sharia-compliant derivatives held for trading are recognised in consolidated statement of profit or loss.

## 5.9 Unilateral promises to buy/sell currencies (the “Promises”)

The Promises are stated at fair value. The fair value of a Promise is the equivalent of the unrealised gain or loss from marking to market the Promise using prevailing market rates. Promises with positive market value (unrealised gain) are included in other assets and Promises with negative market value (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

**5 Significant accounting policies (continued)**

**5.10 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

**5.11 Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investment becomes an associate of joint venture. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group share of the profit or loss and other comprehensive income of the associates and joint ventures.

When the Group share of losses of associates and joint ventures exceeds the Group interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group net investment in the associates and joint ventures), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

## 5 Significant accounting policies (continued)

### 5.11 Investments in associates and joint ventures (continued)

Upon disposal of associates and joint ventures that results in the Group losing significant influence over that associates and joint ventures, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associates and joint ventures attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates and joint ventures. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associates and joint ventures would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associates and joint ventures.

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

### 5.12 Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

### 5.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Depreciation on investment in buildings is charged on a straight-line basis over 40 years.

Investment properties that are financed by Wakala deposits pool are carried at fair value which are linked directly to the fair value of, or returns from these investment properties. The Group has elected the fair value model for these investment properties. Fair value of the investment properties is determined on the basis of valuation undertaken periodically by an independent valuer who holds a recognised and relevant qualification and has recent experience in the location and category of the investment properties being valued. Gains and losses arising from changes in the fair value are recognised in the statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

### 5.14 Acceptances

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

## 5 Significant accounting policies (continued)

### 5.15 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated statement of profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

- Buildings 15 - 40 years;
- Furniture, office equipment and motor vehicles 3 - 5 years; and
- Information technology 3 - 15 years.

Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss, if any. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Group accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group policies.

### 5.16 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the present value of the estimated future cash flows is calculated using a profit rate that reflects current market assessments of the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss.

## 5 Significant accounting policies (continued)

### 5.17 Intangible assets

Intangible assets acquired in a business combination are measured at fair value at acquisition date. Subsequent to the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### 5.18 Provisions

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

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

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

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### 5.19 Employees’ end of service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000 as amended by Federal Law No. 33 of 2021.

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law.

The entitlement to these benefits is based upon the employees’ salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

### 5.20 Directors’ remuneration

Pursuant to Article 169 of the UAE Federal Law No. 32 of 2021 and in accordance with the articles of association of the Bank, the Directors shall be entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and the reserves.

### 5.21 Taxation

Provision is made for current and deferred taxes for the Bank and its subsidiaries in accordance with the regulations of the respective jurisdictions.

#### 5.21.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

## 5 Significant accounting policies (continued)

### 5.21 Taxation (continued)

#### 5.21.2 Deferred tax

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

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

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

### 5.22 Zakat

Zakat per share is computed based on “Net Asset Method” which is in accordance with the guidance of the Internal Sharia Supervision Committee.

The Zakat for the shareholders is accounted for as follows:

#### 5.22.1 Zakat payable by the Bank on shareholders’ behalf

Zakat is calculated as per the Articles and Memorandum of Association of the Bank and is approved by the Bank’s Internal Sharia Supervision Committee on the following basis:

- The portion of Zakat payable by the Bank on its shareholders’ behalf is calculated on ‘statutory reserve’, ‘general reserve’, ‘retained earnings’, ‘other comprehensive income’, exchange translation reserve’ and ‘provision for employees’ end of service benefits’;
- Zakat paid by investee companies directly are adjusted in shareholders Zakat, if the Bank only accounts for net profit after Zakat of investee;
- Zakat on depositors’ investment risk reserve is calculated and deducted from the investment risk reserve balance held with the bank and added to the Zakat payable balance; and
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the terms set by the Board of Directors and the policy approved by the ISSC.

#### 5.22.2 Zakat payable by the shareholders

Zakat payable by the shareholders directly represents the differential/remaining Zakat after deducting the Zakat payable by the Bank on shareholders’ behalf. The ISSC issues a letter detailing and explaining the calculation of the Zakat payable by the shareholders.

## 5 Significant accounting policies (continued)

### 5.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### 5.23.1 Income from financial assets measured at amortised cost

Income from a financial asset measured at amortised cost is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Income from a financial asset measured at amortised cost is accrued/amortised on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that is used to calculate the present value of estimated future net cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 5.23.2 Fee and commission income

Fee and commission income is recognised when the related services are performed. The Group earns fee and commission income from a range of services provided to its customers. The recognition of fee and commission in statement of profit or loss depends on the purposes for which the fees are collected as follows:

- income earned from the provision of services is recognised as revenue as the services are provided;
- income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate and considered as funded income.

#### 5.23.3 Dividend income

Dividend income from other investments at fair value is recognised when the right to receive the dividend is established.

#### 5.23.4 Income from cancellation of properties sale contract

Income from cancellation of properties sale contract (forfeiture income) is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, the customer continues to default on the contractual terms and an amount is taken under a settlement or pursuant to a decision issued by Dubai Real Estate Regulatory Authority.

#### 5.23.5 Revenue from sale of properties, net

Revenue is recognized when (or as) the Group satisfies the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for transferring goods or services to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, the Group recognises revenue over time by selecting an appropriate method for measuring the progress towards complete satisfaction of that performance obligation.

#### 5.23.6 Rental income

The Group recognizes revenue from operating leases on a straight line basis over the lease term.

## 5 Significant accounting policies (continued)

### 5.23 Revenue recognition (continued)

#### 5.23.7 Forfeited income

It is an income resulting from transaction errors and wrong execution of the transactions as determined by the Internal Sharia Supervision Committee and directed to the charity account of the Bank. In addition, the late payment donations by the customers who delay in payment of their liabilities are also added to the same account. In line with the policy approved by the Bank's Internal Sharia Supervision Committee, the Group is required to identify these incomes and to set aside such amount in a separate account used to pay for charitable causes and activities as per the approved policy for Community Support Services.

### 5.24 Depositors' share of profit calculation

Allocation of profits between depositors and shareholders is calculated according to the Bank's standard procedures and is approved by the Bank's Internal Sharia Supervision Committee.

### 5.25 Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Common Mudaraba Pool's income, before allocating the Mudarib's share of profit, in order to maintain a certain level of return on investments for all the investment accountholders and other investors in the Common Mudaraba Pool.

### 5.26 Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors only after the approval of the Bank's Internal Sharia Supervision Committee in line with the approved policy. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance. The reserve can be utilized with the approval of ISSC to compensate the depositors against any loss occurred for respective period. In the event of voluntary liquidation of the Bank, the Bank shall dispose of the outstanding IRR in accordance with the agreed terms and conditions at the time of establishing the reserves

### 5.27 Lease

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

### 5.28 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 44 on Business Segment reporting.

## 6 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in note 5, the management of the Group has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets, investment securities and the fair values of Sharia-compliant derivative financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets, investment securities and fair values of Sharia-compliant derivative financial instruments are summarised as follows:

## 6 Critical accounting judgements and key sources of estimation of uncertainty (continued)

### 6.1 Significant increase in credit risk

As explained in note 5.3.9, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased or not, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group. The table below summarizes key macroeconomic indicators included in the economic scenarios for the years ending 2024 to 2027:

| Macro-economic variable | Scenario | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| | Baseline | 145.45 | 153.16 | 160.25 | 164.27 |
| Real Government Consumption Expenditure, (AED,bln) | Upside | 145.45 | 153.86 | 165.04 | 171.32 |
| | Downside | 144.18 | 146.51 | 152.23 | 154.73 |
| | Baseline | 1,617.01 | 1,677.88 | 1,752.57 | 1,815.84 |
| Real Imports of Goods and Services, (AED,bln) | Upside | 1,619.89 | 1,705.15 | 1,811.3 | 1,897.47 |
| | Downside | 1,573.44 | 1,483.91 | 1,558.64 | 1,609.73 |
| | Baseline | 131.59 | 138.28 | 144.16 | 152.63 |
| Real House Price Index, Real, (Index 2010=100) | Upside | 132.67 | 143.82 | 151.11 | 159.9 |
| | Downside | 125.56 | 112.9 | 112.66 | 120.72 |
| | Baseline | 145.65 | 157.2 | 168.27 | 183.04 |
| Residential properties - Abu Dhabi and Dubai, (Index 2010=100) | Upside | 147.07 | 164.7 | 177.38 | 192.38 |
| | Downside | 138.16 | 123.91 | 128.03 | 142.6 |
| | Baseline | 109.25 | 111.37 | 113.37 | 115.4 |
| Total Consumer Price Index, (Index 2021=100) | Upside | 109.29 | 111.58 | 113.64 | 115.68 |
| | Downside | 108.91 | 110.02 | 111.44 | 113.61 |
| | Baseline | 1,761.1 | 1,827.17 | 1,892.59 | 1,965.43 |
| Real Gross Domestic Product, (AED, bln) | Upside | 1,775.2 | 1,884.34 | 1,953.91 | 2,029.11 |
| | Downside | 1,737.55 | 1,692.67 | 1,749.32 | 1,851.12 |
| | Baseline | 482.36 | 533.07 | 550.74 | 544.91 |
| General Government Finance: Expenditure, (AED, bln) | Upside | 482.36 | 553.27 | 593.44 | 582.46 |
| | Downside | 482.36 | 501.26 | 471.82 | 460.05 |
| | Baseline | 1,702.57 | 1,765.85 | 1,842.68 | 1,923.25 |
| National Accounts: Real Exports of Goods and Services, (AED, bln) | Upside | 1,703.9 | 1,790.12 | 1,888.65 | 1,988.34 |
| | Downside | 1,656.69 | 1,601.91 | 1,667.69 | 1,743.66 |

### 6.2 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

### 6.3 Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**6 Critical accounting judgements and key sources of estimation of uncertainty (continued)**

### 6.4 Classification of investments

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

Financial assets that are measured at amortised cost are those assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit.

Financial assets that are measured at FVTOCI are investments in Sharia compliant equity instruments and investment funds that are not held to benefit from changes in their fair value and are not held for trading. The management believes that designating these instruments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments than holding the investments at fair value through profit and loss.

Financial assets that are measured at FVTPL are either held for trading or designated as FVTPL.

### 6.5 Impairment of associates and joint ventures

After application of equity method of accounting, the Group determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associates and joint ventures by comparing their recoverable amounts with the higher of value in use or fair value less costs to sell with their carrying amounts.

In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

### 6.6 Fair value of financial instruments

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management has set up a valuation process, which involves finance and investment banking departments to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where level 1 inputs are not available, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as present value calculation rates, prepayment rates and default rate assumptions for 'asset-backed' securities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 46 to these consolidated financial statements.

### 6.7 Valuation of investment properties

The Group determines the fair value of its investment properties on the basis of market valuations prepared by independent professional valuers. The valuations are carried out on assumptions which are based on the market conditions existing at the reporting date. Therefore, any future change in the market conditions can have an impact on the fair values.

### 6.8 Determination of control over investee

Management applies its judgement to determine whether control indicators as set out in note 5.1 exist to establish that the Group controls an investee.

## 7 Cash and balances with central banks

### 7.1 Analysis by category

| | *Note* | **2024 AED'000** | 2023 AED'000 |
|---|---|---|---|
| Cash on hand | | **1,999,306** | 2,221,457 |
| Balances with central banks: | | | |
| Balances and reserve requirements with central banks | *7.3* | **17,688,630** | 14,778,975 |
| Certificates of deposits with the Central Bank of the U.A.E. | | **7,012,532** | 7,019,092 |
| **Total** | | **26,700,468** | 24,019,524 |

Balances with Central Banks are at stage 1 at 31 December 2024 and 31 December 2023.

### 7.2 Analysis by geography

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **26,254,870** | 23,635,019 |
| Outside the U.A.E. | **445,598** | 384,505 |
| **Total** | **26,700,468** | 24,019,524 |

### 7.3 Statutory cash reserve requirements

The reserve requirements are kept with the Central Banks of the U.A.E., Pakistan and Kenya in the respective local currencies and US Dollar. These reserves are not available for use in the Group's day to day operations, and cannot be withdrawn without the approval of the respective central banks. The level of reserve required by Central Bank of the UAE changes every 14 days whereas for other jurisdictions changes every month in accordance with the requirements of the respective central banks' directives.

## 8 Due from banks and financial institutions

### 8.1 Analysis by category

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| Current accounts | **1,954,571** | 1,056,596 |
| Wakala deposits | **1,137,577** | 1,145,869 |
| Treasury Placement (Commodity Murabaha) - short term | **2,552,880** | 2,284,140 |
| Less: Provision for impairment | **(2,918)** | (2,918) |
| **Total** | **5,642,110** | 4,483,687 |

### 8.2 Analysis by geography

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **3,096,242** | 2,723,763 |
| Outside the U.A.E. | **2,545,868** | 1,759,924 |
| **Total** | **5,642,110** | 4,483,687 |

Due from banks and financial institutions are at stage 1 at 31 December 2024 and 31 December 2023.

## 9 Islamic financing and investing assets, net

### 9.1 Analysis by category

| | *Note* | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Islamic financing assets** | | | |
| Vehicles Murabaha | | **13,204,627** | 10,760,560 |
| Commodity Murabaha - long term | | **64,368,770** | 47,071,933 |
| Other Murabaha | | **3,388,585** | 3,366,507 |
| **Total Murabaha** | | **80,961,982** | 61,199,000 |
| Ijarah | | **36,352,657** | 45,465,735 |
| Home Finance Ijarah | | **27,132,738** | 23,855,536 |
| Personal Finance | | **24,423,117** | 22,859,191 |
| Istisna' & Forward Ijarah | | **594,000** | 629,847 |
| Credit/covered cards | | **3,611,172** | 2,795,577 |
| | | **173,075,666** | 156,804,886 |
| Less: deferred income | | **(4,847,735)** | (4,471,726) |
| **Total Islamic financing assets** | | **168,227,931** | 152,333,160 |
| **Islamic investing assets** | | | |
| Musharaka | | **4,375,147** | 5,066,390 |
| Mudaraba | | **8,188,545** | 8,241,349 |
| Wakala | | **38,395,817** | 42,715,084 |
| **Total Islamic investing assets** | | **50,959,509** | 56,022,823 |
| **Total Islamic financing and investing assets** | | **219,187,440** | 208,355,983 |
| Less: provisions for impairment | *9.3* | **(6,760,692)** | (8,902,634) |
| **Total Islamic financing and investing assets, net** | | **212,426,748** | 199,453,349 |

The financing balance includes an amount of AED 275 million (2023: AED Nil) carried at fair value through profit or loss.

