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50 YEARS OF TRUST

BANK OF BARODA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2024

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Bank of Baroda - UAE Branches
For the year ended 31 December 2024

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Independent Auditor's Report
To the Chief Executive of Bank of Baroda – UAE Branches

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Bank of Baroda – UAE Branches (the "Branch"), which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss, statement of other comprehensive income, statement of movement in Head office account and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

Independent Auditor's Report
To the Chief Executive of Bank of Baroda – UAE Branches (continued)

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

We communicate with 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.

Grant Thornton

Independent Auditor's Report
To the Chief Executive of Bank of Baroda – UAE Branches (continued)

Report on other Legal and Regulatory Requirements

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

i. We have obtained all the information we considered necessary for the purposes of our audit;

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

iii. The Branch has maintained proper books of account in accordance with established accounting principles;

iv. The Branch has not purchased or invested in any shares during the financial year ended 31 December 2024.

v. Note 30 to the financial statements discloses material related party transactions, and the terms under which they were conducted.

vi. The branch has not made any social contributions during the year, and

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

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

GRANT THORNTON UAE

Grant Thornton
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

24 March 2025

Bank of Baroda
India's International Bank

Bank of Baroda - UAE Branches

Statement of financial position
As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Assets			
Cash and balances with the UAE Central Bank	6	**7,602,623**	2,639,550
Due from banks	7	**6,294**	610,848
Due from the Head Office and other branches	30	**260,472**	570,684
Loans and advances to customers	8	**20,072,032**	17,443,428
Investment securities	9	**1,962,682**	1,124,862
Derivative financial instruments	28	**5,743**	4,289
Property and equipment	10	**36,981**	27,443
Deferred tax asset	25	**64,873**	106,621
Other assets	11	**157,123**	139,452
Total assets		**30,168,823**	22,667,177
Liabilities and Head office account and reserves			
Liabilities			
Due to banks	12	**2,641,424**	286,611
Due to Head Office and other branches	30	**1,904,118**	660,267
Deposits from customers	13	**21,619,220**	18,349,603
Derivative financial instruments	28	**2,850**	717
Other liabilities	14	**569,582**	543,942
Total liabilities		**26,737,194**	19,841,140
Head Office account and reserves			
Allocated capital	15	**760,000**	760,000
Statutory reserve	16	**142,602**	119,160
Fair value reserve		**1,074**	(83,765)
Other reserve	16.1	**90,274**	-
Retained earnings		**2,437,679**	2,030,642
Total Head Office account and reserves		**3,431,629**	2,826,037
Total liabilities and Head Office account and reserves		**30,168,823**	22,667,177

Jagdish Tungaria
Chief Executive – GCC Operations
24th March 2025

Vishal Garg
Chief Financial Officer
24th March 2025

The accompanying notes 1-34 form an integral part of these financial statements.

Bank of Baroda
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Bank of Baroda - UAE Branches

Statement of profit or loss
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Interest income	17	**1,492,032**	1,187,172
Interest expense	18	**(674,600)**	(439,346)
Net interest income		**817,432**	747,826
Fee and commission income	19	**76,652**	95,450
Fee and commission expense	20	**(768)**	(2,005)
Net fee and commission income		**75,884**	93,445
Other operating income	21	**32,206**	36,557
Total operating income		**925,522**	877,828
Personnel expenses	22	**(74,909)**	(75,938)
Depreciation	10	**(9,755)**	(10,368)
General and administrative expenses	23	**(108,943)**	(97,327)
Total expenses		**(193,607)**	(183,633)
Net operating income before impairment losses and taxation		**731,915**	694,195
Losses on sale of debt investments at FVOCI		**(46,724)**	-
Impairment losses	24	**(109,215)**	(65,628)
Profit for the year before taxation		**575,976**	628,567
Taxations	25	**(107,139)**	(204,370)
Profit for the year		**468,837**	424,197

The accompanying notes 1-34 form an integral part of these financial statements.

Statement of other comprehensive income
For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Profit for the year		**468,837**	424,197
Other comprehensive income			
Items that maybe reclassified subsequently to the statement of profit or loss:			
Debt Investments at fair value through other comprehensive income – net change in the fair value	9	**(243)**	1,858
Items that will not be reclassified to statement of profit or loss			
Equity Investments at fair value through other comprehensive income – net change in the fair value	9	**-**	-
Total comprehensive profit for the year		**468,594**	426,055

The accompanying notes 1-34 form an integral part of these financial statements.

Bank of Baroda
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Bank of Baroda - UAE Branches

Statement of movement in Head office account and reserves
For the year ended 31 December 2024

	Allocated Capital AED'000	Statutory reserve AED'000	Fair value reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2023	760,000	97,950	(85,623)	-	1,627,655	2,399,982
Profit for the year	-	-	-	-	424,197	424,197
Transfer to statutory reserve	-	21,210	-	-	(21,210)	-
Change in fair value reserve	-	-	1,858	-	-	1,858
At 31 December 2023	760,000	119,160	(83,765)	-	2,030,642	2,826,037
Profit for the year	**-**	**-**	**-**	**-**	**468,837**	**468,837**
Creation of impairment reserve general	**-**	**-**	**-**	**90,274**	**-**	**90,274**
Transfer to statutory reserve*	**-**	**23,442**	**-**	**-**	**(23,442)**	**-**
Change in fair value reserve	**-**	**-**	**(503)**	**-**	**260**	**(243)**
Losses on sale of equity investments at FVOCI	**-**	**-**	**38,618**	**-**	**(38,618)**	**-**
Losses on sale of debt investments at FVOCI	**-**	**-**	**46,724**	**-**		**46,724**
At 31 December 2024	**760,000**	**142,602**	**1,074**	**90,274**	**2,437,679**	**3,431,629**

* As per Article 103 of UAE Federal Decree Law No. (32) of 2021 (applicable from 2 January 2022), the Branch has transferred 5% of Net Profits to non-distributable legal and statutory reserve until such reserve equals 50% of the allocated capital of the Branch.

The accompanying notes 1-34 form an integral part of these financial statements.