## 9 Islamic financing and investing assets, net (continued)

### 9.2 Carrying value of exposure by internal risk rating category and by stage

**As at 31 December 2024**

| | Gross book values (AED'000) | | | | | Expected credit loss (AED'000) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
| Low | **74,317,439** | **-** | **-** | **-** | **74,317,439** | **24,712** | **-** | **-** | **-** | **24,712** |
| Moderate | **115,371,255** | **6,517,540** | **-** | **-** | **121,888,795** | **588,220** | **525,398** | **-** | **-** | **1,113,618** |
| Fair | **9,478,119** | **4,364,961** | **-** | **-** | **13,843,080** | **178,747** | **320,766** | **-** | **-** | **499,513** |
| Default | **-** | **-** | **8,606,826** | **531,300** | **9,138,126** | **-** | **-** | **4,832,180** | **290,669** | **5,122,849** |
| **Total** | **199,166,813** | **10,882,501** | **8,606,826** | **531,300** | **219,187,440** | **791,679** | **846,164** | **4,832,180** | **290,669** | **6,760,692** |

**As at 31 December 2023**

| | Gross book values (AED'000) | | | | | Expected credit loss (AED'000) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **POCI** | **Total** |
| Low | 66,146,927 | - | - | - | 66,146,927 | 12,480 | - | - | - | 12,480 |
| Moderate | 104,446,321 | 5,506,586 | - | - | 109,952,907 | 741,126 | 630,794 | - | - | 1,371,920 |
| Fair | 11,939,069 | 8,820,372 | - | - | 20,759,441 | 197,115 | 643,170 | - | - | 840,285 |
| Default | - | - | 10,760,881 | 735,827 | 11,496,708 | - | - | 6,393,479 | 284,470 | 6,677,949 |
| Total | 182,532,317 | 14,326,958 | 10,760,881 | 735,827 | 208,355,983 | 950,721 | 1,273,964 | 6,393,479 | 284,470 | 8,902,634 |

**9 Islamic financing and investing assets, net (continued)**

**9.3 Provision for impairment**

Movement of provision for impairment, including regulatory profit suspension, is as follows:

| **2024** | ***Note*** | **Stage 1 AED'000** | **Stage 2 AED'000** | **Stage 3 AED'000** | **POCI AED'000** | **Total AED'000** |
|---|---|---|---|---|---|---|
| Balance at 1 January | | **950,721** | **1,273,964** | **6,393,479** | **284,470** | **8,902,634** |
| Impairment charge during the year, net | *40* | **187,441** | **(124,672)** | **345,144** | **(490)** | **407,423** |
| Transfer to other stages | | **(403,000)** | **(110,684)** | **513,684** | **-** | **-** |
| Write off | | **-** | **-** | **(2,724,530)** | **-** | **(2,724,530)** |
| Exchange and other adjustments | | **56,517** | **(192,444)** | **304,403** | **6,689** | **175,165** |
| **Balance at 31 December** | | **791,679** | **846,164** | **4,832,180** | **290,669** | **6,760,692** |

| **2023** | ***Note*** | **Stage 1 AED'000** | **Stage 2 AED'000** | **Stage 3 AED'000** | **POCI AED'000** | **Total AED'000** |
|---|---|---|---|---|---|---|
| **Balance at 1 January** | | 982,877 | 1,117,082 | 6,426,768 | 266,127 | 8,792,854 |
| Impairment charge during the year, net | *40* | (137,159) | 212,332 | 1,159,009 | 90,553 | 1,324,735 |
| Transfer to other stages | | - | (74,518) | 74,518 | - | - |
| Write off | | - | - | (1,138,017) | (72,210) | (1,210,227) |
| Exchange and other adjustments | | 105,003 | 19,068 | (128,799) | - | (4,728) |
| **Balance at 31 December** | | 950,721 | 1,273,964 | 6,393,479 | 284,470 | 8,902,634 |

## 9 Islamic financing and investing assets, net (continued)

### 9.4 Collaterals and mitigations

The Group, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on deposits, equities and other fixed assets. The estimated value of collaterals for Islamic financing and investing assets which are mainly asset based financing, is as follows:

| | **2024**<br>**AED'000** | 2023<br>AED'000 |
|---|---|---|
| Properties and mortgages | **61,456,224** | 70,821,999 |
| Deposits and shares | **4,008,572** | 5,487,667 |
| Movable assets | **14,661,720** | 15,966,862 |
| Government and financial guarantees | **977,004** | 682,915 |

The estimated fair value of collaterals that the Group holds relating to facilities individually determined to be impaired at 31 December 2024 amounts to AED 8.1 billion (2023: AED 8.0 billion).

During the year ended 31 December 2024, the Group took possession of various underlying assets, primarily vehicles and residential mortgage properties. The Group has sold repossessed assets amounting to AED 25.0 million (2023: AED 26.4 million) and acquired the properties amounting to AED 120.6 million (2023: AED 633.7 million) which has been adjusted against the outstanding receivables.

### 9.5 Analysis by economic sector and geography

| | **Within the U.A.E.**<br>**AED'000** | **Outside the U.A.E.**<br>**AED'000** | **Total**<br>**AED'000** |
|---|---|---|---|
| **2024** | | | |
| Government | **21,662,606** | **8,626,758** | **30,289,364** |
| Financial institutions | **3,454,333** | **2,415,604** | **5,869,937** |
| Real estate | **27,910,666** | **260,677** | **28,171,343** |
| Contracting | **1,916,417** | **951,396** | **2,867,813** |
| Trade | **7,436,293** | **287,088** | **7,723,381** |
| Aviation | **14,222,054** | **38,857** | **14,260,911** |
| Services and others | **50,851,478** | **14,504,738** | **65,356,216** |
| Consumer financing | **36,926,413** | **270,402** | **37,196,815** |
| Consumer home finance | **27,195,110** | **256,550** | **27,451,660** |
| | **191,575,370** | **27,612,070** | **219,187,440** |
| Less: provision for impairment | | | **(6,760,692)** |
| **Total** | | | **212,426,748** |
| **2023** | | | |
| Government | 19,383,220 | 2,640,241 | 22,023,461 |
| Financial institutions | 6,135,661 | 1,421,720 | 7,557,381 |
| Real estate | 35,726,055 | 188,656 | 35,914,711 |
| Contracting | 3,106,608 | 1,415,084 | 4,521,692 |
| Trade | 8,004,870 | 837,041 | 8,841,911 |
| Aviation | 15,734,148 | 25,684 | 15,759,832 |
| Services and others | 45,862,155 | 11,034,491 | 56,896,646 |
| Consumer financing | 31,857,505 | 312,022 | 32,169,527 |
| Consumer home finance | 24,403,250 | 267,572 | 24,670,822 |
| | 190,213,472 | 18,142,511 | 208,355,983 |
| Less: provision for impairment | | | (8,902,634) |
| Total | | | 199,453,349 |

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for the year ended 31 December 2024

### 10 Investments in Sukuk

#### 10.1 Analysis by geography

| | **2024** **AED'000** | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **27,892,209** | 24,102,431 |
| Other G.C.C. Countries | **31,954,242** | 26,918,472 |
| Rest of the World | **22,625,532** | 17,452,707 |
| | **82,471,983** | 68,473,610 |
| Less: provision for impairment | **(311,249)** | (301,445) |
| **Total** | **82,160,734** | 68,172,165 |

#### 10.2 Analysis by economic sector

| | **2024** **AED'000** | 2023 AED'000 |
|---|---|---|
| Government | **57,108,784** | 48,747,667 |
| Financial institutions | **8,149,033** | 5,558,888 |
| Real estate | **3,227,270** | 3,491,081 |
| Aviation | **432,920** | 462,294 |
| Services and others | **13,553,976** | 10,213,680 |
| | **82,471,983** | 68,473,610 |
| Less: provision for impairment | **(311,249)** | (301,445) |
| **Total** | **82,160,734** | 68,172,165 |

Investments in Sukuk within the U.A.E. include investments in bilateral Sukuk amounting to AED 4.7 billion as at 31 December 2024 (2023: AED 4.7 billion). Investment in Sukuk include an amount of AED 0.22 billion (2023: AED 0.22 billion) which is measured at fair value through other comprehensive income.

Investment in Sukuk classified at stage 2 and stage 3 at 31 December 2024 amounts to AED Nil million (31 December 2023: AED 1,265.0 million) and AED 27.9 million (31 December 2023: AED 72.9 million) respectively.

## 11 Other investments measured at fair value

### 11.1 Analysis by category and geography

| | Within the U.A.E. AED'000 | Other G.C.C. countries AED'000 | Rest of the World AED'000 | Total AED'000 |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| **Investments measured at fair value through other comprehensive income** | | | | |
| Quoted equity instruments | **172,626** | **16,518** | **21,275** | **210,419** |
| Unquoted equity instruments | **144,297** | **24,098** | **406,590** | **574,985** |
| **Total** | **316,923** | **40,616** | **427,865** | **785,404** |
| **As at 31 December 2023** | | | | |
| **Investments measured at fair value through other comprehensive income** | | | | |
| Quoted equity instruments | 149,123 | 34,095 | 23,659 | 206,877 |
| Unquoted equity instruments | 147,341 | 25,865 | 466,427 | 639,633 |
| **Total** | 296,464 | 59,960 | 490,086 | 846,510 |

During the year ended 31 December 2024, dividends received from investments measured at fair value through other comprehensive income amounting to AED 17.1 million (2023: AED 30.9 million) were recognised in the consolidated statement of profit or loss (note 33).

During the year ended 31 December 2024, the Group did not purchase any shares (2023: AED Nil).

### 11.2 Analysis by economic sector

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| Services and others | **218,282** | 246,471 |
| Financial institutions | **428,503** | 429,286 |
| Real estate | **138,619** | 170,753 |
| **Total** | **785,404** | 846,510 |

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

## 12 Investments in associates and joint ventures

### 12.1 Analysis of carrying value

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Balance at 1 January | **2,431,828** | 1,948,841 |
| Addition | **32,015** | 404,422 |
| Dividend received | **(152,543)** | (61,100) |
| Share of profit | **485,268** | 214,933 |
| Others | **(293,900)** | (75,268) |
| **Balance at 31 December** | **2,502,668** | 2,431,828 |

### 12.2 Analysis by geography

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **1,351,532** | 1,405,959 |
| Other G.C.C. Countries | **45,092** | 44,035 |
| Rest of the world | **1,106,044** | 981,834 |
| **Total** | **2,502,668** | 2,431,828 |

### 12.3 Analysis of the Group's share of total comprehensive income of associates and joint ventures

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| The Group's share of profit for the year | **485,268** | 214,933 |
| The Group's share of other comprehensive income / (loss) for the year | **-** | - |
| **The Group's share of total comprehensive income for the year** | **485,268** | 214,933 |

### 12.4 List of associates and joint ventures

| | Name of associate or joint venture | Principal activity | Place of incorporation | Effective Percentage holding 2024 | Effective Percentage holding 2023 |
|---|---|---|---|---|---|
| 1. | Bank of Khartoum | Banking | Sudan | **29.5%** | 29.5% |
| 2. | PT. Bank Panin Dubai Syariah Tbk | Banking | Indonesia | **25.1%** | 25.1% |
| 3. | Bosnia Bank International | Banking | Bosnia | **27.3%** | 27.3% |
| 4. | Liquidity Management Center | Financial services | Bahrain | **25.0%** | 25.0% |
| 5. | Ejar Cranes & Equipment L.L.C. | Equipment leasing | U.A.E. | **20.0%** | 20.0% |
| 6. | Solidere International Al Zorah Equity Investments Inc | Property development | Cayman Islands | **10.2%** | 10.2% |
| 7. | Arady Development LLC | Property development | U.A.E. | **22.5%** | 22.5% |
| 8. | T.O.M. Katilim Bankasi Anonim Sirketi | Financial services | Turkey | **20.0%** | 20.0% |
| 9. | T.O.M. Pay Elektronik Para Ve Odeme Hizmetleri Anonim Sirketi | Financial services | Turkey | **20.0%** | 20.0% |
| 10. | T.O.M. Finansman Anonim Şirketi | Financial services | Turkey | **20.0%** | 20.0% |

All of the above associates and joint ventures are accounted for using the equity accounting method in these consolidated financial statements.

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for the year ended 31 December 2024

### 12 Investments in associates and joint ventures (continued)

### 12.5 Material associates and joint ventures

Summarised financial information in respect of the Group material associates and joint ventures is set out below.

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| **Arady Development LLC** | | |
| **Statement of financial position** | | |
| Assets | **1,262,568** | 1,360,582 |
| Liabilities | **70,792** | 54,950 |
| Net assets | **1,191,776** | 1,305,632 |
| Carrying amount of Group's interest | **962,841** | 971,616 |
| **Statement of Comprehensive income** | | |
| Revenue | **209,522** | 241,984 |
| Net profit | **129,455** | 93,262 |

### 13 Properties held for development and sale

### 13.1 Movement in properties held for development and sale

| | *Note* | Other real estate AED'000 | Properties under construction AED'000 | Land AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2024** | | **275,928** | **303,108** | **471,045** | **1,050,081** |
| Additions | | **16,889** | **603,118** | **173,162** | **793,169** |
| Disposals | *34* | **(113,134)** | **(739,894)** | **-** | **(853,028)** |
| Reclassification | | **-** | **95,368** | **(95,368)** | **-** |
| Transfers | | **(2,955)** | **-** | **-** | **(2,955)** |
| Exchange and others | | **871** | **-** | **-** | **871** |
| **Balance at 31 December 2024** | | **177,599** | **261,700** | **548,839** | **988,138** |
| **Balance at 1 January 2023** | | 335,288 | 459,198 | 693,593 | 1,488,079 |
| Additions | | 636 | 296,685 | 1,043 | 298,364 |
| Disposals | *34* | (290,710) | (427,216) | - | (717,926) |
| Reclassification | | 242,690 | (25,559) | (217,131) | - |
| Transfers | | (21,046) | - | - | (21,046) |
| Exchange and others | | 9,070 | - | (6,460) | 2,610 |
| **Balance at 31 December 2023** | | 275,928 | 303,108 | 471,045 | 1,050,081 |

Properties held for sale represent properties in the U.A.E. and outside the U.A.E. that are registered in the name of the Group entities.

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for the year ended 31 December 2024

## 14 Investment properties

### 14.1 Movement in investment properties at cost

| | Other real estate AED'000 | Investment properties under construction AED'000 | Land AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| **Balance at 1 January 2024** | **3,323,672** | **1,223,966** | **1,864,696** | **6,412,334** |
| Additions | **-** | **-** | **96,345** | **96,345** |
| Disposal | **(950,683)** | **-** | **(526,034)** | **(1,476,717)** |
| Transfers * | **119,595** | **-** | **970** | **120,565** |
| Reclassification | **4,560** | **-** | **-** | **4,560** |
| **Balance at 31 December 2024** | **2,497,144** | **1,223,966** | **1,435,977** | **5,157,087** |
| **Accumulated depreciation and impairment:** | | | | |
| **Balance at 1 January 2024** | **683,723** | **-** | **103,387** | **787,110** |
| Depreciation charged for the year | **64,840** | **-** | **-** | **64,840** |
| Disposal | **(95,869)** | **-** | **-** | **(95,869)** |
| Impairment | **(42,091)** | **-** | **(77,386)** | **(119,477)** |
| **Balance at 31 December 2024** | **610,603** | **-** | **26,001** | **636,604** |
| **Carrying amount at 31 December 2024** | **1,886,541** | **1,223,966** | **1,409,976** | **4,520,483** |
| **Cost:** | | | | |
| **Balance at 1 January 2023** | 2,756,836 | 1,456,263 | 1,825,156 | 6,038,255 |
| Additions | 139,269 | 56,032 | - | 195,301 |
| Disposal | (212,766) | (234,205) | (13,500) | (460,471) |
| Transfers * | 601,658 | - | 53,040 | 654,698 |
| Reclassification | 38,675 | (54,124) | - | (15,449) |
| **Balance at 31 December 2023** | 3,323,672 | 1,223,966 | 1,864,696 | 6,412,334 |
| **Accumulated depreciation and impairment:** | | | | |
| **Balance at 1 January 2023** | 672,997 | - | 103,387 | 776,384 |
| Depreciation charged for the year | 63,361 | - | - | 63,361 |
| Disposal | (31,549) | - | - | (31,549) |
| Impairment | (21,086) | - | - | (21,086) |
| **Balance at 31 December 2023** | 683,723 | - | 103,387 | 787,110 |
| **Carrying amount at 31 December 2023** | 2,639,949 | 1,223,966 | 1,761,309 | 5,625,224 |

* Transfer to investment properties include properties acquired in settlement of Islamic financing and investing assets amounting to AED 120.6 million (2023: AED 633.7 million).