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Bank of Baroda - UAE Branches

Statement of cash flows
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Profit for the year before taxation		**575,976**	628,567
Adjustments for:			
Impairment losses on loans and advances		**109,215**	65,628
Interest expenses on lease	14.2	**966**	964
(Gain) on disposal of PPE		**-**	(81)
Depreciation	10	**9,755**	10,368
Losses on sale of Financial Assets from FVOCI		**46,724**	-
End of service benefit provision	14.1	**2,412**	3,236
Operating cash flows before changes in working capital and tax paid		**745,048**	708,682
Changes in working capital:			
End of service benefit paid	14.1	**(1,012)**	(759)
Change in due from Central Bank of the UAE maturing after three months		**-**	-
Change in due from banks maturing after three months		**156,679**	(132,509)
Change in due from Head Office		**-**	29,042
Change in loans and advances to customers		**(2,737,819)**	(3,616,022)
Change in other assets		**(24,455)**	(7,353)
Change in deposits from customers		**3,269,617**	3,994,637
Change in due to banks		**-**	2,346
Change in due to the Head Office and other branches		**1,285,550**	173,301
Change in other liabilities		**27,774**	179,602
Taxes paid		**(141,844)**	(29,103)
Net cash generated from operating activities		**2,579,538**	**1,301,864**
Cash flows from investing activities			
Net movement in non-trading investment securities	9	**(657,289)**	(55,854)
Purchase of furniture and equipment	10	**(904)**	(1,352)
Proceeds from sale of furniture and equipment		**10**	62
Net cash used in investing activities		**(658,183)**	**(57,144)**
Cash flows from financing activities			
Payment of Lease Liability	14.2	**(6,809)**	(10,611)
Net increase in cash and cash equivalents		**1,914,546**	**1,234,109**
Cash and cash equivalents at 1 January		4,072,563	2,838,454
Cash and cash equivalents at 31 December	27	**5,987,109**	**4,072,563**

The accompanying notes 1-34 form an integral part of these financial statements.

1. Incorporation and principal activities

Bank of Baroda - UAE Branches (the "Branch") operates in the United Arab Emirates (the "UAE") through its five branches located in the Emirates of Abu Dhabi, Dubai, Sharjah and Ras Al Khaimah under a banking license issued by the Central Bank of the UAE (the "CBUAE"). The Head Office of the Bank is Bank of Baroda (the "Head Office"), which is incorporated in Baroda, India.

The principal address of the Branch is Zonal office, Umm Hurair building, Shop number 1 to 5, 8 and 9, plot number 3180430, Al Doha Street, Al Karama, Dubai, United Arab Emirates. The registered address is P.O. Box 3162, Dubai, United Arab Emirates.

The principal activities of the Branch include accepting deposits, granting loans and advances and providing other banking services. These financial statements represent the financial position and results of the five branches of the Bank in the United Arab Emirates.

The Branches are not separate legal entities but meet the definition of a reporting entity under the conceptual framework for IFRS.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared on going concern basis, as management is satisfied that the Branch has adequate resources to continue as a going concern for the foreseeable future, in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and comply with the requirements of applicable laws in the UAE. IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC")

Federal Law no. 32 of 2021 on Commercial Companies has come into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015.

The financial statements include Basel III Pillar 3 disclosures in accordance with the guidelines issued by the Central Bank of the UAE.

Basis of measurement

These financial statements have been prepared under the historical cost basis, except for the following:

- Derivatives measured at fair value through profit or loss; and
- Financial assets at fair value through other comprehensive income

Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the functional and presentation currency of the Branch, except as indicated, amounts have been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Summary of material accounting policies

3.1 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to AED at the foreign exchange rates ruling at the dates that the fair values were determined.

Foreign currency differences arising on translation are generally recognized in the statement of profit or loss, other than investments classified as FVOCI, where the exchange translation is recognized in other comprehensive income.

3.2 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, balances with the UAE Central Bank, due from and due to banks and the amounts due from and to the related parties including the Head Office and other branches with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Branch for the purposes of meeting short term cash commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.3 Due from banks

These are non-derivative financial assets that are stated at amortised cost, less any allowance for impairment.

3.4 Loans and Advances to customers

Loans and advances to customers captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method and are presented net of expected credit losses; and
- Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Branch does not intend to sell immediately or in the near term.
- These are derecognized when either the borrower repays its obligation, or the loan are sold or written off.

3.5 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Branch and a financial liability or equity instrument for another party or vice versa.

Recognition and measurement

The Branch initially recognizes loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Branch becomes a party to the contractual provisions of the instrument.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Recognition and measurement (continued)

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

Classification of financial assets

On initial recognition, financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

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

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

On initial recognition of an equity investment that is not held for trading, the Branch may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis. All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- 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 the performance of the portfolio is evaluated and reported to the Branch's' management
- 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 frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how much cash flows are realised.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Classification of financial assets (continued)

Business model assessment (continued)

Financial assets that are either held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Branch consumer and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the consumer business the loans comprise mortgages, overdrafts and unsecured personal lending. Sales of loans from these portfolios are very rare.

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

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

In assessing whether the contractual cash flows are SPPI, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – (e.g. periodical reset of interest rates).

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Branch manages together and has a recent actual pattern of short-term profit-taking.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Branch of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Branch's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through profit or loss.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Classification of financial liabilities

Financial liabilities at amortised cost

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Subsequent measurement

The Branch measures financial instruments such as derivatives and investments and certain fixed income instruments, at fair value at each reporting date.

Financial assets classified as at fair value through other comprehensive income or fair value through profit or loss are subsequently measured at fair value. Financial assets not carried at fair value are subsequently measured at amortized cost using the effective interest method, less expected credit allowances.

Reclassification

Financial assets are not reclassified subsequent to the initial recognition except in the period after the Branch changes its business model for managing financial assets. If the business model under which the Branch holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Branch's financial assets. During the current and previous financial year there was no change in the business model under which the Branch holds financial assets and therefore no reclassifications were made.

Financial Liabilities are never reclassified.

Impairment

The Branch recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at fair value through profit or loss:

- Cash and balances with the UAE Central Bank.
- Due from banks;
- Due from Head office and other branches;
- loans and advances to customers;
- Investment securities;
- other financial assets;
- loan commitments; and
- financial guarantee contracts.