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## 14 Investment properties (continued)

### 14.2 Analysis by geography

| | Other real estate | Investment properties under construction | Land | Total |
|---|---|---|---|---|
| | AED'000 | AED'000 | AED'000 | AED'000 |
| **2024** | | | | |
| ***Carrying amount at 31 December:*** | | | | |
| Within the U.A.E. | **1,886,393** | **1,223,966** | **1,357,275** | **4,467,634** |
| Outside the U.A.E. | **148** | **-** | **52,701** | **52,849** |
| **Total carrying amount** | **1,886,541** | **1,223,966** | **1,409,976** | **4,520,483** |
| **2023** | | | | |
| ***Carrying amount at 31 December:*** | | | | |
| Within the U.A.E. | 2,639,949 | 1,223,966 | 1,709,578 | 5,573,493 |
| Outside the U.A.E. | - | - | 51,731 | 51,731 |
| Total carrying amount | 2,639,949 | 1,223,966 | 1,761,309 | 5,625,224 |

### 14.3 Fair value of investment properties

The fair value of the Group's investment properties as at 31 December 2024 is AED 5.6 billion (2023: AED 6.0 billion) based on unobservable market inputs (i.e. level 3).

The Group has carried out external valuations of these properties as at 31 December 2024. The valuations are carried out by professional valuators who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. The valuations were based on comparable transaction method and present value calculation of the estimated future cash flow model supported by existing lease and current market rents for similar properties in the same location adjusted to reflect the level of completion of construction of these properties. The profit rate, which is used to calculate the present value of the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

The valuations were based on an individual assessment, for each property type, of both the future earnings and the required yield. In assessing the future earnings of the properties, potential changes in rental levels from each contract's rent and expiry date is compared with estimated current market rent, as well as changes in occupancy rates and property costs.

## 15 Receivables and other assets

### 15.1 Analysis by category

| | *Note* | **2024 AED'000** | 2023 AED'000 |
|---|---|---|---|
| Receivables on sale of investment properties, net | *15.1.1* | **187,473** | 283,819 |
| Due from customers | *15.1.2* | **201,321** | 148,106 |
| Acceptances | | **934,213** | 1,027,862 |
| Prepaid expenses | | **102,050** | 105,704 |
| Fair value of Sharia-compliant derivatives | *45.1* | **1,001,705** | 1,171,475 |
| Deferred tax asset | *22.3* | **126,997** | 84,495 |
| Right of use asset | | **196,337** | 120,574 |
| Intangible assets | *15.1.3* | **5,273** | 15,818 |
| Others | | **4,326,625** | 3,366,286 |
| **Total** | | **7,081,994** | 6,324,139 |

### 15.1.1 Receivables on sale of investment properties, net

The Bank entered into sale and purchase agreements to sell investment properties in prior years. The salient terms and conditions of the sales and purchase agreements are as follows:

- The sales consideration of transactions of the Bank was receivable on or before 31 December 2024. The arrangement has been extended to 30 June 2025 on the similar terms provided below;
- The sales consideration can be settled in cash or in kind or a combination of cash and in kind, at the discretion of the buyer. In case full settlement of consideration or part thereof is in kind, assets to be offered in lieu of the full sales consideration or part thereof must be of equal value to the amount due and payable under the agreement;
- The commitments on the remaining original purchase price for the plots of land remain with the Bank; and
- The net exposure is classified in stage 2 and accordingly life-time expected credit loss amounting to AED 40.0 million is held at 31 December 2024 (2023: AED 40.0 million).

### 15.1.2 Due from customers

Due from customers represent overdrawn current accounts and other accounts that do not meet the definition of Islamic financing and investing assets and are in stage 2 and 3 respectively. The balances are stated net of provision for impairment amounting to AED 297.0 million (2023: AED 421.3 million). The Group does not hold any collateral against these accounts.

### 15.1.3 Intangible assets

Intangible assets have been recognized on the acquisition of Noor bank and comprise of the core deposits and customer relationships. These are being amortized over a useful life of 4 and 5.5 years respectively from the date of acquisition.

## 16 Property and equipment

| | Land and buildings AED'000 | Furniture, equipment, and vehicles AED'000 | Information technology AED'000 | Capital work in progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **Balance at 1 January 2024** | **1,540,181** | **274,179** | **1,232,879** | **610,474** | **3,657,713** |
| Additions | **12,198** | **16,734** | **4,374** | **263,721** | **297,027** |
| Disposals | **(212,054)** | **(7,512)** | **(5,249)** | **-** | **(224,815)** |
| Transfers | **283,229** | **112,780** | **241,224** | **(637,233)** | **-** |
| Write off | **(820)** | **-** | **-** | **-** | **(820)** |
| Exchange and others | **3,254** | **1,379** | **5,427** | **1,781** | **11,841** |
| **Balance at 31 December 2024** | **1,625,988** | **397,560** | **1,478,655** | **238,743** | **3,740,946** |
| **Accumulated depreciation:** | | | | | |
| **Balance at 1 January 2024** | **571,196** | **268,687** | **932,834** | **-** | **1,772,717** |
| Charge for the year | **41,047** | **24,202** | **124,729** | **-** | **189,978** |
| Disposals | **(93,202)** | **(6,710)** | **(5,221)** | **-** | **(105,133)** |
| Write-off | **(820)** | **-** | **-** | **-** | **(820)** |
| Exchange and others | **1,095** | **1,247** | **3,791** | **-** | **6,133** |
| **Balance at 31 December 2024** | **519,316** | **287,426** | **1,056,133** | **-** | **1,862,875** |
| **Carrying amount** | | | | | |
| **Balance at 31 December 2024** | **1,106,672** | **110,134** | **422,522** | **238,743** | **1,878,071** |
| **Cost:** | | | | | |
| **Balance at 1 January 2023** | 1,541,517 | 282,311 | 1,148,231 | 420,054 | 3,392,113 |
| Additions | 3,571 | 8,292 | 7,291 | 305,554 | 324,708 |
| Disposals | - | (5,177) | (5,302) | - | (10,479) |
| Transfers | 14,001 | 2,555 | 97,874 | (114,430) | - |
| Exchange and others | (18,908) | (13,802) | (15,215) | (704) | (48,629) |
| **Balance at 31 December 2023** | 1,540,181 | 274,179 | 1,232,879 | 610,474 | 3,657,713 |
| **Accumulated depreciation:** | | | | | |
| **Balance at 1 January 2023** | 599,586 | 275,449 | 858,988 | - | 1,734,023 |
| Charge for the year | 43,751 | 9,051 | 89,369 | - | 142,171 |
| Disposals | - | (5,177) | (5,302) | - | (10,479) |
| Exchange adjustments | (72,141) | (10,636) | (10,221) | - | (92,998) |
| **Balance at 31 December 2023** | 571,196 | 268,687 | 932,834 | - | 1,772,717 |
| **Carrying amount** | | | | | |
| **Balance at 31 December 2023** | 968,985 | 5,492 | 300,045 | 610,474 | 1,884,996 |

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## 17 Subsidiaries

### 17.1 List of material subsidiaries

(a) Below are material interest held by the Group directly or indirectly in subsidiaries:

| | Name of subsidiary | Principal activity | Place of incorporation and operation | Ownership interest and voting power | |
|---|---|---|---|---|---|
| | | | | **2024** | 2023 |
| 1. | Dubai Islamic Bank Pakistan Ltd. | Banking | Pakistan | **100.0%** | 100.0% |
| 2. | Noor Bank P.J.S.C. | Banking | U.A.E | **100.0%** | 100.0% |
| 3. | Tamweel P.S.C | Financing | U.A.E | **92.0%** | 92.0% |
| 4. | DIB Bank Kenya Ltd. | Banking | Kenya | **100.0%** | 100.0% |
| 5. | Dubai Islamic Financial Services L.L.C. | Brokerage services | U.A.E. | **100.0%** | 99.0% |
| 6. | Deyaar Development P.J.S.C. | Real estate development | U.A.E | **44.9%** | 44.9% |
| 7. | Dar al Shariah Islamic Finance Consultancy L.L.C. | Islamic finance advisory | U.A.E. | **100.0%** | 100.0% |
| 8. | Al Tanmyah Services L.L.C. | Labour services | U.A.E. | **100.0%** | 99.0% |
| 9. | Al Tatweer Al Hadith Real Estate | Real estate development | Egypt | **100.0%** | 100.0% |
| 10. | Al Tameer Modern Real Estate Investment | Real estate development | Egypt | **100.0%** | 100.0% |
| 11. | Al Tanmia Modern Real Estate Investment | Real estate development | Egypt | **100.0%** | 100.0% |
| 12. | Naseej Private Property Management Services | Property management | U.A.E. | **-** | 99.0% |
| 13. | Dubai Islamic Bank Printing Press L.L.C. | Printing | U.A.E. | **100.0%** | 99.5% |
| 14. | Al Islami Real Estate Investments Ltd. | Investments | U.A.E. | **100.0%** | 100.0% |
| 15. | Dubai Islamic Trading Center L.L.C. | Trading in vehicles | U.A.E. | **-** | 99.0% |
| 16. | Creek Union Limited FZ LLC | Investments | U.A.E | **100.0%** | 100.0% |
| 17. | Madinat Bader Properties Co. L.L.C. | Real Estate Development | U.A.E. | **100.0%** | 99.0% |

(b) The equity interest in the entities 5, 8, 13 and 17 which was beneficially held by the Bank through nominee arrangements has been transferred to the direct ownership of the Bank during the year.

(c) The Bank has ceased the operations for entity 5 and plans to liquidate this entity.

### 17 Subsidiaries (continued)

### 17.2 List of Special Purpose Vehicles ("SPV")

(d) Below is the list of special purpose vehicles which were formed to manage specific transactions including funds, and are expected to be closed upon completion of the related transactions:

| | Name of SPV | Principal activity | Place of incorporation and operation | Ownership interest and voting power 2024 | 2023 |
|---|---|---|---|---|---|
| 18. | HoldInvest Real Estate Sarl | Investments | Luxembourg | **-** | 100.0% |
| 19. | France Invest Real Estate SAS | Investments | France | **-** | 100.0% |
| 20. | Al Islami Trade Company Limited | Investments | U.A.E. | **100.0%** | 100.0% |
| 21. | Levant One Investment Limited | Investments | U.A.E. | **-** | 100.0% |
| 22. | Deyaar Investments LLC | Investments | U.A.E. | **Controlling Interest** | Controlling Interest |
| 23. | Deyaar Funds LLC | Investments | U.A.E. | **Controlling Interest** | Controlling Interest |
| 24. | Sequia Investments L.L.C. | Investments | U.A.E. | **100.0%** | 100.0% |
| 25. | Blue Nile Investments L.L.C. | Investments | U.A.E. | **-** | 100.0% |
| 26. | DIB FM Ltd | Investments | Cayman Islands | **100.0%** | 100.0% |
| 27. | Noor Sukuk Company Limited | Investments | Cayman Islands | **-** | 100.0% |
| 28. | Star Digital Investments SPV Limited | Investments | U.A.E | **100.0%** | 100.0% |

(e) In addition to the registered ownership described above, the remaining equity in the entities 22 and 23 are also beneficially held by the Bank through nominee arrangements.

(f) The entities 12, 15, 18, 19, 21, 25 and 27 have been liquidated during the year.

### 17.3 Non-controlling interests

Below are details of subsidiaries of the Group that have material non-controlling interests:

| | Name of subsidiary | Proportion of ownership interests and voting rights held by the non-controlling interests | | Profit / (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | | **AED'000** | AED'000 | **AED'000** | AED'000 | **AED'000** | AED'000 |
| 1 | Tamweel P.S.C. | **8.0%** | 8.0% | **16,421** | 5,582 | **205,882** | 189,446 |
| 2 | Deyaar Development P.J.S.C. | **55.0%** | 55.0% | **214,531** | 206,699 | **2,822,199** | 2,687,378 |
| | Total | | | **230,952** | 212,281 | **3,028,081** | 2,876,824 |

### 17 Subsidiaries (continued)

### 17.4 Material non-controlling interests

Summarised financial information of material non-controlling interests before intragroup elimination is as follows:

#### 17.4.1 Tamweel P.S.C

| | **31 December 2024 AED'000** | 31 December 2023 AED'000 |
|---|---|---|
| ***Statement of financial position*** | | |
| Islamic financing and investing assets, net | **465,328** | 683,272 |
| Receivable and other assets | **2,735,844** | 2,299,175 |
| **Total assets** | **3,201,172** | 2,982,447 |
| Payable and other liabilities | **67,567** | 75,891 |
| **Total liabilities** | **67,567** | 75,891 |
| **Net assets** | **3,133,605** | 2,906,556 |

| | **2024 AED' 000** | 2023 AED' 000 |
|---|---|---|
| ***Statement of comprehensive income*** | | |
| Total revenue | **251,545** | 162,621 |
| Total operating expenses | **(82,533)** | (94,696) |
| Impairment release | **57,427** | 5,433 |
| Tax charge | **(15,794)** | - |
| Net profit for the year | **210,646** | 73,358 |
| Other comprehensive income | **16,388** | 239 |
| **Total comprehensive income** | **227,034** | 73,597 |
| ***Statement of cash flows*** | | |
| Net cash flows generated from operating activities | **99,662** | 366,389 |
| Net cash flows generated from investing activities | **426,617** | 124,855 |
| **Net cash flows during the year** | **526,279** | 491,244 |

## 17 Subsidiaries (continued)

### 17.4 Material non-controlling interests (continued)

#### 17.4.2 Deyaar Development P.J.S.C

| | **31 December 2024 AED'000** | 31 December 2023 AED'000 |
|---|---|---|
| ***Statement of financial position*** | | |
| Investment in associates and joint ventures | **1,311,162** | 1,367,028 |
| Properties held for development and sale | **956,082** | 1,018,736 |
| Investment properties | **793,180** | 799,489 |
| Receivables and other assets | **1,321,953** | 1,438,287 |
| Other | **2,411,157** | 1,888,204 |
| **Total assets** | **6,793,534** | 6,511,744 |
| Due to banks and financial institutions | **472,300** | 644,005 |
| Payables and other liabilities | **1,164,349** | 983,373 |
| **Total liabilities** | **1,636,649** | 1,627,378 |
| **Net assets** | **5,156,885** | 4,884,366 |

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| ***Statement of comprehensive income*** | | |
| Total income | **595,851** | 474,265 |
| Total expenses | **(231,242)** | (100,847) |
| Depositors' share of profit | **(42,976)** | (59,500) |
| Share of profit from associates and joint ventures | **92,131** | 61,762 |
| Tax charge | **(23,849)** | - |
| **Profit for the year** | **389,915** | 375,680 |
| **Other comprehensive loss** | **(4,393)** | (4,964) |
| **Total comprehensive income** | **385,522** | 370,716 |
| ***Statement of cash flows*** | | |
| Net cash flows generated from operating activities | **577,953** | 673,669 |
| Net cash flows used in investing activities | **(1,297,132)** | (44,070) |
| Net cash flows used in financing activities | **(217,401)** | (355,367) |
| **Net cash flows during the year** | **(936,580)** | 274,232 |

Adjustments were made to the above financial information to bring the subsidiary's accounting policies in line with those used by the Group.

## 18 Customers' deposits

### 18.1 Analysis by category

| | Note | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Current accounts | | **40,812,670** | 40,936,163 |
| Saving accounts | | **53,121,280** | 40,382,186 |
| Investment deposits (Term deposits based on Mudaraba and Wakala) | | **153,945,440** | 140,219,713 |
| Margin accounts | | **390,912** | 434,223 |
| Depositors' investment risk reserve | *18.3* | **20,954** | 18,940 |
| Depositors' share of profit payable | *18.4* | **254,499** | 62,982 |
| **Total** | | **248,545,755** | 222,054,207 |

### 18.2 Analysis by geography

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **241,793,085** | 214,737,070 |
| Outside the U.A.E. | **6,752,670** | 7,317,137 |
| **Total** | **248,545,755** | 222,054,207 |

### 18.3 Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve and earns profit from periodic distribution from the common pool. This reserve is payable to the depositors upon the approval of the Bank's Internal Sharia Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance.

Investment Risk Reserve represents the amount appropriated by the Bank out of the income of investment account holders after the Mudarib share is allocated. This reserve is used as a cushion against future losses that investment account holders may incur and is available for the benefit of all the categories of the depositors.

Movement of depositors' investment risk reserve is as follows:

| | Note | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Balance at 1 January** | | **18,940** | 19,253 |
| Zakat for the year | *23* | **(554)** | (501) |
| Net transfer from depositors' share of profit during the year | *18.4* | **2,568** | 188 |
| **Balance at 31 December** | | **20,954** | 18,940 |

## 18 Customers' deposits (continued)

### 18.4 Depositors' share of profit payable

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Balance at 1 January** | | **62,982** | 79,662 |
| Depositors' share of profit for the year | *37* | **1,567,153** | 1,009,948 |
| Net transfer to depositors' investment risk reserve | *18.3* | **(2,568)** | (188) |
| Less: amount paid during the year | | **(1,373,068)** | (1,026,440) |
| **Balance at 31 December** | | **254,499** | 62,982 |

## 19 Due to banks and financial institutions

### 19.1 Analysis by category

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Current accounts with banks | **58,222** | 79,607 |
| Investment deposits (Term deposits based on Mudaraba) | **5,796,271** | 12,887,358 |
| **Total** | **5,854,493** | 12,966,965 |

Investment deposits include deposits of AED 1.3 billion (2023: AED 7.2 billion) under collateralized commodity Murabaha arrangement from banks and financial institutions.

### 19.2 Analysis by geography

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Within the U.A.E. | **3,967,414** | 10,481,967 |
| Outside the U.A.E. | **1,887,079** | 2,484,998 |
| **Total** | **5,854,493** | 12,966,965 |

## 20 Sukuk issued

### 20.1 Analysis by issuance

The analysis of the Sukuk instruments issued by the Group is as follows:

| | Expected annual profit rate | Maturity | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|---|
| ***Listed Sukuk - Irish Stock Exchange / Nasdaq Dubai*** | | | | |
| Sukuk issued by the Bank | 2.95% | February 2025 | **2,754,572** | 2,753,269 |
| Sukuk issued by the Bank | 2.95% | January 2026 | **4,776,077** | 4,777,210 |
| Sukuk issued by the Bank | 1.96% | June 2026 | **3,673,000** | 3,673,000 |
| Sukuk issued by the Bank | 2.74% | February 2027 | **2,754,750** | 2,754,750 |
| Sukuk issued by the Bank | 5.49% | November 2027 | **2,754,750** | 2,754,750 |
| Sukuk issued by the Bank | 4.80% | August 2028 | **3,673,000** | 3,673,000 |
| Sukuk issued by the Bank | 5.24% | March 2029 | **3,673,000** | - |
| ***Private placement*** | | | | |
| Sukuk issued by a subsidiary | 6M Kibor + 70 bps | December 2032 | **53,415** | 53,313 |
| Sukuk issued by a subsidiary | 3M Kibor + 175 bps | December 2028 | **41,833** | 41,685 |
| **Total** | | | **24,154,397** | 20,480,977 |

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### 20 Sukuk issued (continued)

### 20.2 Sukuk issued by the Bank

The terms of the Programme include transfer of certain identified assets (the “Co-Owned Assets”) including original leased and Musharaka assets, Sharia compliant authorised investments and any replaced assets of the Bank to DIB Sukuk Limited, Cayman Islands (the “Issuer”). These assets are under the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay the semi-annually distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the semi-annually distribution amount payable to the Sukuk holders on the semi-annually distribution dates. Upon maturity of the Sukuk, the Bank has undertaken to buy these assets at the exercise price from the Issuer.

These Sukuk are expected to pay profit to the investors semi-annually based on relevant margin at the time of issuance.

### 20.3 Sukuk issued by a subsidiary

In December 2022, a subsidiary issued Sharia Compliant Trust Certificates of PKR 4,000 million (AED 53.4 million) at an expected profit rate equal to 6M Kibor plus 70 bps per annum. Realised profit on these certificates is payable semi-annually in arrears. The certificates are privately placed among the local banks and financial institution.

In December 2018, a subsidiary issued Sharia Compliant Trust Certificates of PKR 3,300 million (AED 41.8 million) at an expected profit rate equal to 3M Kibor plus 175 bps per annum. Realised profit on these certificates is payable monthly in arrears. The certificates are privately placed among the local banks and financial institutions.

### 21 Payables and other liabilities

### 21.1 Analysis by category

| | *Note* | **2024** **AED’000** | 2023 AED’000 |
|---|---|---|---|
| Sundry deposits and amanat | | **1,606,674** | 1,705,884 |
| Acceptances payable | | **934,213** | 1,027,862 |
| Depositors’ and Sukuk holders’ share of profit payable | *21.2* | **1,993,744** | 2,012,021 |
| Provision for employees’ end-of-service benefits | *21.3* | **275,944** | 256,256 |
| Fair value of Sharia-compliant derivative liabilities | *45.1* | **969,806** | 1,057,385 |
| Provision for taxation | *22.1* | **730,669** | 6,696 |
| Lease liability | | **211,755** | 128,336 |
| Others | | | 4,669,411 |
| **Total** | | **12,697,749** | 10,863,851 |

### 21.2 Depositors’ and Sukuk-holders share of profit payable

| | | **2024** **AED’000** | 2023 AED’000 |
|---|---|---|---|
| **Balance at 1 January** | | **2,012,021** | 1,198,309 |
| Wakala and other investment deposits from banks and customers | *37* | **8,050,682** | 6,723,913 |
| Sukuk-holders’ accrued/realised profit on Sukuk issued | *37* | **886,727** | 743,531 |
| Paid during the year | | **(8,955,686)** | (6,653,732) |
| **Balance at 31 December** | | **1,993,744** | 2,012,021 |

## 21 Payables and other liabilities (continued)

### 21.3 Provision for employees' end-of-service benefits

| | Note | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Balance at 1 January** | | **256,256** | 270,062 |
| Charged during the year | *38* | **42,870** | 4,224 |
| Paid during the year | | **(23,182)** | (18,030) |
| **Balance at 31 December** | | **275,944** | 256,256 |

## 22 Taxation

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime became effective for accounting periods beginning on or after 1 June 2023.

As the Group's accounting year ends on 31 December, the first tax year for the Group for UAE Tax purposes is from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to tax at 9% for the year ended 31 December 2024. The UAE CT Law provides for certain transitional rules and gives choices for irrevocable elections regarding the treatment to be followed for calculation of taxable income.

The effective tax rate (ETR) for the year ended 31 December 2024 is 9.3 % (2023: 1.37%). The deviation from the statutory tax rate is primarily driven by the geographical mix and partly offset by certain exempt income and exempt gains under the CT Law in the UAE.

Aligning with the OECD's Global Minimum Tax effort (Pillar Two), the UAE MoF has announced certain amendments to the CT Law introducing a Domestic Minimum Top-Up Tax of 15% for Multinational Enterprises (MNEs) with effect from financial years starting on or after 1st Jan 2025. The Group is within the scope of Pillar Two legislation and as such is subject to the Pillar Two rules.

Since the Pillar Two legislation was not effective at the reporting date in the UAE, the group has no related current tax exposure in the financial year ended 31 December 2024. The impact of the Top-up tax for the financial year 2025 can only be quantified once the detailed legislation and guidance is issued by the UAE MoF.

The entities within the Group operating in jurisdictions which have already implemented the Pillar Two rules for the financial year ended 31 December 2024 are dormant entities. As such, no Pillar Two Top-up tax liability is expected to arise for the year ended 31 December 2024, though there will be a filing obligation in those jurisdictions. For the financial year ended 31 December 2024, the Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. The Group will continue to monitor the expected updates on the Pillar Two legislation in 2025 and assess the impact for the Group.

## 22 Taxation (continued)

### 22.1 Income tax expense

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Current taxation | *22.2* | **871,277** | 133,416 |
| Deferred taxation | *22.3* | **(31,391)** | (35,804) |
| **Total** | | **839,886** | 97,612 |

### 22.2 Provision for taxation

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Balance at 1 January** | | **6,696** | 19,076 |
| Charged during the year | *22.1* | **871,277** | 133,416 |
| Paid during the year | | **(146,073)** | (142,130) |
| Foreign exchange effect | | **(1,231)** | (3,666) |
| **Balance at 31 December** | | **730,669** | 6,696 |

### 22.3 Deferred tax asset

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Balance at 1 January** | | **84,495** | 57,871 |
| Charged during the year | *22.1* | **31,391** | 35,804 |
| Foreign exchange effect and others | | **11,111** | (9,180) |
| **Balance at 31 December** | | **126,997** | 84,495 |

## 23 Zakat payable

| | *Note* | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Zakat charged to equity attributable to shareholders of the Bank | | **581,036** | 490,905 |
| Zakat accounted and paid by investees | | **(45)** | (36) |
| Shareholders' Zakat for the year payable by the Bank | | **580,991** | 490,869 |
| Zakat adjustment related to previous years | | **(426)** | 1,677 |
| Net Zakat payable by the Bank on shareholders' behalf | | **580,565** | 492,546 |
| Zakat on depositors' investment risk reserve | *18.3* | **554** | 501 |
| Zakat adjusted / paid for previous years | | **426** | (1,677) |
| **Total Zakat payable** | | **581,545** | 491,370 |

## 24 Share capital

As at 31 December 2024, 7,240,744,377 authorised ordinary shares of AED 1 each (2023: 7,240,744,377 ordinary shares of AED 1 each) were fully issued and paid up.

### 25 Tier 1 Sukuk

| SPV ("the Issuer") | Date of issuance | Discretionary profit rate | Callable period | Issuance amount Equivalent AED '000 31 December 2024 | 31 December 2023 |
|---|---|---|---|---|---|
| DIB Tier 1 Sukuk (3) Limited | January 2019 | 6.25% per annum paid semi-annually | On or after January 2025 | **2,754,750** | 2,754,750 |
| DIB Tier 1 Sukuk (4) Limited | November 2020 | 4.63% per annum paid semi-annually | On or after May 2026 | **3,673,000** | 3,673,000 |
| DIB Tier 1 Sukuk (5) Limited | April 2021 | 3.38% per annum paid semi-annually | On or after October 2026 | **1,836,500** | 1,836,500 |
| DIB Tier 1 Sukuk (6) Limited | October 2024 | 5.25% per annum paid semi-annually | On or after April 2030 | **1,836,500** | - |
| | | | | **10,100,750** | 8,264,250 |

Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuk are listed on the Irish Stock Exchange and Dubai Financial Market / Nasdaq Dubai callable by the Bank after the "First Call Date" or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of Tier 1 Sukuk are invested by way of Mudaraba with the Bank (as Mudarib) on an unrestricted co-mingling basis, by the Bank in its general business activities carried out through the Mudaraba Common pool.

At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such event, the Mudaraba profit will not be accumulated but forfeited to the issuer. If the Issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

### 26 Other reserves and treasury shares

#### 26.1 Movements in other reserves and treasury shares

Movement of the other reserves and treasury shares during the years ended 31 December 2024 and 2023 is as follows:

| | Statutory reserve AED'000 | General reserve AED'000 | Regulatory credit risk reserve AED'000 | Treasury shares AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **2024** | | | | | |
| **Balance at 1 January 2024** | **11,465,984** | **2,350,000** | **1,000,000** | **(31,316)** | **14,784,668** |
| Transfer from retained earnings | **-** | **-** | **1,090,000** | **-** | **1,090,000** |
| **Balance at 31 December 2024** | **11,465,984** | **2,350,000** | **2,090,000** | **(31,316)** | **15,874,668** |
| **2023** | | | | | |
| **Balance at 1 January 2023** | 11,465,984 | 2,350,000 | 870,000 | (31,316) | 14,654,668 |
| Transfer from retained earnings | - | - | 130,000 | - | 130,000 |
| **Balance at 31 December 2023** | 11,465,984 | 2,350,000 | 1,000,000 | (31,316) | 14,784,668 |

### 26.2 Statutory reserve

Article 239 of the U.A.E. Federal Law No. (32) of 2021 and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid-up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

### 26.3 Regulatory credit risk reserve

Regulatory credit risk reserve is a non-distributable reserve held for regulatory general provision requirement.

In accordance with Guidance Note to Banks for the Implementation of IFRS 9, issued by Central Bank of UAE (CBUAE), in case where provision for impairment required under CBUAE guidance exceed provisions for impairment raised in IFRS 9, the excess amount is required to be transferred to a non-distributable regulatory credit risk reserve.

| | **2024** | 2023 |
|---|---|---|
| | **AED'000** | AED'000 |
| Minimum provision for Stage 1 & 2 as per CBUAE requirements | **4,095,593** | 3,983,732 |
| Less: Stage 1 and 2 impairment provision held | **2,034,408** | 2,585,163 |
| Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirement | **2,061,185** | 1,398,569 |
| Balance of Regulatory credit risk reserve - general as at January 1, 2024 | **1,000,000** | 402,614 |
| Add: Impairment reserve-general - Non-distributable reserve during the year | **1,090,000** | 1,000,000 |
| **Balance of Regulatory credit risk reserve – general as at 31 December 2024** | **2,090,000** | 1,402,614 |

### 26.4 General reserve

Transfer to general reserve is made based on the discretion of the Board of Directors and is subject to the approval of the Shareholders at the annual general meeting.

### 26.5 Treasury shares

The Group holds 13,633,477 treasury shares (2023: 13,633,477 shares) amounting to AED 31.3 million (2023: AED 31.3 million).

## 27 Investments fair value reserve

| | **2024** | 2023 |
|---|---|---|
| | **AED'000** | AED'000 |
| **Balance at 1 January** | **(1,331,986)** | (1,062,927) |
| Fair value loss on other investments at FVTOCI, net | **43,533** | (282,925) |
| Transfer to retained earnings on disposal of investments carried at FVTOCI | **21,393** | 13,866 |
| **Balance at 31 December** | **(1,267,060)** | (1,331,986) |

## 28 Exchange translation reserve

Exchange translation reserve relating to the translation of the results and net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. AED) are recognised directly in other comprehensive income and accumulated in the exchange translation reserve.

## 29 Dividends paid and proposed

The Board of Directors has proposed a cash dividend of AED 0.45 per share at their meeting held on 11 February 2025.

For the year ended 31 December 2023, the shareholders approved a cash dividend of AED 0.45 per share (AED 3,252.2 million) at the Annual General Meeting held on 27 February 2024.

## 30 Contingent liabilities and commitments

Financing-related financial instruments include commitments to extend Islamic financing, standby letters of credit and guarantees which are designed to meet the requirements of the Group customers.

Commitments to extend Islamic financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being utilised, the total contract amounts do not necessarily represent future cash requirements. Standby letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Analysis of contingent liabilities and commitments as at 31 December 2024 and 2023 is as follows:

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| **Contingent liabilities and commitments:** | | |
| Letters of guarantee | **10,021,268** | 9,905,827 |
| Letters of credit | **1,771,153** | 1,637,773 |
| Undrawn facilities commitments | **19,552,029** | 17,054,515 |
| **Total contingent liabilities and commitments** | **31,344,450** | 28,598,115 |
| **Other commitments:** | | |
| Capital expenditure and commitments | **1,494,767** | 1,066,433 |
| **Total other commitments** | **1,494,767** | 1,066,433 |
| **Total contingent liabilities and commitments** | **32,839,217** | 29,664,548 |

## 31 Income from Islamic financing and investing transactions

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| Income from Islamic financing and investing assets | **14,877,398** | 13,473,038 |
| Income from investments in Sukuk | **3,828,079** | 2,915,967 |
| Income from Treasury Placement (Commodity Murabaha) with the Central Bank | **567,918** | 735,975 |
| Income from investment and Wakala deposits with financial institutions | **134,909** | 36,459 |
| Income from Treasury Placement (Commodity Murabaha) with financial institutions | **45,462** | 65,119 |
| **Total** | **19,453,766** | 17,226,558 |

Income from financing and investing assets is presented net of forfeited income of AED 1.3 million (2023: AED 1.3 million). During the year ended 31 December 2024, the Group has disbursed from the charity fund of the Bank AED 93.0 million (2023: AED 23.4 million) for various social contribution purposes. The disbursement from charity fund is done in accordance with the approved Zakat and charity policy of DIB and in accordance with the guidance of ISSC and CSS Committee of DIB.