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

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Impairment (continued)
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 Branch 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 contractual interest 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 contractual interest rate.

Under 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 generally set at 100%.

Measurement of ECL
ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

However, for unfunded exposures, ECL is measured as follows:

- for undrawn loan commitments, as the present value of the difference between the contractual cash flows that are due to the Branch if the holder of the commitment draws down the loan and the cash flows that the Branch expect is to receive if the loan is drawn down; and
- for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Branch expects to receive from the holder, the debtor or any other party.

The Branch measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's contractual interest rate, regardless of whether it is measured on an individual basis or a collective basis. The key inputs into the measurement of ECL are described below:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

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

Details of these statistical parameters / inputs are as follows:

- PD is the estimate of likelihood of default over a given time horizon, which is calculated based on statistical rating models currently used by the Branch;

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Measurement of ECL (continued)

- 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
- LGD has been determined based on the regulatory guidelines i.e. BASEL and CBUAE.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- credit risk ratings;
- collateral type;
- loan to value ratio for retail exposure;
- date of initial recognition;
- remaining term of maturity;
- industry; and
- geographical location of the borrower.

The groupings are subject to regular review to ensure that exposure within a particular group remain appropriately homogenous.

Restructured financial assets

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

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

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortised cost and financial assets carried at FVOCI are credit-impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Credit-impaired financial assets (continued)

It may not be possible to identify a single discrete event instead, the effect of several events may have caused financial assets to become credit-impaired. The Branch assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. The Branch considers following factors, however not limited to:

- significant financial difficulty of the issuer or counter party;
- breach of contract, such as a default or delinquency in profit or principal payments;
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets
For purchased or originated credit impaired (POCI) financial assets, the Branch recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in statement of profit or loss. A favourable change for such assets creates an impairment gain.

Default definition
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12- month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Branch considers a financial asset to be in default when:
- <u>Days Past Due:</u> Exposures that have one or more instalment past due for more than 90 days.
- <u>Event driven defaults:</u> This will be based on the customer specific factors such as breach of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower, loss of a significant contract significantly impacting the ability of the customer to repay and other customer specific factors. This will be applied on a case-by-case basis.

In assessing whether a borrower is in default, the Branch considers indicators that are:
- qualitative - e.g., breaches of covenant;
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Branch; and
- based on data developed internally and obtained from external sources.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on are relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Branch 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 Branch's existing risk management processes.

At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

The movement from Stage 1 to Stage 2 is dependent upon assessment of quantitative, qualitative and backstop indicators such as days past due > 30 of the borrowers, change in risk rating such as 3 or more notch down in the Internal or external rating of the borrower and other criterion due to which the borrower is classified in "Watchlist". The indicators are based on statistical models, delinquency movements and other qualitative criteria in place as required by the regulatory guidelines.

Improvement in credit risk profile

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL.

The Branch has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage1.

Based on Branch's defined qualitative and quantitative criteria if there is significant decrease in credit risk, customers will be upgraded stage-wise (one stage at a time) from Stage 3 to Stage 2 and from Stage 2 to Stage 1 after meeting the cooling off period of at least 12 months respectively.

Incorporation of forward-looking information (Macro Economic variables)

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. In its Expected Credit Life ("ECL") model, the Branch has considered the GDP and Inflation rates as a macroeconomic input.

Incorporation of forward-looking information (Macro Economic variables)

The Branch formulates three economic scenarios: a base case, which is the median scenario assigned a 65% (2023: 65%) probability of occurring, and two less likely scenarios, one upside and one downside, upside is assigned a 10% (2023: 10%) downside is assigned at 25% (2023: 25%) probability of occurring. External information considered including macro-economic forecasts published by International Monetary Fund (IMF). The Branch considered the IMF macro-economic forecasts for all countries where Branch has credit exposure and the below table represent the macro-economic variables of those countries where the Branch has exposure above AED 500 million as on 31st December 2024.

The Branch has considered the anchor level macroeconomic indicators i.e. GDP and Inflation and documented as key drivers of credit risk and credit losses for each portfolio of financial instruments. The economic scenarios used as at 31st December 2024 included the following key indicators for the years ending 31st December 2025 to 2029.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Incorporation of forward-looking information (Macro Economic variables) (continued)

Region	Macro Variables	Scenario	2025	2026	2027	2028	2029
UAE	UAE GDP	Base	5.10%	5.10%	4.70%	4.40%	4.30%
		Upside	8.59%	8.59%	8.19%	7.89%	7.79%
		Downside	1.61%	1.61%	1.21%	0.91%	0.81%
	UAE Inflation	Base	2.10%	2.00%	2.00%	2.00%	2.00%
		Upside	-0.11%	-0.21%	-0.21%	-0.21%	-0.21%
		Downside	4.31%	4.21%	4.21%	4.21%	4.21%
Oman	Oman GDP	Base	3.10%	4.40%	4.00%	3.60%	3.60%
		Upside	6.57%	7.87%	7.47%	7.07%	7.07%
		Downside	-0.37%	0.93%	0.53%	0.13%	0.13%
	Oman Inflation	Base	1.70%	2.00%	2.00%	2.00%	2.00%
		Upside	0.71%	1.21%	1.21%	1.21%	1.21%
		Downside	2.29%	2.79%	2.79%	2.79%	2.79%
Qatar	Qatar GDP	Base	1.90%	5.80%	7.90%	3.50%	1.60%
		Upside	4.56%	8.46%	10.56%	6.16%	4.26%
		Downside	-0.76%	3.14%	5.24%	0.84%	-1.06%
	Qatar Inflation	Base	1.40%	1.90%	2.00%	2.00%	2.00%
		Upside	-0.82%	-0.32%	-0.22%	-0.22%	-0.22%
		Downside	3.62%	4.12%	4.22%	4.22%	4.22%
Kuwait	Kuwait GDP	Base	3.30%	2.50%	2.60%	2.60%	2.60%
		Upside	6.86%	6.06%	6.16%	6.16%	6.16%
		Downside	-0.26%	-1.06%	-0.96%	-0.96%	-0.96%
	Kuwait Inflation	Base	2.40%	2.10%	1.90%	1.80%	1.70%
		Upside	1.31%	1.01%	0.81%	0.71%	0.61%
		Downside	3.49%	3.19%	2.99%	2.89%	2.79%
Tanzania	Tanzania GDP	Base	6.00%	6.30%	6.50%	6.50%	6.50%
		Upside	7.00%	7.30%	7.50%	7.50%	7.50%
		Downside	5.00%	5.30%	5.50%	5.50%	5.50%
	Tanzania Inflation	Base	4.00%	4.00%	4.00%	4.00%	4.00%
		Upside	2.95%	2.95%	2.95%	2.95%	2.95%
		Downside	5.05%	5.05%	5.05%	5.05%	5.05%
India	India GDP	Base	6.50%	6.50%	6.50%	6.50%	6.50%
		Upside	10.70%	10.70%	10.70%	10.70%	10.70%
		Downside	2.30%	2.30%	2.30%	2.30%	2.30%
	India Inflation	Base	4.10%	4.10%	4.00%	4.00%	4.00%
		Upside	3.07%	3.07%	2.97%	2.97%	2.97%
		Downside	5.13%	5.13%	5.03%	5.03%	5.03%