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## 32 Commissions, fees and foreign exchange income

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Commission and fees | **1,188,184** | 1,286,779 |
| Foreign exchange income | **303,417** | 354,064 |
| Other commissions and fees | **256,833** | 153,848 |
| **Total** | **1,748,434** | 1,794,691 |

## 33 Income from other investments measured at fair value, net

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Dividend income from investments measured at FVTOCI | **17,134** | 30,926 |
| **Total** | **17,134** | 30,926 |

## 34 Income from properties held for development and sale, net

| | *Notes* | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Sales proceeds | | **1,194,552** | 955,156 |
| Less: cost of sale | *13.1* | **(853,028)** | (717,926) |
| **Total** | | **341,524** | 237,230 |

## 35 Income from investment properties

Income from investment properties represents the net rental income amounting to AED 131.6 million (2023: AED 120.9 million) recognised by the Group from its investment properties and a gain of AED 607.2 million (2023: AED 222.9 million) on disposal of certain investment properties.

## 36 Other income

| | *Note* | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Realised gain on disposal of investments in Sukuk | | **96,657** | 688 |
| Services income, net | | **184,298** | 110,343 |
| Net gain on disposal of property and equipment | | **82,846** | 22 |
| Others | | **192,325** | 183,136 |
| **Total** | | **556,126** | 294,189 |

## 37 Depositors' and Sukuk-holders' share of profit

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Mudaraba investment and savings deposits from customers | *18.4* | **1,567,153** | 1,009,948 |
| Wakala and other investment deposits of banks and customers | *21.2* | **8,050,682** | 6,723,913 |
| Sukuk-holders' accrued/realised profit on Sukuk issued | *21.2* | **886,727** | 743,531 |
| **Total** | | **10,504,562** | 8,477,392 |

## 38 Personnel expenses

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| Salaries, wages and other benefits | | **1,946,185** | 1,719,767 |
| Staff terminal benefits | *21.3* | **42,870** | 4,224 |
| **Total** | | **1,989,055** | 1,723,991 |

## 39 General and administrative expenses

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Premises and equipment maintenance costs | **265,016** | 221,222 |
| Administrative expenses | **346,637** | 233,807 |
| Rental charges under operating leases | **90,083** | 95,312 |
| Other operating expenses | **479,194** | 681,663 |
| **Total** | **1,180,930** | 1,232,004 |

## 40 Impairment charges, net

| | | 2024 AED'000 | 2023 AED'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Provision for Islamic financing and investing assets charged | *9.3* | **407,423** | 1,324,735 |
| Net provision charge for other assets | | **15,390** | 256,582 |
| Impairment charges for financial assets, net | | **422,813** | 1,581,317 |
| **Non-financial assets** | | | |
| Impairment release for non-financial assets | | **(16,000)** | (185,449) |
| Impairment release for non-financial assets | | **(16,000)** | (185,449) |
| **Total impairment charges, net** | | **406,813** | 1,395,868 |

## 41 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Bank, net of directors' remuneration and profit attributable to Tier 1 Sukuk-holders by the weighted average number of shares outstanding during the year as follows:

| | 2024 AED'000 | 2023 AED'000 |
|---|---|---|
| Profit for the year attributable to owners of the Bank | **7,934,086** | 6,797,676 |
| Profit attributable to Tier 1 Sukuk-holders | **(404,030)** | (404,030) |
| Board of Directors' remuneration | **(19,296)** | (20,393) |
| | **7,510,760** | 6,373,253 |
| Weighted average number of shares outstanding during the year ('000) | **7,227,111** | 7,227,111 |
| Basic and diluted earnings per share (AED per share) | **1.04** | 0.88 |

As of the reporting date, the diluted earnings per share is equal to the basic earnings per share as the Bank has not issued any financial instruments that should be taken into consideration when the diluted earnings per share is calculated.

### 42 Cash and cash equivalents

| | *Note* | **2024** **AED'000** | 2023 AED'000 |
|---|---|---|---|
| Cash and balances with the central banks | *7.1* | **26,700,468** | 24,019,524 |
| Due from banks and financial institutions | *8.1* | **5,642,110** | 4,483,687 |
| Due to banks and financial institutions | *19.1* | **(5,854,493)** | (12,966,965) |
| | | **26,488,085** | 15,536,246 |
| Add: Due to banks and financial institutions over three months | | **-** | 11,078,012 |
| **Balance at 31 December** | | **26,488,085** | 26,614,258 |

### 43 Related party transactions

#### 43.1 Identification of related parties

Parties are considered to be related if one party has the ability to control or influence the other party in making financial or operating decisions.

The Bank enters into transactions with shareholders, associates, directors, key management personnel and their related concerns in the ordinary course of business at terms agreed between both parties on arm's length basis.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

#### 43.2 Major shareholders

As at 31 December 2024, the major shareholder of the Bank is Investment Corporation of Dubai ("ICD"), a company in which the Government of Dubai is the majority shareholder.

#### 43.3 Significant balances and transactions

Proportion of various assets and liabilities with Investment Corporation of Dubai ("ICD") related entities, other than those that have been individually disclosed below are as follows. These entities are independently run commercial entities, and all financial transactions with the Bank are on arm's length basis.

| | **2024** **%** | 2023 % |
|---|---|---|
| Islamic financing and investing assets | **3.7** | 4.5 |
| Customer deposits | **5.4** | 8.6 |
| Due to banks | - | 8.5 |

#### 43.4 Compensation of key management personnel

| | **2024** **AED'000** | 2023 AED'000 |
|---|---|---|
| Salaries and other benefits | **83,806** | 84,218 |
| Employee terminal benefits | **2,000** | 2,321 |

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for the year ended 31 December 2024

### 43 Related party transactions (continued)

### 43.5 Related parties' balances

Significant balances of related parties included in the consolidated financial statement are as follows:

| | Major shareholders AED'000 | Directors and key management personnel AED'000 | Associates and joint ventures AED'000 | Total AED'000 |
|---|---|---|---|---|
| **2024** | | | | |
| Islamic financing and investing assets | **1,651,379** | **451,159** | **-** | **2,102,538** |
| Investment in Sukuk | **820,501** | **-** | **-** | **820,501** |
| Customers' deposits | **68,649** | **470,970** | **324** | **539,943** |
| Contingent liabilities and commitments | **-** | **155,953** | **-** | **155,953** |
| Income from Islamic financing and investing | **57,294** | **23,567** | **-** | **80,861** |
| Income from investment in Sukuk | **37,101** | **-** | **-** | **37,101** |
| Depositors' share of profits | **39,202** | **15,585** | **-** | **54,787** |
| **2023** | | | | |
| Islamic financing and investing assets | 915,233 | 318,542 | 14,966 | 1,248,741 |
| Investment in Sukuk | 823,324 | - | - | 823,324 |
| Customers' deposits | 1,474,702 | 417,338 | 12,390 | 1,904,430 |
| Contingent liabilities and commitments | - | 95,786 | 541 | 96,327 |
| Income from Islamic financing and investing assets | 66,846 | 16,590 | 737 | 84,173 |
| Income from investment in Sukuk | 32,728 | - | - | 32,728 |
| Depositors' share of profits | 51,566 | 16,460 | - | 68,026 |

No impairment allowances have been recognised against Islamic financing and investing assets extended to related parties or contingent liabilities and commitments issued in favour of related parties during the years ended 31 December 2024 and 2023.

### 44 Segmental information

### 44.1 Reportable segments

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are organised into five major segments as follows:

- Consumer banking: Principally handling individual customers' deposits, providing consumer Murabaha, Salam, Home Finance, Ijarah, Credit Cards and funds transfer facilities, priority banking and wealth management.
- Corporate banking: Principally handling financing, other credit facilities, deposits, current accounts, cash management and risk management products for corporate and institutional customers.
- Treasury: Principally responsible for managing the Bank's overall liquidity and market risk and provides treasury services to customers. Treasury also runs its own Sukuk and specialised financial instruments book to manage the above risks.
- Real estate development: Property development and other real estate investments by a subsidiary.
- Others: Functions other than above core lines of businesses including international business and properties.

The accounting policies of the above reportable segments are the same as the Group's accounting policies.

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

### 44 Segmental information (continued)

### 44.2 Segment profitability

The following table presents profit or loss and certain asset and liability information regarding the Group's business segments for the year ended 31 December:

| | Consumer banking | | Corporate banking | | Treasury | | Real estate development | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 |
| Net operating revenue | **4,380,679** | 5,330,484 | **3,397,942** | 2,896,593 | **2,546,911** | 2,054,984 | **645,006** | 475,588 | **1,866,002** | 907,315 | **12,836,540** | 11,664,964 |
| Operating expense | **(1,609,012)** | (1,440,505) | **(639,526)** | (642,796) | **(110,919)** | (102,337) | **(290,614)** | (257,252) | **(774,732)** | (718,637) | **(3,424,803)** | (3,161,527) |
| Net operating revenue | **2,771,667** | 3,889,979 | **2,758,416** | 2,253,797 | **2,435,992** | 1,952,647 | **354,392** | 218,336 | **1,091,270** | 188,678 | **9,411,737** | 8,503,437 |
| Impairment charge, net | | | | | | | | | | | **(406,813)** | (1,395,868) |
| Profit before income tax | | | | | | | | | | | **9,004,924** | 7,107,569 |
| Income tax expense | | | | | | | | | | | **(839,886)** | (97,612) |
| Profit for the year | | | | | | | | | | | **8,165,038** | 7,009,957 |

### 44.3 Segment financial position

Following table presents assets and liabilities regarding the Group's business segments:

| | Consumer banking | | Corporate banking | | Treasury | | Real estate Development | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 | **2024 AED'000** | 2023 AED'000 |
| Segment assets | **63,126,961** | 56,059,354 | **145,346,952** | 141,580,539 | **86,304,915** | 71,322,861 | **6,505,192** | 6,149,456 | **43,402,798** | 39,179,293 | **344,686,818** | 314,291,503 |
| Segment liabilities | **89,523,721** | 88,180,036 | **160,868,013** | 136,179,561 | **3,288,817** | 2,769,384 | **1,238,160** | 1,123,072 | **36,915,228** | 38,605,317 | **291,833,939** | 266,857,370 |

## 44 Segmental information (continued)

### 44.4 Geographical information

Although the management of the Group is based primarily on business segments, the Group operates in two geographic markets: inside the U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international.

The following table show the distribution of the Group's external gross income allocated based on the location of the operating centres for the years ended 31 December 2024 and 2023:

| | **Gross income from external customers** | |
|---|---|---|
| | **2024** | 2023 |
| | **AED'000** | AED'000 |
| Within the U.A.E. | **21,974,350** | 19,045,100 |
| Outside the U.A.E. | **1,366,752** | 1,097,256 |
| Total | **23,341,102** | 20,142,356 |

Gross income from external customers geographical analysis is based on the Group's operating centres and subsidiaries and associates' locations.

Revenue from major products and services are disclosed in notes 31 to 36 to the consolidated financial statements.

## 45 Sharia-compliant derivative financial instruments

### 45.1 Fair values of Sharia-compliant derivative financial instruments

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

| | | | | **Notional amounts by term to maturity** | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Positive fair value AED'000** | **Negative fair value AED'000** | **Notional amount total AED'000** | **Within 3 months AED'000** | **Over 3 months to 1 year AED'000** | **Over 1 year to 3 years AED'000** | **Over 3 to 5 years AED'000** | **Over 5 years AED'000** |
| **2024** | | | | | | | | |
| ***Sharia-compliant Derivatives held for trading:*** | | | | | | | | |
| Unilateral promise to buy/sell currencies | **131,670** | **164,446** | **15,735,865** | **13,769,069** | **1,966,796** | **-** | **-** | **-** |
| Sharia-compliant profit rate swaps | **819,115** | **754,440** | **86,599,410** | **54,000** | **7,940,188** | **13,515,189** | **42,082,630** | **23,007,403** |
| Sharia-compliant currency (Call/Put) options | **41,865** | **41,865** | **2,563,901** | **-** | **2,563,901** | **-** | **-** | **-** |
| Commodity options | **9,055** | **9,055** | **420049** | **317,278** | **102,771** | **-** | **-** | **-** |
| **Total** | **1,001,705** | **969,806** | **105,319,225** | **14,140,347** | **12,573,656** | **13,515,189** | **42,082,630** | **23,007,403** |
| **2023** | | | | | | | | |
| ***Sharia-compliant Derivatives held for trading:*** | | | | | | | | |
| Unilateral promise to buy/sell currencies | 173,730 | 130,338 | 17,354,274 | 14,575,181 | 2,767,048 | 12,045 | - | - |
| Sharia-compliant profit rate swaps | 964,294 | 893,596 | 63,844,313 | 100,000 | 548,974 | 17,541,491 | 19,364,096 | 26,289,752 |
| Sharia-compliant currency (Call/Put) options | 33,451 | 33,451 | 1,571,618 | - | 1,314,545 | 257,073 | - | - |
| Total | 1,171,475 | 1,057,385 | 82,770,205 | 14,675,181 | 4,630,567 | 17,810,609 | 19,364,096 | 26,289,752 |

### 45 Sharia-compliant derivative financial instruments (continued)

### 45.2 Types of Sharia-compliant derivatives

#### 45.2.1 Unilateral Promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the value dates, by exchanging the purchase/sale offers and acceptances between the relevant parties and delivering (exchanging) the relevant currencies on spot basis.

#### 45.2.2 Sharia-compliant Swaps

Sharia-compliant Swaps are based on a Waa'd (promise) structure between two parties to buy a specified Sharia compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Sharia-compliant swap structure comprises profit rate swap and currency swap. For Sharia-compliant profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency. For Sharia-compliant currency swaps, fixed or floating profit payments as well as cost of underlying commodity are exchanged in different currencies, by executing the purchase/sale of commodity under "Murabaha Sale Agreement".

## 46 Financial assets and liabilities

### 46.1 Financial instruments classification

The table below sets out the Group classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2024 and 2023:

| 2024 | Fair value through OCI AED'000 | Fair value through profit or loss AED'000 | Amortised cost AED'000 | Carrying amount AED'000 |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| Cash and balances with central banks | **-** | **-** | **26,700,468** | **26,700,468** |
| Due from banks and financial institutions | **-** | **-** | **5,642,110** | **5,642,110** |
| Islamic financing and investing assets, net | **-** | **274,862** | **212,151,886** | **212,426,748** |
| Investment in Sukuk | **220,047** | **-** | **81,940,687** | **82,160,734** |
| Other investments measured at fair value | **785,404** | **-** | **-** | **785,404** |
| Receivables and other assets | **-** | **1,001,705** | **5,543,456** | **6,545,161** |
| | **1,005,451** | **1,276,567** | **331,978,607** | **334,260,625** |
| ***Financial liabilities*** | | | | |
| Customers' deposits | **-** | **-** | **248,545,755** | **248,545,755** |
| Due to banks and financial institutions | **-** | **-** | **5,854,493** | **5,854,493** |
| Sukuk issued | **-** | **-** | **24,154,397** | **24,154,397** |
| Payables and other liabilities | **-** | **969,806** | **12,156,570** | **13,126,376** |
| | **-** | **969,806** | **290,711,215** | **291,681,021** |
| **2023** | | | | |
| ***Financial assets*** | | | | |
| Cash and balances with central banks | - | - | 24,019,524 | 24,019,524 |
| Due from banks and financial institutions | - | - | 4,483,687 | 4,483,687 |
| Islamic financing and investing assets, net | - | - | 199,453,349 | 199,453,349 |
| Investment in Sukuk | 220,388 | - | 67,951,777 | 68,172,165 |
| Other investments measured at fair value | 846,510 | - | - | 846,510 |
| Receivables and other assets | - | 1,171,475 | 4,817,646 | 5,989,121 |
| | 1,066,898 | 1,171,475 | 300,725,983 | 302,964,356 |
| ***Financial liabilities*** | | | | |
| Customers' deposits | - | - | 222,054,207 | 222,054,207 |
| Due to banks and financial institutions | - | - | 12,966,965 | 12,966,965 |
| Sukuk issued | - | - | 20,480,977 | 20,480,977 |
| Payables and other liabilities | - | 1,057,385 | 10,145,756 | 11,203,141 |
| | - | 1,057,385 | 265,647,905 | 266,705,290 |

## 46 Financial assets and liabilities (continued)

### 46.2 Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

#### 46.2.1 Fair value of the Group's financial assets and financial liabilities

All of the Group's financial assets and financial liabilities, which are reported at their fair value in these consolidated financial statements, are measured at fair value at end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted other investments measured at fair value through profit or loss and at fair value through other comprehensive income (note 11) are based on quoted price in an active market (unadjusted);
- Fair value of all unquoted other investments measured at fair value through other comprehensive income are mainly based on unobservable inputs like net asset valuation method and market based valuation techniques which include comparable proxy inputs and recent market transactions. The Group has determined that the reported net asset value represents the fair value at end of the reporting period; and
- Fair value of all Shaira-compliant derivatives financial instruments (Sharia compliant profit rate swap and unilateral promise to buy/sell currencies) is based on present value calculation of the estimated future cash flows. Future cash flows are estimated, based on forward (promise) profit rates and/or exchange rates (from observable yield curves and/or forward exchange rates at the end of each reporting period) and contract (based on promise) profit and/or forward (promise) rates, estimated at a rate that reflects the credit risk of various counterparties.

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

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumption are required to reflect differences between the instruments.

The table below summarises the Group's financial instruments' fair value according to fair value hierarchy:

| 2024 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Investments measured at fair value through other comprehensive income** | | | | |
| Quoted instruments | 430,466 | - | - | 430,466 |
| Unquoted instruments | - | - | 574,985 | 574,985 |
| **Other assets** | | | | |
| Sharia-compliant derivative assets | - | 1,001,705 | - | 1,001,705 |
| **Financial assets measured at fair value** | 430,466 | 1,001,705 | 574,985 | 2,007,156 |
| **Other liabilities** | | | | |
| Sharia-compliant derivative liabilities | - | 969,806 | - | 969,806 |

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**46 Financial assets and liabilities (continued)**

**46.2 Fair value of financial instruments (continued)**

**46.2.1 Fair value of the Group's financial assets and financial liabilities (continued)**

| 2023 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Investments measured at fair value through other comprehensive income** | | | | |
| Quoted instruments | 427,265 | - | - | 427,265 |
| Unquoted instruments | - | - | 639,633 | 639,633 |
| **Other assets** | | | | |
| Sharia-compliant derivative assets | - | 1,171,475 | - | 1,171,475 |
| **Financial assets measured at fair value** | 427,265 | 1,171,475 | 639,633 | 2,238,373 |
| **Other liabilities** | | | | |
| Sharia-compliant derivative liabilities | - | 1,057,385 | - | 1,057,385 |

There were no transfers between Level 1, 2 and 3 during the years ended 31 December 2024 and 2023.

**46.2.2 Reconciliation of Level 3 fair value measurement of financial assets measured at fair value through other comprehensive income**

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| **Balance at 1 January** | **639,633** | 811,404 |
| Loss in other comprehensive income | **(62,329)** | (275,049) |
| Disposal during the year | **(1,763)** | - |
| Others | **(556)** | 103,278 |
| **Balance at 31 December** | **574,985** | 639,633 |

## 46 Financial assets and liabilities (continued)

### 46.2.3 Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities (other than cash which is stated at level 2) recognised in the consolidated financial statement approximate their fair values and is included in level 3.

| | Carrying | Fair value | | | |
|---|---|---|---|---|---|
| | amount | Level 1 | Level 2 | Level 3 | Total |
| **2024** | **AED'000** | **AED'000** | **AED'000** | **AED'000** | **AED'000** |
| ***Financial assets:*** | | | | | |
| Investments in Sukuk | **82,160,734** | **74,109,157** | **1,436,484** | **4,682,609** | **80,228,250** |
| | ========= | ========= | ========= | ========= | ======== |
| ***Financial liabilities:*** | | | | | |
| Sukuk issued | **24,154,397** | **23,599,008** | **-** | **95,248** | **23,694,256** |
| | ========= | ========= | ========= | ========= | ======== |
| **2023** | | | | | |
| ***Financial assets:*** | | | | | |
| Investments in Sukuk | 68,172,165 | 60,046,297 | 1,590,356 | 4,688,253 | 66,324,906 |
| | ========= | ========= | ========= | ========= | ======== |
| ***Financial liabilities*:** | | | | | |
| Sukuk issued | 20,480,977 | 19,646,660 | - | 94,998 | 19,741,658 |
| | ========= | ========= | ========= | ========= | ======== |

## 47 Financial risk management

### 47.1 Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his responsibilities.

The Group is exposed to various risks including but not limited to:
- Credit risk;
- Liquidity risk;
- Market risk;
- Profit rate risk;
- Operational risk;
- Financial crime;
- Model risk;
- Reputational risk;
- Regulatory / compliance risk;
- Information and cyber security risk;
- Sharia non-compliance risk;
- Market conduct risk;
- Strategic risk; and
- Environment, social and governance risk.

#### 47.1.1 Risk management structure

The Board of Directors, supported by the Board Risk Compliance and Governance Committee, Risk Management Committee of the management and Group Risk Management Department, is ultimately responsible for identifying, monitoring and controlling risks; additionally there are other independent bodies / functions also responsible for managing and monitoring risks.

***Board of Directors***

The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and policies.

## 47 Financial risk management (continued)

### 47.1 Introduction (continued)

#### 47.1.1 Risk management structure (continued)

***Board Risk Compliance and Governance Committee***

The Board Risk Compliance and Governance Committee (BRCGC) has the overall responsibility for the development of the risk strategies, frameworks, policies and limits, and for recommending these strategies and policies to the Board of Directors. BRCGC supports the Board in fulfilling its oversight responsibilities with respect to implementation of DIB's governance, enterprise risk management and internal control frameworks and their related operations. Further, BRCGC maintains a group wide view of current and future risk position relative to its risk appetite and capital strength. It is responsible for the fundamental risk issue and manages and monitors relevant risk decisions.

***Risk Management Committee***

The day-to-day monitoring of risk has been delegated to Risk Management Committee of the Bank. The Risk Management Committee has the overall responsibility to support the Board Risk Compliance and Governance Committee for the development and formulation of the risk strategies, frameworks, policies and limits. It is responsible for ensuring the compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by the regulatory bodies (e.g. The Central Bank of the U.A.E.). Oversee and champion efforts to instil a robust risk culture within DIB which supports embedding the Risk Management Framework, Risk policies and processes and ensure that business is conducted in an ethical manner.

***Group Risk Management Department***

The Group Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Compliance and Governance Committee and the Board of Directors. The department is responsible for credit administration, portfolio management, credit risk, liquidity risk, market risk, operational risk, conduct risk and overall risk control.

***Asset and Liability Management Committee***

Asset and Liability Management Committee ("ALCO") is a management committee responsible for managing the Group's assets and liabilities. The Committee:

- Act as guardian in overseeing all matters that impact the Banks asset and liability structure, including but not limited to management of liquidity, profit rate risk, market risk, and oversight on compliance with the related internal and regulatory limits and guidelines.
- Oversee liquidity management of the Bank, develop strategies, operating policies and practices to manage liquidity risk in accordance with Board approved policies and risk tolerance/limits to ensure the Bank maintains sufficient liquidity at all times.
- Ensure adequate systems and capabilities are in place to identify, measure, monitor, control and report on liquidity, ALM, PRRBB and market risk exposures and related risks.

***Provision and Impairment Review Committee***

Provision and impairment review committee (PIRC) is established to assist management in fulfilling their responsibilities with respect to the following:

- Compliance with IFRS 9 standards, related CBUAE applicable regulatory rules, and the Bank's policies;
- that the DIB Group prudently recognizes significant deterioration in credit quality and non-performance and carries appropriate level of expected credit loss; and
- Review and consider impairment and fair value considerations for other classes of assets such as investments in subsidiaries, associates, investment properties and other investments.

The Committee's primary responsibility comprises supervising, monitoring, application and review of all impairment models in respect of use of expected credit losses and related central bank guidelines including monitoring of staging of exposures and considering ordinary and extraordinary circumstances in determining ECL stage and ECL levels. The Committee meets regularly and reports to Risk Management Committee (RMC). Further, BRCGC approved the provisioning process and associated provisions as per Article 9.16 of the Credit Risk Management Regulation and accompanying standards, Circular No. 5131 dated 17 October 2024.

## 47 Financial risk management (continued)

### 47.1 Introduction (continued)

#### 47.1.1 Risk management structure (continued)

***Model Risk Management Committee***

The Committee is established to oversee models which are used for valuation, risk measurement, decision-making etc. with the objective of providing substantiated decisions related to each step of the model life-cycle and ensuring the models meet quality standards to support informed decision making. The Committee's primary responsibility comprises requesting, approving and /or overseeing material decisions throughout the model life-cycle, such as new developments, re-development, modelling choices and methodologies, re-calibration, implementation, model usage, withdrawal, amongst other, ensuring good model governance and compliance with DIB's Model Governance Policy (MGP) and the Model Management Standards and Guidance issued by the Central Bank of the United Arab Emirates (MMSG). The Committee meets at least on a quarterly basis and reports to Risk Management Committee (RMC).

***Compliance Committee***

The Committee has been established to provide oversight of compliance at an enterprise level and ensure DIB's compliance framework is robust, effective and fit for purpose to safeguard its reputation and operations. The Committee facilitates Executive Management in fulfilling their responsibilities with respect to compliance, and plays a particularly important role in promoting a strong compliance culture across the Group.

***Sharia Compliance Function***

The Sharia Compliance function of Internal Sharia Control Department is responsible to continuously monitor the compliance of the Bank's businesses and activities with resolutions, fatwas, regulations and standards which are issued by the Higher Sharia Authority as well as ISSC.

***Group Internal Audit Department***

The Group Internal Audit is an independent and objective function which is designed to support the Group to accomplish its objectives by bringing a systematic auditing approach to evaluate the effectiveness of risk management, control, and governance processes. Group Internal Audit, as a third line of defense, is accountable to provide independent assurance to the Board of Directors through the Board Audit Committee. Risk management processes throughout the Group are audited periodically by the Group Internal Audit Department which examines both the adequacy of the procedures and the Group's compliance with the procedures.

***Group Internal Sharia Audit Department***

Compliance to Sharia and the Fatwas issued by the ISSC of the Bank in all the matters of the Bank including the execution of the transactions are audited periodically by the Group Internal Sharia Audit Department which examines the adequacy of the procedures and the Group's Operations' compliance with the Fatwas and guidance of the ISSC. Group Internal Sharia Audit Department discusses its findings and assessments with the management and submits the findings along with responses of the relevant departments and its recommendations to the ISSC for its guidance and corrective measures and then submit the final report to the Board Audit Committee for execution of ISSC decision.

## 47 Financial risk management (continued)

### 47.1 Introduction (continued)

#### 47.1.2 Risk measurement and reporting systems

The Group measures risks using qualitative as well as quantitative methods for credit, market, liquidity and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected loss likely to arise in normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Board of Directors and management. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

Information compiled from all the businesses is examined and processed in order to analyse the risk profile and identify inherent risks. This information is presented and explained to the management, management committees, the Risk Management Committee, and Board Risk Compliance and Governance Committee. Specialized reports are presented to the pertinent heads of business and are delivered with a frequency suited to the volatility of the risk. The report includes aggregate credit exposure, limit exceptions, liquidity, operational loss incidents and other risk profile changes. At appropriate frequencies, detailed reporting of industry, customer and geographic risks takes place.

#### 47.1.3 Model risk management

The Bank uses a number of quantitative models in many of its financial and business activities from underwriting a credit facility to reporting expected credit losses under IFRS 9, assessing liquidity risk, profit rate risk and many other areas.

To manage the model risks, the Bank has developed and implemented Model Risk Management Policy which contains bank wide development, implementation and validation policies and practices. According to the framework, all internally or externally developed risk quantification models that directly affect the financial reporting on expected credit losses require validation periodically (internally or externally). Model Risk Management Committee (MRMC) is responsible for overseeing all model related development, implementation of framework and performance of the models. MRMC reports to Risk Management Committee of the Bank.

The Framework establishes a systematic approach to manage the development, implementation, approval, validation and ongoing use of models. It sets out an effective governance and management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework is approved by the Risk Management Committee upon recommendation of MRMC.

The Bank has an independent validation function that performs independent model validation. It provides Fit-for-Purpose, Conditional Approval or Not Fit-for-Purpose recommendation to MRMC to approve the use of the new risk quantification / valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process.

#### 47.1.4 Risk mitigation

As part of its overall risk management, the Group uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Group seeks to manage its credit risk exposures through diversification of financing and investing activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risks.

In order to guard against liquidity risk, management has diversified funding sources and assets are managed with overall liquidity in consideration maintaining a healthy balance of liquid assets (i.e. cash and cash equivalents).

## 47 Financial risk management (continued)

### 47.1 Introduction (continued)

### 47.1.4 Risk mitigation (continued)

The market risks are managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, bench mark profit rates and equity prices.

To manage all other risks, the Group has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

### 47.1.5 Risk concentration

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

### 47.2 Credit risk

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

***Credit risk measurement***

The Group's approach to credit risk management is based on the foundation of independence and integrity of risk management as well as applicable regulatory standards. This is ensured through a well defined and robust organization structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. These segments include: Corporate, Contracting, SME, FI and Real Estate. Models are developed with the external support of accredited consultants and are also subjected to external validation. Models are calibrated to the Group's internal rating scale, and are housed within the Moody's CreditLens platform. The assessment is undertaken in accordance with Bank's policies and procedures and considers the risk profile and characteristics of the customer along with drivers of their credit performance.

The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

***Management of watch list and non-performing Financing***

The Group has a well-defined process for identification of watch list and non-performing financing and dealing with them effectively. There are policies which govern credit grading of these customers and their impairment, in line with IFRS and regulatory guidelines. Once an account is classified as non-performing, it is assessed for recoverability by an independent Special Assets Management unit reporting directly to GCRO to ascertain appropriate classification, recovery actions and appropriate level of provision.

***Collateral***

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of securities for facilities provided, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. Collaterals are revalued regularly as per Bank's credit policy and applicable regulations. The principal collateral types for Islamic financing and investing assets are:

- Mortgages over residential and commercial properties;
- Corporate guarantees;
- Charges over business assets such as premises, machinery, vehicles and inventory; and
- Charges over financial instruments such as deposits and equity investments.

When eligible collaterals are used in calculating provisions for stage 3 accounts, the Bank employs haircuts which are conservative considering regulatory requirements.

## 47 Financial risk management (continued)

### 47.2 Credit risk (continued)

***Sharia-compliant derivative financial instruments***

Credit risk arising from Sharia-compliant derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated financial position.