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: generally, as a provision; and

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

- Where a financial instrument includes both a drawn and an undrawn component, and the Branch cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Branch presents a loss allowance for both components. The amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Experienced credit judgement

The Branch'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 Branch considers the maximum contractual period over which the Branch is exposed to credit risk. All contractual terms are considered when determining the expected life.

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

Expected life

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

Rating methodology used by the Branch

Within the Corporate & Small Medium Enterprises (SME) Banking business, Internal Rating Model is used for quantifying the risk associated with the counterparty. The model has been named as BOB Risk Assessment Model (BOB-RAM) ("the model"). Accounts having exposure of AED 3.673 million (US Dollar 1 million) and above are rated under the model.

The model is a two-dimensional rating model under which both the obligor and facility are rated. Obligor rating grades are defined from BOB 1 to BOB 10. BOB 1 is the highest safety grade while BOB 10 is the default grade. BOB 1 to BOB 6 is defined as the investment grade rating while BOB 7 to BOB 10 is defined as the non-investment grade.

Exposures below AED 3.673 million (US Dollar 1 million) are rated under internal manual score-based model. Based on the total score rating grades are defined as SME-BOB 1 to SME – BOB 7 with total 7 rating grades. SME - BOB1 is the highest safety grade while SME – BOB 7 is the default grade.

Write off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flow store pay the amounts subject to the write-off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Modifications

Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Branch assesses whether this modification results in derecognition. In accordance with the Branch's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Branch considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is material, the Branch deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Branch determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

If the Branch plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative valuation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Branch first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss. Then the Branch measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Modifications (continued)

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Branch accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is material different from the discounted present value of the remaining cash flows of the original financial liability.

In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the statement of profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in the statement of profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Derecognition

Financial assets

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

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Derecognition (continued)

Financial assets (continued)

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

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

The Branch enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Financial liabilities

The Branch derecognises financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

When the Branch exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Off-setting

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

3 Summary of material accounting policies (continued)

3.5 Financial instruments (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Portfolio-level adjustments – e.g., bid [1] ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving similar investments, are based on the expected discounted cash flows.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Branch recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

3.6 Derivatives

Derivatives are initially recognised, and subsequently measured at fair value with transaction costs taken directly to the statement of profit or loss. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative or using valuation techniques, mainly discounted cash flow models. The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument and, if so, the nature of the risk being hedged.

All gains and losses from changes in fair value of derivatives held for hedgings are recognised in the statement of profit or loss.

3 Summary of material accounting policies (continued)

3.7 Customers' indebtedness and Liabilities accepted by the Branch

Liabilities accepted by the Branch arise when the Branch is under an obligation to make payments against documents drawn under letter of credit. Liabilities accepted by the Branch specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Branch and is therefore, recognised as a financial liability in the statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

Liabilities accepted by the Branch have been considered within the scope of IFRS 9 Financial instrument and continued to be recognised as a financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset.

3.8 Property and equipment

Recognition and measurement

Items of property and equipment, including right of use assets are measured at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent cost

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

Depreciation

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment, principally between 2-10 years. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount with a charge to the statement of profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in the statement of profit or loss as incurred.

Derecognition / Disposal

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

3.9 Leases

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

At commencement or on modification of a contract that contains a lease component, the Branch allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of office premises the Branch has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

3 Summary of material accounting policies (continued)

3.9 Leases (continued)

The Branch recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate. Generally, the Branch uses its incremental borrowing rate as the discount rate.

The Branch determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

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

Short-term leases and leases of low value assets

The Branch has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Branch recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease arrangements as lessor

The Branch does not have any lease arrangements in which it acts as a lessor.

3 Summary of material accounting policies (continued)

3.10 Taxation

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

1) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
2) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
3) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Branch considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

3.11 Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset that generates cash flows and that largely is independent from other assets. Impairment losses are recognised in the statement of profit or loss.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3 Summary of material accounting policies (continued)

3.11 Impairments of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Due to banks

Due to banks are financial liabilities and are initially recognized at their fair value minus the transaction costs and subsequently measured at their amortized cost using the effective interest rate method.

3.13 Deposits

Deposits are the Branch's primary source of debt funding. Deposits are initially measured at fair value minus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.14 Provisions

A provision is recognised in the statement of financial position when the Branch has a legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost. 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.

3.15 Net residual attributable to Head office

The Branch is not a separate legal entity and hence it did not issue own equity instruments. The 'Net residual attributable to Head Office' represent an excess or deficit arising from operations of the Branch which is attributable to the Head office. The head office has a right to request redemption of this balance in cash. It is impractical to determine the exact amount of a potential redemption as it is unknown when and if the head office will require redemption. As a practical expedient, the Branch measures the 'Net residual attributable to head office' at the IFRS carrying value of the entity's net assets. The 'Net residual attributable to Head office' does not meet definitions of financial assets, liabilities or equity instruments and is presented as a separate line item outside of assets and liabilities.