***Credit-related commitments risks***

The Bank makes available to its customers guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfil certain obligations to other parties. This exposes the Group to a similar risk to Islamic financing and investing assets and these are mitigated by the same control processes and policies.

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

The table below shows the maximum exposure to credit risk by class of financial asset, including Sharia-compliant derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

| | **Gross maximum exposure 2024 AED'000** | Gross maximum exposure 2023 AED'000 |
|---|---|---|
| Balances with central banks | **24,701,162** | 21,798,067 |
| Due from banks and financial institutions | **5,645,028** | 4,486,605 |
| Islamic financing and investing assets | **219,187,440** | 208,355,983 |
| Investment in Sukuk | **82,471,983** | 68,473,610 |
| Other investments measured at fair value | **785,404** | 846,510 |
| Receivables and other assets | **6,882,122** | 6,418,571 |
| | **339,673,139** | 310,379,346 |
| Contingent liabilities | **11,792,421** | 11,543,600 |
| Commitments | **19,596,087** | 17,121,974 |
| **Total** | **371,061,647** | 339,044,920 |

#### 47.2.2 Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The Group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| The U.A.E. | **283,563,277** | 272,007,728 |
| Other Gulf Cooperation Council (GCC) countries | **54,412,571** | 36,856,801 |
| Asia | **19,286,249** | 15,931,420 |
| Europe | **11,683,464** | 9,073,108 |
| Africa | **1,678,356** | 4,599,609 |
| Others | **437,730** | 576,254 |
| **Total** | **371,061,647** | 339,044,920 |

## 47 Financial risk management (continued)

### 47.2 Credit risk (continued)

#### 47.2.2 Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

| | **Gross Maximum Exposure 2024 AED'000** | Gross Maximum Exposure 2023 AED'000 |
|---|---|---|
| Government | **85,797,410** | 69,929,448 |
| Financial Institutions | **47,324,656** | 40,697,929 |
| Real estate | **50,462,581** | 57,221,220 |
| Contracting | **6,814,738** | 7,558,147 |
| Trade | **8,781,044** | 9,837,850 |
| Aviation | **14,753,543** | 16,317,047 |
| Services and others | **92,682,111** | 81,055,504 |
| Consumer financing | **37,196,816** | 32,169,526 |
| Consumer home finance | **27,248,748** | 24,258,249 |
| **Total** | **371,061,647** | 339,044,920 |

#### 47.2.3 Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For commercial Islamic financing and investing facilities, charges over real estate properties, inventory, leased assets and trade receivables;
- For retail Islamic financing and investing facilities, charge over assets and mortgages over properties; and
- Shares, corporate guarantees, deposits and equity investments.

The Group also obtains guarantees from parent companies for Islamic financing and investing assets granted to their subsidiaries, but the benefits are not included in the above table.

## 47 Financial risk management (continued)

### 47.2 Credit risk (continued)

#### 47.2.4 Analysis of credit quality

***Credit risk exposure of the Group's financial assets for each internal risk rating***

| | *Moody's equivalent grades* | **Total 2024 AED'000** | Total 2023 AED'000 |
|---|---|---|---|
| **Low risk** | | | |
| *Risk rating class 1a to 4c* | *Aaa – Baa3* | **187,242,969** | 157,191,886 |
| **Moderate risk** | | | |
| *Risk rating class 5a to 6c* | *Ba1 – B3* | **155,484,875** | 144,103,783 |
| **Fair risk** | | | |
| *Risk rating classes 7a to 7d* | *Caa1 – Ca* | **17,442,830** | 24,476,628 |
| **Default** | | | |
| *Risk rating classes 8 to10* | *C* | **10,890,973** | 13,272,623 |
| **Total** | | **371,061,647** | 339,044,920 |

It is the Group policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business, geographic regions and products. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group rating policy. The attributable risk ratings are assessed and updated regularly.

#### 47.2.5 Analysis of financial instruments by stage

The stage wise analysis of the financial instruments is as follows:

| **2024** | **Stage 1 AED'000** | **Stage 2 AED'000** | **Stage 3 AED'000** | **Total AED'000** |
|---|---|---|---|---|
| Balances with central banks | **24,701,162** | **-** | **-** | **24,701,162** |
| Due from banks and financial institutions | **5,645,028** | **-** | **-** | **5,645,028** |
| Islamic financing and investing assets | **199,166,813** | **10,882,501** | **9,138,126** | **219,187,440** |
| Investment in Sukuk | **82,444,218** | **-** | **27,765** | **82,471,983** |
| Other investments measured at fair value | **785,404** | **-** | **-** | **785,404** |
| Receivables and other assets | **6,156,368** | **227,473** | **498,281** | **6,882,122** |
| | **318,898,993** | **11,109,974** | **9,664,172** | **339,673,139** |
| Contingent liabilities | **11,792,421** | **-** | **-** | **11,792,421** |
| Commitments | **19,596,087** | **-** | **-** | **19,596,087** |
| **Total** | **350,287,501** | **11,109,974** | **9,664,172** | **371,061,647** |

| **2023** | **Stage 1 AED'000** | **Stage 2 AED'000** | **Stage 3 AED'000** | **Total AED'000** |
|---|---|---|---|---|
| Balances with central banks | 21,798,067 | - | - | 21,798,067 |
| Due from banks and financial institutions | 4,486,605 | - | - | 4,486,605 |
| Islamic financing and investing assets | 182,532,317 | 14,326,958 | 11,496,708 | 208,355,983 |
| Investment in Sukuk | 67,135,781 | 1,264,953 | 72,876 | 68,473,610 |
| Other investments measured at fair value | 846,510 | - | - | 846,510 |
| Receivables and other assets | 5,525,345 | 323,819 | 569,407 | 6,418,571 |
| | 282,324,625 | 15,915,730 | 12,138,991 | 310,379,346 |
| Contingent liabilities | 11,543,600 | - | - | 11,543,600 |
| Commitments | 17,121,974 | - | - | 17,121,974 |
| **Total** | 310,990,199 | 15,915,730 | 12,138,991 | 339,044,920 |

## 47 Financial risk management (continued)

### 47.3 Liquidity risk and funding management

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

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains statutory deposits with the central banks. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The high quality of the asset portfolio ensures its liquidity and coupled with the Group's own funds and stable customer deposits help form a stable funding source.  Even under expected adverse conditions, the Group ensures to maintain adequate liquid buffers to meet its funding requirements.

The key measurement tools for liquidity Risk monitoring in the Bank are Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"), which are based on regulatory requirements as per the CBUAE. These regulatory metrics are complemented by internal metrics such as liquidity stress testing, funding concentration metrics, evaluation of available unencumbered Assets and Liquidity Pool, cumulative maturity mismatch analyses as well as monitoring of Bank Specific and Market Wide Early Warning Indicators ("EWIs").

#### 47.3.1 Liquidity risk management process

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

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are financed by customers;
- Monitoring financial position liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of Islamic financing and investing exposures maturities; and
- Monitoring critical liquidity ratios.

#### 47.3.2 Funding approach

Sources of liquidity and funding are regularly reviewed by management to maintain a wide diversification by currency, geography, provider, product and term. The sources of funding are share capital, Tier 1 capital, Senior Sukuk and customer deposits for retail and wholesale and financial liabilities.

Refer note 18 for customers' deposits, note 20 for Sukuk issued and note 25 for Tier 1 issuance.

**Notes to the consolidated financial statements**
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### 47 Financial risk management (continued)

### 47.3 Liquidity risk and funding management (continued)

### 47.3.3 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of the Group's assets and liabilities based on the carrying values.

| 2024 | Less than 3 months AED'000 | 3 months to 1 year AED'000 | 1 year to 5 years AED'000 | Over 5 years AED'000 | No maturity AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash and balances with central banks | 26,700,468 | - | - | - | - | 26,700,468 |
| Due from banks and financial institutions | 5,642,110 | - | - | - | - | 5,642,110 |
| Islamic financing and investing assets, net | 24,797,629 | 24,253,350 | 93,302,232 | 70,073,537 | - | 212,426,748 |
| Investments in Sukuk | 2,813,105 | 5,649,145 | 42,190,703 | 31,507,781 | - | 82,160,734 |
| Other investments measured at fair value | - | - | - | - | 785,404 | 785,404 |
| Investments in associates and joint ventures | - | - | - | - | 2,502,668 | 2,502,668 |
| Properties held for development and sale | - | - | - | - | 988,138 | 988,138 |
| Investment properties | - | - | - | - | 4,520,483 | 4,520,483 |
| Receivables and other assets | 671,220 | 5,929,990 | 458,243 | 22,541 | - | 7,081,994 |
| Property and equipment | - | - | - | - | 1,878,071 | 1,878,071 |
| **Total assets** | 60,624,532 | 35,832,485 | 135,951,178 | 101,603,859 | 10,674,764 | 344,686,818 |
| **Liabilities and equity:** | | | | | | |
| Customers' deposits | 146,600,042 | 74,702,840 | 26,952,257 | 290,616 | - | 248,545,755 |
| Due to banks and financial institutions | 5,543,621 | 123,383 | 158,811 | 28,678 | - | 5,854,493 |
| Sukuk issued | 2,754,750 | - | 21,304,398 | 95,249 | - | 24,154,397 |
| Payables and other liabilities | 7,691,290 | 3,436,502 | 1,541,785 | 28,172 | - | 12,697,749 |
| Zakat payable | - | 581,545 | - | - | - | 581,545 |
| Equity | - | - | - | - | 52,852,879 | 52,852,879 |
| **Total liabilities and equity** | 162,589,703 | 78,844,270 | 49,957,251 | 442,715 | 52,852,879 | 344,686,818 |

**Notes to the consolidated financial statements**
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## 47 Financial risk management (continued)

### 47.3 Liquidity risk and funding management (continued)

### 47.3.3 Maturity analysis of assets and liabilities (continued)

| 2023 | Less than 3 months AED'000 | 3 months to 1 year AED'000 | 1 year to 5 years AED'000 | Over 5 years AED'000 | No maturity AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Cash and balances with central banks | 23,511,363 | 508,161 | - | - | - | 24,019,524 |
| Due from banks and financial institutions | 4,483,687 | - | - | - | - | 4,483,687 |
| Islamic financing and investing assets, net | 22,478,419 | 30,687,129 | 78,471,616 | 67,816,185 | - | 199,453,349 |
| Investments in Sukuk | 1,154,468 | 4,229,948 | 28,466,370 | 34,321,379 | - | 68,172,165 |
| Other investments measured at fair value | - | - | - | - | 846,510 | 846,510 |
| Investments in associates and joint ventures | - | - | - | - | 2,431,828 | 2,431,828 |
| Properties held for development and sale | - | - | - | - | 1,050,081 | 1,050,081 |
| Investment properties | - | - | - | - | 5,625,224 | 5,625,224 |
| Receivables and other assets | 729,425 | 3,676,522 | 1,899,460 | 18,732 | - | 6,324,139 |
| Property and equipment | - | - | - | - | 1,884,996 | 1,884,996 |
| **Total assets** | 52,357,362 | 39,101,760 | 108,837,446 | 102,156,296 | 11,838,639 | 314,291,503 |
| **Liabilities and equity**: | | | | | | |
| Customers' deposits | 169,511,105 | 51,179,322 | 1,159,422 | 204,358 | - | 222,054,207 |
| Due to banks and financial institutions | 4,435,594 | 8,323,049 | 177,049 | 31,273 | - | 12,966,965 |
| Sukuk issued | - | - | 20,387,776 | 93,201 | - | 20,480,977 |
| Payables and other liabilities | 6,842,443 | 2,136,355 | 1,856,503 | 28,550 | - | 10,863,851 |
| Zakat payable | - | 491,370 | - | - | - | 491,370 |
| Equity | - | - | - | - | 47,434,133 | 47,434,133 |
| **Total liabilities and equity** | 180,789,142 | 62,130,096 | 23,580,750 | 357,382 | 47,434,133 | 314,291,503 |

## 47 Financial risk management (continued)

### 47.3 Liquidity risk and funding management (continued)

### 47.3.4 Non-derivative cash flows

The table below summarises the maturity profile of the gross cash flows of the Group financial assets and liabilities as at 31 December 2024 and 2023. The amounts disclosed in the table are the contractual gross cash flows, whereas the Group manages the inherent liquidity risk based on expected gross cash flows.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the management expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

| | Less than 3 months AED'000 | 3 months to 1 year AED'000 | 1 to 5 years AED'000 | Over 5 Years AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **2024** | | | | | |
| Customers' deposits | **146,837,825** | **76,697,872** | **28,093,720** | **361,685** | **251,991,102** |
| Due to banks and other financial institutions | **5,740,501** | **176,734** | **136,990** | **-** | **6,054,225** |
| Sukuk issued | **2,755,399** | **-** | **23,614,397** | **93,984** | **26,463,780** |
| Payables and other liabilities | **7,689,142** | **2,248,842** | **2,731,593** | **28,172** | **12,697,749** |
| Zakat payable | **-** | **581,545** | **-** | **-** | **581,545** |
| **Total liabilities** | **163,022,867** | **79,704,993** | **54,576,700** | **483,841** | **297,788,401** |
| **Contingent liabilities:** | | | | | |
| Letters of guarantee | **8,122,638** | **1,749,381** | **147,326** | **1,923** | **10,021,268** |
| Letters of credit | **916,571** | **692,764** | **161,818** | **-** | **1,771,153** |
| | **9,039,209** | **2,442,145** | **309,144** | **1,923** | **11,792,421** |
| Capital expenditure commitments | **9,114** | **44,058** | **1,441,595** | **-** | **1,494,767** |
| **Total contingent liabilities and commitments** | **9,048,323** | **2,486,203** | **1,750,739** | **1,923** | **13,287,188** |

| | Less than 3 months AED'000 | 3 months to 1 year AED'000 | 1 to 5 years AED'000 | Over 5 Years AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Customers' deposits | 170,267,217 | 52,669,948 | 1,222,361 | 416,161 | 224,575,687 |
| Due to banks and other financial institutions | 4,448,682 | 8,380,456 | 208,322 | - | 13,037,460 |
| Sukuk issued | - | - | 22,581,576 | 93,201 | 22,674,777 |
| Payables and other liabilities | 6,842,443 | 2,136,355 | 1,856,503 | 28,550 | 10,863,851 |
| Zakat payable | - | 491,370 | - | - | 491,370 |
| Total liabilities | 181,558,342 | 63,678,129 | 25,868,762 | 537,912 | 271,643,145 |
| **Contingent liabilities:** | | | | | |
| Letters of guarantee | 8,651,815 | 1,120,679 | 132,714 | 619 | 9,905,827 |
| Letters of credit | 939,499 | 595,989 | 102,285 | - | 1,637,773 |
| | 9,591,314 | 1,716,668 | 234,999 | 619 | 11,543,600 |
| Capital expenditure commitments | 10,176 | 67,459 | 988,798 | - | 1,066,433 |
| **Total contingent liabilities and commitments** | 9,601,490 | 1,784,127 | 1,223,797 | 619 | 12,610,033 |

Assets available to meet all of the liabilities and to cover outstanding commitments include cash and balances with central banks, Islamic financing and investing assets, other investments at fair value and items in the course of collection.

**47 Financial risk management (continued)**

**47.4 Market risk**

Market risk is the risk that the value of financial instruments in the Group's books could produce a loss because of changes in future market conditions. The Group takes on market risks in the pursuit of its strategic and business objectives. The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk - which are actively managed and monitored:

- profit rate risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of profit rates and changes in credit spreads; and
- foreign exchange risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates.

As part of the Group's risk management framework, an extensive governance processes is applied to the market risk taking activities. This governance framework includes, inter alia:

- approval by the Board Risk Compliance and Governance Committee of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures;
- Appropriate valuation of financial instruments and measurement of market risk;
- a comprehensive set of policies, procedures and limits; and
- monitoring a wide range of risk metrics appropriate for the respective trading activities - such as risk sensitivities, gross and net open positions, Value-at-Risk (VaR) and stop-loss limits.