3.16 Impairment reserve

As per the new Credit Risk Management Standards ("CRMS") issued by CBUAE and notice no. CBUAE/BIS/2024/5131 dated 17 October 2024, if the general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the retained earnings. The impairment reserve will not be available for payment of dividend.

3 Summary of material accounting policies (continued)

3.17 Interest income and expense

Effective interest rate
Interest income and expense for all interest-bearing financial instruments, except for those classified as FVTPL or designated at FVTOCI, are recognized within 'interest income' and 'interest expense' in the statement of profit or loss using the effective interest method.

Interest income and expense are recognized in statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branches estimate future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Presentation
Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on financial investment is measured at FVOCI calculated on an effective interest basis;
- Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Amortised cost and gross carrying amount
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense
In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount (as explained above).

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3 Summary of material accounting policies (continued)

3.18 Fee and commission income and expense

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Branch to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under IFRS 15, fee income is measured by the Branch based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Branch recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- Other fee and commission income, including account servicing fees, placement fees and syndication fees, are recognised as the related services are performed.

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

A contract with a customer that results in a recognised financial instrument in the Branch's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Branch first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fees and commission expenses relates mainly to transaction and service fees, which are expensed in the statement of profit or loss as the services are received.

3.19 Staff terminal benefits

The Branch provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement subject to completion of minimum service period. This calculation is performed based on a projected unit credit method.

The Branch contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Branch's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Branch has a legal and constructive obligation to pay the fixed contributions as they fall due, and no obligations exist to pay the future benefits.

3.20 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Branch to make specified payments to reimburse the holder for a loss it incurs as a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre- specified terms and conditions.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected future payment (when a payment under the guarantee has become probable).

The amount of the loss allowance determined in accordance with IFRS 9, and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

4 New and Amended standards and interpretations adopted

4.1 Standards, interpretations and amendments to existing standards that are effective in 2024

A number of new standards, interpretations or amendments to existing standards are effective for annual periods beginning on or after 1 January 2024. Information on the new standards, interpretations or amendments to existing standards is set out below:

- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 1 – Classification of liabilities as current or non-current
- Amendment to IFRS 7 – Supplier finance arrangements
- Amendment to IAS 7 – Statement of cash flows
- Amendments to IFRS 16 – Lease liability in a sale and leaseback

The Branch reviewed the impact of the amendments and concluded that there is no significant impact of the amendment on the financial statements.

4.2 Standards, interpretations and amendments to existing standards that are not yet effective and are not early adopted

Amendments effective for accounting periods beginning on or after 1 January 2025
In January 2020 the IASB published 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)'

- Amendments to IAS 21 – Lack of Exchangeability
- IFRS 18 Presentation and disclosure in financial statements - This new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.
- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
- IFRS 19 Subsidiaries without Public Accountability: Disclosures – This new standard permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

The Branch intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5 Significant management judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Expected credit losses on loans and advances

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the selection of appropriate macro-economic variables, determining weightage of probability of default under base case, best case and worst-case scenario, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

5 Significant management judgements and estimates (continued)

Fair value of derivatives

The fair value of derivatives that are not quoted in active markets are determined using valuation techniques. Valuation techniques include using arm's length transactions between knowledgeable, willing parties (if available), reference to the current market value of other instruments that are substantially the same and discounted cash flow analysis. To the extent it is practical, observable data is applied in the valuation techniques, however areas such as credit risk (both own and counterparty), volatilities and correlation requires management to make assumptions. Changes in assumptions relating to these factors could affect the reported fair value of derivatives.

Income taxes

The Branch is subject to income tax in the UAE. Estimates are required in determining the provision for income taxes. There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Branch recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recoverability of deferred tax asset ("DTA")

The Branch reviews the recoverability of deferred tax asset on a periodic basis. DTA is released to the statement of profit or loss as a result of decrease in loan loss provision or loan being written off from the statement of financial position determining the recoverability of DTA, the management makes estimates and uses judgments as to whether there is any observable data indicating the reversal of the provision against which DTA is recorded.

Financial Assets Classification

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

Significant increase in credit risk

ECL are measured an allowance equal to 12-month ECL for stage-01 assets, or lifetime ECL assets for stage-02 or stage-03 assets. Assets move to Stage-02 when its credit risk has increased significantly since initial recognition. IFRS-09 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Branch considers qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

The following are key estimations that have been used in the process of applying the Branch's accounting policies:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and determining the forward-looking information relevant to each scenario. When measuring ECL model, the Branch uses reasonable and supportable forward-looking information relevant to each scenario: When measuring ECL the Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default: PD constitutes a key input in measuring ECL. PD is as estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

5 Significant management judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Branch uses market-observable data to the extent it is available. Where such Level I input are not available the Branch uses valuation models to determine the fair value of its financial instruments. Refer to note 30 for more details on fair value measurement.

Effective Interest Rate (EIR) Method

The Branch's EIR method, as explained in note 3.17, recognizes interest income using a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortized cost of the financial liability along with recognizing the impact of transaction costs and fees paid or received that are an integral part of the effective interest rate. This estimation, by nature, requires an element of judgement regarding the expected behavior and life cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

6 Cash and balances with the UAE Central Bank

	Note	2024 AED'000	2023 AED'000
Cash on hand		**140,102**	188,715
Balances with the UAE Central Bank:			
UAE Central Bank Overnight Deposit Facility		**7,200,000**	1,600,000
Regulatory cash reserve deposits	6.1	**262,521**	850,835
Gross balances with UAE central bank		**7,602,623**	2,639,550
Less: Allowances for impairment losses		**-**	-
Net Balances with UAE Central Bank		**7,602,623**	2,639,550

6.1 Regulatory cash reserve is maintained with the CBUAE in UAE Dirhams and US Dollars. As per CBUAE guidelines issued on October 28, 2020, these can be withdrawn by financial institutions on any day up to 100% for daily settlement purposes or to deal with any swings on overnight money market rates; while ensuring that daily average requirements over a 14-day reserve maintenance period. Accordingly, it is available to finance the day-to-day operations of the Branch. The regulatory cash reserve balance is calculated each month in accordance with the CBUAE directives and is based on outstanding customer deposit balances.

7 Due from banks

	2024 AED'000	2023 AED'000
Money market placements	**-**	602,123
Nostro balances	**6,295**	8,784
Gross due from banks	**6,295**	610,907
Less: Expected credit losses	**(1)**	(59)
Net due from banks	**6,294**	610,848

Interest on money market placements ranged from 5.33 % to 6.28% for the year ended 31 December 2024 (31 December 2023: 3.35 % to 6.85%).

8 Loans and advances to customers

The composition of the loans and advances is as follows:

	2024 AED'000	2023 AED'000
Overdrafts	**2,855,501**	4,010,542
Term loans	**17,086,861**	14,459,365
Loans against trust receipts	**465,796**	844,209
Bills discounted	**348,706**	481,034
Gross loans and advances	**20,756,864**	19,795,150
Less: Allowances for impairment losses	**(684,832)**	(2,351,722)
Net loans and advances to customers	**20,072,032**	17,443,428

	2024 AED'000	2023 AED'000
ECL on loans and advances - Performing (Stage 1 and 2)	**138,083**	200,646
ECL on loans and advances – non-performing (Stage 3)	**546,749**	2,151,076
Allowances for impairment losses	**684,832**	2,351,722

An analysis of changes in the ECL allowances is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
ECL allowance at 1 January 2023	75,971	162,793	2,536,552	2,775,316
Net (reversals) / impairment charge	4,791	(42,909)	251,513	213,395
Recoveries	-	-	(27,001)	(27,001)
Impairment losses – net	4,791	(42,909)	224,512	186,394
Amounts written off	-	-	(609,988)	(609,988)
At 31 December 2023	80,762	119,884	2,151,076	2,351,722
Net impairment charge	**(7,560)**	**(55,003)**	**100,758**	**38,195**
Recoveries	**-**	**-**	**(19,833)**	**(19,833)**
Impairment losses – net	**(7,560)**	**(55,003)**	**80,925**	**18,362**
Amounts written off	**-**	**-**	**(1,685,252)**	**(1,685,252)**
At 31 December 2024	**73,202**	**64,881**	**546,749**	**684,832**

9 Investment securities

The Branch has designated the following investments in Monetary bills as financial assets at amortized cost as these are investments that the Branch plans to hold in the long term for strategic reasons. The Branch classified equity instruments and government bonds as financial assets at fair value through other comprehensive income, as the Branch objective is achieved by both collecting contractual cash flows and selling financial assets.

9 Investment securities (continued)

By category:	2024 AED'000	2023 AED'000
Financial asset at amortized cost:		
Monetary Bills	**1,902,100**	1,066,770
Less: Expected credit losses	**(26)**	(15)
Financial asset at amortized cost (Net of ECL)	**1,902,074**	**1,066,755**
Financial asset at fair value through other comprehensive income:		
Debt securities	**78,973**	122,953
Equity securities	**-**	38,618
Fair value reserve movement	**(18,365)**	(103,464)
	60,608	58,107
	1,962,682	1,124,862

Interest on investment is earned at 5.36% for the year ended 31 December 2024 (2023: 4.72%)

10 Property and equipment

Cost	Furniture Fixtures and Leasehold Improvements AED'000	Motor vehicles and other equipment AED'000	Right-of-use assets AED'000	Total AED'000
At 1 January 2023	34,924	8,435	59,024	102,383
Impact of modification of lease	-	-	287	287
Additions	1,011	341	-	1,352
Disposals	(769)	(164)	-	(933)
At 31 December 2023	35,166	8,612	59,311	103,089
Additions	**217**	**687**	**-**	**904**
Disposals	**(166)**	**(1,174)**	**-**	**(1,340)**
Impact of modification of lease	**-**	**-**	**18,399**	**18,399**
At 31 December 2024	**35,217**	**8,125**	**77,710**	**121,052**

Accumulated depreciation	Furniture Fixtures and Leasehold Improvements AED'000	Motor vehicles and other equipment AED'000	Right-of-use assets AED'000	Total AED'000
At 1 January 2023	24,852	7,371	33,926	66,149
Charge for the year	2,520	634	7,214	10,368
Disposals	(707)	(164)	-	(871)
At 31 December 2023	26,665	7,841	41,140	75,646
Charge for the year	**2,089**	**485**	**7,181**	**9,755**
Disposals	**(156)**	**(1,174)**	**-**	**(1,330)**
At 31 December 2024	**28,598**	**7,152**	**48,321**	**84,071**
Net book value				
At 31 December 2023	8,501	771	18,171	27,443
At 31 December 2024	**6,619**	**973**	**29,389**	**36,981**

11 Other assets

	2024 AED'000	2023 AED'000
Accrued interest receivable	**141,626**	124,408
Prepayments	**2,476**	2,268
Other receivables	**13,021**	12,776
	157,123	139,452

12 Due to banks

	2024 AED'000	2023 AED'000
Term deposits	**2,567,818**	128,941
Overdrawn nostro	**73,606**	157,670
	2,641,424	286,611

Interest on term deposits ranged from 0.30 % to 5.96% for the year ended 31 December 2024. (2023: 0.35 % to 5.96%).

13 Deposits from customers

	2024 AED'000	2023 AED'000
Time deposits	**11,733,605**	8,939,589
Demand deposits	**9,437,756**	8,959,564
Saving deposits	**434,061**	432,611
Other deposits	**13,798**	17,839
	21,619,220	18,349,603

By counterparty

	2024 AED'000	2023 AED'000
Private Sector-Corporate	**13,729,154**	11,411,474
Private Sector-Individual	**7,315,184**	6,193,638
Non-Banking Financial Institution	**574,882**	744,491
	21,619,220	18,349,603

14 Other liabilities

	Notes	2024 AED'000	2023 AED'000
Accrued interest payable		**219,417**	179,012
Staff terminal benefits	14.1	**28,124**	26,724
Provision for taxation	25	**56,043**	132,496
Banker's cheque		**81,497**	38,331
ECL on unfunded exposures		**27,323**	24,598
Lease Liability	14.2	**24,578**	12,295
Sundry creditors		**9,125**	9,676
Settlement & clearing accounts		**14,873**	18,998
Provision for accrued expenses		**50,603**	41,613
Others		**57,999**	60,199
		569,582	543,942