**47.4.1 Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December 2024 and 2023.

| **Currency** | **Increase in basis points** | **2024 AED'000** | 2023 AED'000 |
|---|---|---|---|
| Sensitivity of net profit income | **50** | **51,691** | 32,954 |

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

## 47 Financial risk management (continued)

## 47.4 Market risk (continued)

### 47.4.2 Foreign exchange risk

The table below summarises the Group exposure to foreign currency exchange rate risk at 31 December 2024 and 2023. Included in the table are the Group financial instruments at their carrying amounts, categorised by currency.

| 2024 | AED AED'000 | USD AED'000 | Other G.C.C. AED'000 | GBP AED'000 | Euro AED'000 | Other AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets:** | | | | | | | |
| Cash and balances with the central banks | 26,326,688 | - | - | 524 | 396 | 372,860 | 26,700,468 |
| Due from banks and financial institutions | 1,662,782 | 3,130,676 | 59,485 | 19,391 | 51,921 | 717,855 | 5,642,110 |
| Islamic financing and investing assets, net | 149,274,423 | 57,898,913 | 2,147,752 | 12,751 | 2,526 | 3,090,383 | 212,426,748 |
| Investment in Sukuk | 4,943,434 | 75,591,847 | - | - | - | 1,625,453 | 82,160,734 |
| Other investments at fair value | 9,978 | - | - | - | - | 775,426 | 785,404 |
| Receivables and other assets | 3,328,224 | 2,371,932 | 111,865 | - | 403,430 | 329,710 | 6,545,161 |
| **Total** | 185,545,529 | 138,993,368 | 2,319,102 | 32,666 | 458,273 | 6,911,687 | 334,260,625 |
| **Financial Liabilities:** | | | | | | | |
| Customers' deposits | 221,268,730 | 21,423,767 | 97,692 | 298,890 | 1,182,808 | 4,273,868 | 248,545,755 |
| Due to banks and other financial institutions | 381,296 | 5,121,399 | - | 16 | 22 | 351,760 | 5,854,493 |
| Sukuk issued | - | 24,059,149 | - | - | - | 95,248 | 24,154,397 |
| Payables and other liabilities | 8,980,048 | 2,865,554 | 408,857 | 17,567 | 525,493 | 328,857 | 13,126,376 |
| **Total** | 230,630,074 | 53,469,869 | 506,549 | 316,473 | 1,708,323 | 5,049,733 | 291,681,021 |
| Net on balance sheet | (45,084,545) | 85,523,499 | 1,812,553 | (283,807) | (1,250,050) | 1,861,954 | 42,579,604 |
| Unilateral promise to buy/sell currencies | 9,448,914 | (9,132,510) | (1,699,248) | 246,451 | 1,118,633 | 17,760 | - |
| **Currency position - long/(short)** | (35,635,631) | 76,390,989 | 113,305 | (37,356) | (131,417) | 1,879,714 | 42,579,604 |

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

### 47 Financial risk management (continued)

### 47.4 Market risk (continued)

### 47.4.2 Foreign exchange risk (continued)

| 2023 | AED AED'000 | USD AED'000 | Other G.C.C. AED'000 | GBP AED'000 | Euro AED'000 | Other AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets:** | | | | | | | |
| Cash and balances with central banks | 23,635,020 | - | - | - | - | 384,504 | 24,019,524 |
| Due from banks and financial institutions | 796,589 | 2,633,440 | 656,919 | 19,724 | 56,337 | 320,678 | 4,483,687 |
| Islamic financing and investing assets, net | 148,741,667 | 45,879,131 | 1,128,312 | 14,878 | 7,948 | 3,681,413 | 199,453,349 |
| Investment in Sukuk | 1,065,199 | 65,451,598 | - | - | - | 1,655,368 | 68,172,165 |
| Other investments at fair value | 353,398 | 429,267 | 38,132 | - | - | 25,713 | 846,510 |
| Receivables and other assets | 2,903,490 | 2,679,022 | 44,708 | - | 38,458 | 323,443 | 5,989,121 |
| Total | 177,495,363 | 117,072,458 | 1,868,071 | 34,602 | 102,743 | 6,391,119 | 302,964,356 |
| Financial Liabilities: | | | | | | | |
| Customers' deposits | 184,931,845 | 30,379,585 | 167,677 | 317,404 | 1,527,015 | 4,730,681 | 222,054,207 |
| Due to banks and other financial institutions | 4,057,590 | 8,370,875 | - | 70,164 | 1,593 | 466,743 | 12,966,965 |
| Sukuk issued | - | 20,385,979 | - | - | - | 94,998 | 20,480,977 |
| Payables and other liabilities | 6,548,168 | 4,176,104 | 15,868 | 8,816 | 100,687 | 353,498 | 11,203,141 |
| Total | 195,537,603 | 63,312,543 | 183,545 | 396,384 | 1,629,295 | 5,645,920 | 266,705,290 |
| Net on balance sheet | (18,042,240) | 53,759,915 | 1,684,526 | (361,782) | (1,526,552) | 745,199 | 36,259,066 |
| Unilateral promise to buy/sell currencies | 7,484,670 | (8,224,629) | (1,139,937) | 361,269 | 1,400,985 | 117,642 | - |
| Currency position – long / (short) | (10,557,570) | 45,535,286 | 544,589 | (513) | (125,567) | 862,841 | 36,259,066 |

### 47 Financial risk management (continued)

### 47.4 Market risk (continued)

### 47.4.2 Foreign exchange risk (continued)

***Sensitivity analysis - impact of fluctuation of various currencies on net income and equity***

The tables below indicate the extent to which the Group was exposed to currency risk at 31 December 2024 and 2023 on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the AED with all other variables held constant on the consolidated statement of profit or loss (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated available-for-sale equity instruments). A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

| **Currency** | **Increase in currency rate in %** | **Effect on profit or loss 2024 AED'000** | Effect on profit or loss 2023 AED'000 |
|---|---|---|---|
| **US Dollar** | **+2** | **1,529,256** | 910,708 |
| **GBP** | **+2** | **(747)** | (10) |
| **EURO** | **+2** | **(2,628)** | (2,511) |

| **Currency** | **Decrease in currency rate in %** | **Effect on profit or loss 2024 AED'000** | Effect on profit or loss 2023 AED '000 |
|---|---|---|---|
| **US Dollar** | **-2** | **(1,529,256)** | (910,708) |
| **GBP** | **-2** | **747** | 10 |
| **EURO** | **-2** | **2,628** | 2,511 |

### 47.4.3 Foreign investment

The Group has income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert income into the Group presentation currency, the U.A.E. Dirham.

The table below indicates the change in profit before tax and equity had the result for the year ended 31 December 2024 and 2023 been translated at exchange rates against the AED adjusted, with all other variables held constant, by the assumed changes below. The sensitivity analyses do not take account of actions by the Group that might be taken to mitigate the effect of such changes.

| **Currency** | **Increase in currency rate in %** | **Effect on profit or loss 2024 AED'000** | **Effect on equity 2024 AED'000** | Effect on profit or loss 2023 AED'000 | Effect on equity 2023 AED'000 |
|---|---|---|---|---|---|
| Pak Rupees | **+5** | **3,748** | **30,794** | 4,430 | 26,805 |
| Egypt Sterling | **+5** | **516** | **2,529** | 541 | 4,140 |

**47 Financial risk management (continued)**

**47.4 Market risk (continued)**

**47.4.3 Foreign investment (continued)**

| Currency | Decrease in currency rate in % | Effect on profit or loss 2024 AED'000 | Effect on equity 2024 AED'000 | Effect on profit or loss 2023 AED'000 | Effect on equity 2023 AED'000 |
|---|---|---|---|---|---|
| Pak Rupees | **-5** | **(3,391)** | **(26,810)** | (4,008) | (23,201) |
| Egypt Sterling | **-5** | **(467)** | **(2,288)** | (490) | (3,746) |

**47.4.4 Equity price risk**

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

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through other comprehensive income (FVTOCI) at 31 December 2024 and 2023) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

| Market indices | Change in market Indices % | Effect on other comprehensive income 2024 AED'000 | Effect on other comprehensive income 2023 AED'000 |
|---|---|---|---|
| Dubai Financial Market | **± 5%** | **2,357** | 5,330 |
| Abu Dhabi Exchange | **± 5%** | **4,373** | 3,122 |
| Bahrain Stock Exchange | **± 5%** | **165** | 920 |
| Other | **± 5%** | **2,738** | 4,331 |

An increase of 5% in fair value of Level 3 financial instruments due to change in unquoted market price / valuation of financial instruments as at the reporting date would have increased the net assets attributable to the Bank by AED 28.7 million (2023: AED 32.0 million).

**47.5 Operational risk**

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems. Under this definition Bank also has defined methodologies for monitoring and managing various operational risk types including technology risk, data risk, people risk, fraud risk and legal risk

The Group has developed a detailed operational risk framework that clearly defines roles and responsibilities of individuals/units across different functions of the Group that are involved in performing various operational risk management tasks. Operational Risk Management Framework will ensure that operational risks within the Group are properly identified, monitored, managed and reported. Key elements of the framework include process mapping, setting up loss data base, setting up of KRIs, risk analysis and risk management reporting.

The Group is currently using operational risk tracking system, i.e. Enterprise Governance Risk and Compliance system to track operational risk events across the Group. The system houses more than ten years of operational loss data. The subject system is also capable to record KRI and RCSA.

### 47 Financial risk management (continued)

### 47.5 Operational risk (continued)

Each new product introduced is subject to a risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is being managed within their respective business units. The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedure to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

### 47.6 Reputational risk

Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors or regulators or other relevant parties that can adversely affect a Bank's ability to maintain existing or establish new, business relationships and continued access to sources of funding.

It also includes the threat to the brand value of a financial institution. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

### 47.7 Regulatory / compliance risk

Compliance risk is the risk of failing to comply with applicable regulations which may lead to regulatory enforcements, penalties, or reputational damage. The Group has an independent Compliance function, with the necessary mandate and authority to oversee compliance requirements on a Group wide basis. Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Proliferation Financing (PF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with applicable reporting requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

### 47.8 Sharia Non-Compliance Risk

In compliance with the Sharia Governance Standard for Islamic Financial Institutions issued by the Higher Sharia Authority of the Central Bank of UAE ("HSA") on 21 April 2020 (the "Standard"), the Bank's Board of Directors ("Board") is ultimately responsible for the Bank's compliance with Sharia principles. The ISSC is the highest authority in the Bank from a Sharia governance perspective.

The Board is expected to be aware of Sharia non-compliance risk and its potential impact on the Bank. The Board Risk, Compliance and Governance Committee ("BRCGC") supervises and monitors management of Sharia non-compliance risk, and sets controls in relation to this type of risk, in consultation with ISSC and through the Internal Sharia control Department of the Bank. ("ISCD"). The BRCGC ensures the availability of an information system that enables the Bank to measure, assess and report Sharia non-compliance risk. Reports are provided in a timely manner to the Board and Senior Management, in formats suitable for their use and understanding.

The Bank implements effective internal Sharia controls adopting the three lines of defence approach where each line is independent, which includes:

- the first line of defence, represented by the business line, sets clear policies, procedures, and controls, approved by Internal Sharia Supervision Committee of the Bank ("ISSC"), and executes the business activities in a manner compliant with the principles of Sharia at all times.
- the second line of defence, represented by the ISCD, undertakes amongst the others the Sharia control and Sharia compliance functions.
- the third line of defence represented by Group Internal Sharia Audit Department ("GISAD"), follows Risk-based Sharia Audit approach for annual planning, undertakes the execution of Sharia audit assignments of the Bank and reports its findings to the ISSC.

## 48 Capital management

### 48.1 Capital management objective

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

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

### 48.2 Regulatory capital

The Group's lead regulator, the Central Bank of U.A.E. (CBUAE), sets the capital requirements for the Group as a whole. The Group and individual banking operations within the Bank are directly supervised by their respective local regulators.

The Group's regulatory capital comprises of the following:

- Common Equity Tier 1 (CET1), which includes fully paid up capital, statutory reserve, general reserve, retained earnings, exchange translation reserve and investment fair value reserve. Regulatory adjustments under Basel III, which includes deductions of deferred tax assets, investments in banking and financial entities and other threshold deductions;
- Tier 1 capital, includes CET1, with additional items that consist of Tier 1 capital instruments and certain non-controlling interests in subsidiaries; and
- Tier 2 capital, which includes collective impairment allowance and qualifying subordinated liabilities, if any.

The Bank was recognized as Domestic Systemically Important Bank (D-SIB) during the year ended 31 December 2018 and is accordingly required to keep a D-SIB buffer of 0.5% in addition to the CCB of 2.5%.

As per the Central Bank regulation for Basel III, the minimum capital requirement as at 31 December 2024 is 13.5% inclusive of capital conservation buffer of 2.5% and D-SIB buffer of 0.5%.

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

The Group is following the standardised approach for credit, market and operational risk, as permitted by the Central Bank of U.A.E. and as per Pillar 1 of Basel III.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of U.A.E. An internal assessment of material risks is carried out annually to enable an evaluation of the capital required to cover these risks. This is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP consists of a point-in-time assessment of exposures and risks at the end of the financial year together with a forward-looking stress capital assessment. The ICAAP is approved by the Board and submitted to the Central Bank of U.A.E.

The objectives, policies and processes are under constant review by management and are updated as and when required.

The Bank is computing and reporting Basel III ratios in accordance with guidelines of the Central Bank of U.A.E.

**48 Capital management (continued)**

**48.2 Regulatory capital (continued)**

Capital Adequacy Ratio (CAR) under Basel III in accordance with regulations of the Central Bank of the U.A.E. is as follows:

| | **2024 AED'000** | 2023 AED'000 |
|---|---|---|
| ***Common Equity Tier 1 (CET1)*** | | |
| Share capital | **7,240,744** | 7,240,744 |
| Other reserves | **13,784,668** | 13,784,668 |
| Retained earnings | **16,652,186** | 14,088,870 |
| Cumulative deferred exchange losses | **(2,028,690)** | (1,741,437) |
| Investment fair value reserve | **(1,270,120)** | (1,334,593) |
| Intangible assets | **(215,824)** | (127,048) |
| Deferred tax assets | **(126,997)** | (84,495) |
| **Total CET 1 Capital** | **34,035,967** | 31,826,709 |
| ***Additional Tier 1 Capital*** | | |
| Tier 1 Sukuk | **10,100,750** | 8,264,250 |
| **Total Additional Tier 1 Capital** | **10,100,750** | 8,264,250 |
| **Total Tier 1 Capital** | **44,136,717** | 40,090,959 |
| ***Tier 2 Capital*** | | |
| Collective impairment allowance | **2,925,424** | 2,845,523 |
| **Total Tier 2 Capital** | **2,925,424** | 2,845,523 |
| **Total capital base** | **47,062,141** | 42,936,482 |
| ***Risk weighted assets*** | | |
| Credit risk | **234,033,891** | 227,641,803 |
| Market risk | **2,110,429** | 2,292,207 |
| Operational risk | **21,063,244** | 18,689,483 |
| **Total risk weighted assets** | **257,207,564** | 248,623,493 |
| ***Capital Ratios*** | | |
| Capital adequacy ratio | **18.3%** | 17.3% |
| Tier 1 Capital ratio | **17.2%** | 16.1% |
| Common Equity Tier 1 ratio | **13.2%** | 12.8% |

The capital adequacy ratio for the year 2024 has been calculated after considering the impact of the proposed dividend as required by Capital Supply Standard and the related guidance issued by Central Bank of the UAE.

### 49 Comparative information

Certain comparative amounts in consolidated statement of profit or loss and notes to the consolidated financial statement have been adjusted to conform to the current presentation.

### 50 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2025.