14.1 Staff terminal benefits

	2024 AED'000	2023 AED'000
As at 1 January	**26,724**	24,247
Charged during the year	**2,412**	3,236
Paid during the year	**(1,012)**	(759)
As at 31 December	**28,124**	26,724

14.2 Lease liability

	2024 AED'000	2023 AED'000
As at 1 January	**12,295**	21,673
Impact of modification of lease	**18,126**	269
Additions	**-**	-
Interest expense	**966**	964
Cash payments	**(6,809)**	(10,611)
As at 31 December	**24,578**	12,295

15 Allocated capital

	2024 AED'000	2023 AED'000
Allocated capital	**760,000**	760,000

This represents the amount received from the Head Office as Allocated capital to the UAE Branches. On 21 December 2015, the Branch increased its allocated capital from AED 390 million to AED 760 million by additional funding provided by the Head Office.

16 Statutory reserve

As per Article 103 of UAE Federal Decree Law No. (32) of 2021 (applicable from 2 January 2022), the Branch has transferred 5% of Net Profits to non-distributable legal and statutory reserve until such reserve equals 50% of the allocated capital of the Branch. As the Branch had a net profit amounted to AED 468.837 million for the year ended 31 December 2024 (31 December 2023: Profit of AED 424.197 million), and transfer of AED 23.442 million to statutory reserve has been made during the year (31 December 2023: AED 21.210 Million).

	2024 AED'000	2023 AED'000
Balance as at 1 Jan	119,160	97,950
Transfer during the year	23,442	21,210
Balance at 31 December	142,602	119,160

16.1 Impairment reserve

	2024	2023
Impairment Reserve - Collective as at the year end	AED'000	AED'000
Collective provisions under Circular 5131/2024 of CB UAE	236,236	193,218
Less: Stage 01 & Stage 02 provisions under IFRS-09	(145,962)	(206,236)
Collective provision transferred to general impairment reserve	90,274	-

The Branch has computed general provision as 1.5% of credit risk weighted assets as at 31 December 2024 in accordance with CRMS guidelines. The resultant incremental difference between 1.5% of credit risk weighted assets and stage 1 and stage 2 combined ECL is transferred from retained earnings to a non-distributable impairment reserve.

As at 31 December 2024 and 31 December 2023, the collective provision under New Credit Risk Management Standards issued by CB UAE amounted to AED 236.236 million, while the provision under IFRS-09 on stage-1 and stage-2 amounted to AED 145.962 million (2023: AED 206.236 million). Therefore Collective provision of AED 90.274 Mn is transferred to general impairment reserve (Other reserve). For the year ended 31 December 2023, no transfers were made as stage 1 and stage 2 provision under IFRS 9 was greater than CBUAE provision.

17 Interest income

	2024	2023
Interest from:	AED'000	AED'000
On loans and advances to customers	1,262,355	1,007,320
On loans and advances to financial institutions / banks	136,746	111,421
Investment securities	92,931	68,431
	1,492,032	1,187,172

18 Interest expense

	2024	2023
Interest to:	AED'000	AED'000
Deposit from customers	538,869	389,564
Banks/ financial institutions	135,731	49,782
	674,600	439,346

19 Fee and commission income

	2024 AED'000	2023 AED'000
Corporate	**20,010**	30,785
Processing fee	**6,599**	7,286
Retails	**8,381**	11,973
Trade finance & guarantees	**20,024**	20,399
Fee from postage and SWIFT	**7,274**	7,653
Others	**14,364**	17,354
	76,652	95,450

20 Fee and commission expense

	2024 AED'000	2023 AED'000
Commission to agents & others	**768**	2,005
	768	2,005

21 Other operating income

	2024 AED'000	2023 AED'000
Foreign exchange income	**28,361**	29,969
Others	**3,845**	6,588
	32,206	36,557

22 Personnel expenses

	2024 AED'000	2023 AED'000
Staff salaries and allowances	**66,053**	63,465
Pension and retirement benefits	**6,733**	9,330
Others	**2,123**	3,143
	74,909	75,938

23 General and administrative expenses

	2024 AED'000	2023 AED'000
Rent expense	**4383**	4,117
Legal and professional charges	**63,356**	34,843
Sundry charges	**27,267**	16,547
Other miscellaneous expenses	**13,937**	14,344
Provision for impairment of other assets	**-**	27,476
	108,943	97,327

24 Impairment losses on financial assets

	2024 AED'000	2023 AED'000
Recovery in bad debt write off account	**4,524**	99,635
Recoveries	**19,507**	27,001
Provision reversal due to write offs on bad debts/others	**1,685,579**	631,139
Bad debts written off	**(1,685,252)**	(609,998)
Provision on advances	**(133,573)**	(213,405)
	(109,215)	(65,628)

25 Taxation

The Branch has provided for income tax in accordance with management's estimate of the total amount payable based on tax rates enacted or substantively enacted as at the reporting date. The Branch is governed by both Emirate Level Taxation as well as Federal Level Tax i.e. Corporate Tax. Under Emirate Level Taxation income tax is payable to respective Emirate on revenues generated in that Emirate and under Corporate Tax, income tax is payable to Federal Tax Authority of UAE on consolidated income of Branch.

UAE Corporate Tax Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for the Group from 1 January 2024. A rate of 9% is applicable to taxable income exceeding AED 375,000 based on the Cabinet Decision 116 of 2022.

	2024 AED'000	2023 AED'000
Movement in tax provision		
Balance at 1 January	**132,496**	38,918
Current year tax expense	**56,043**	141,664
Prior year tax expense / refunds	**9,348**	(9,719)
Taxes paid	**(141,844)**	(38,367)
Balance at 31 December	**56,043**	132,496

	2024 AED'000	2023 AED'000
Current tax expense		
Provision for current year tax	**56,043**	**141,664**
Provision made for prior year tax	**9,348**	**4,156**
Total current tax expense	**65,391**	**145,820**
Deferred tax	**41,748**	**58,550**
Total income tax expense	**107,139**	**204,370**

Deferred tax

Deferred taxation comprises of impairment provisions on loans and advances and interest in suspense. The movement in deferred tax during the year is as follows:

25 Taxation (continued)

Movement in deferred tax	2024 AED'000	2023 AED'000
Balance at 1 January	**106,621**	165,171
Utilization during the year	**(41,748)**	(58,550)
Balance at 31 December	**64,873**	106,621

26 Commitments and contingent liabilities

At any time, the Branch has outstanding commitments to extend credit. These commitments take the form of approved loan facilities. Outstanding loan commitments have commitment periods that do not extend beyond the normal underwriting and settlement period.

The Branch provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

At 31 December, the Branch's commitments and contingent liabilities were as follows:

	2024 AED'000	2023 AED'000
Letters of credit	**278,783**	200,208
Guarantees	**621,707**	602,464
Undrawn loan commitments	**1,669,334**	3,336,315
Foreign exchange and forward commitments	**16,764,342**	7,788,937
	19,334,166	11,927,924

The commitments and contingent liabilities above may expire without being funded in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at 31 December 2024 (31 December 2023: Nil) there is no undisclosed contingent liability against the Branch and also there has been no claim, proceeding or any regulatory action in UAE or in the home country against the Branch. No further disclosures regarding contingent liability arising from this is being made by the Branch, as the Branch believes that such disclosures may be prejudicial and detrimental to the Branch's position.

26 Cash and cash equivalents

	2024 AED'000	2023 AED'000
Maturing within 3 months		
Cash and balances with the UAE Central Bank	**7,602,623**	2,639,550
Due from banks	**6,294**	454,355
Due from the Head Office and branches	**260,472**	570,684
Investment securities	**826,762**	646,231
Due to banks	**(2,641,424)**	(128,940)
Due to the Head Office and branches	**(67,618)**	(109,317)
Cash and cash equivalents in the statement of cash flow	**5,987,109**	4,072,563

27 Financial risk management

27.1 Introduction and overview

The primary objective of the Branch is to manage risk and provide returns to the shareholder in line with the accepted risk profile. Risk is inherent in the Branch's activities, but it 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 Branch's continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his responsibilities.

In the course of doing its regular business activities, the Branch has exposure to the following material risks from its use of financial instruments:

- Credit risk;
- Market risk;
- Liquidity risk; and
- Operational risk

And other risks like compliance risk, information security risk, reputational risk, strategic risk, environment social governance risk, operational resiliency & business continuity risk. This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, risk management frameworks, policies, and processes for measuring and managing risk and the management of the Branch's capital.

The Board and UAE Corporate Governance

The Central Bank of the UAE vide its notification No. CBUAE/ BSD/ 2019/ 3671 dated 17th September 2019, inter-alia issued accompanying Corporate Governance Regulations (Circular No. 83/2019 dated 18th July 2019) & 'Corporate Governance Standards' applicable to all the banks operating in the UAE, including for the branches of foreign banks.

The Bank of Baroda- UAE is a branch of foreign Bank and being Branches of foreign banks operating in the UAE must also adhere to the requirements of the aforementioned Regulation and Standards and establish equivalent arrangements so as to ensure regulatory comparability and consistency in the area of corporate governance.

Accordingly, the Board has established local governance structures at Branch level, such as a UAE - Senior Management Committee (UAE-SMC), that fulfils the responsibilities of a Board required by the Corporate Governance Regulations and Standards. Further, three Sub- Committees to the Senior Management Committee to ensure appropriate fulfilment of the responsibilities in the areas of Risk Management, Audit, Compliance and Compensation.

The Sub- Committees are as under;

- Risk Management Committee (UAE-RMC)
- Audit Committee (UAE-AC)
- Nominations & Compensation Committee (UAE-NCC)

These sub-committees are having various Management Level Committees chaired by the UAE Senior Management.

The Board is responsible for the overall stewardship of the Bank and fulfils its responsibilities through various overseeing sub- committees/ management committees / structures/ frameworks etc. aiming to enhance long-term shareholder value.

28 Financial risk management (continued)

28.1 Introduction and overview (continued)

The Board and UAE Corporate Governance (continued)

The Board of the Bank has ultimate responsibility for the UAE Branch business strategy and financial soundness, key personnel decisions, risk management, internal organization and governance structure & practices, and compliance obligations. The Board has delegated some of its functions, though not its responsibilities, to Sub-Committees of the Board wherever appropriate. At the same time, it is clear that Board is not responsible for day-to-day operations and management, which are the sole responsibility of the Bank's Executives / Senior Management.

UAE- Senior Management Committee (UAE-SMC)

The UAE Senior Management Committee (UAE-SMC) is granted the authority by the Board of Bank of Baroda be responsible for the oversight, governance and direction of the business and affairs of the UAE Branch.

The objective of the UAE Senior Management Committee (UAE-SMC) is to define, oversee and be accountable for the implementation of governance arrangements that ensure effective and prudent management of Bank of Baroda – UAE ("The UAE Branch"). The Senior Management Committee also has overall responsibility for management of the operations of the UAE Branch subject to any relevant laws and regulations.

The composition, guiding principles and detailed roles and responsibilities are covered in the UAE-SMC Terms of Reference (TOR).

UAE – Risk Management Committee (UAE-RMC)
The UAE Risk Management Committee (UAE-RMC) is a sub-committee of the Senior Management Committee of the Bank of Baroda -UAE ("the UAE Branch") and, as such, has direct delegated responsibility from the Senior Management Committee, through the Board of the Bank.

The primary objective of UAE-RMC is to achieve oversight of the overall risk management function, including Credit, Market, Operational Risk and Liquidity Risk, and other material risks. The Committee aims to effectively monitor the risks arising in the UAE Branch across business lines, product areas and geographies and more generally, to monitor procedures and identify solutions to minimise or mitigate those risks. The UAE-RMC is to define, develop and periodically monitor the Branch's risk appetite along with its related methodology, parameters, targets and tolerances taking into account the Branch strategy and business planning.

The Branch CRO assists UAE-RMC in overseeing the Branch-wide risk strategy and exposures to enable integrated risk management in an effective manner. The Branch CRO reports relevant matters to the Borad and Sub-Committee of the Board as appropriate, advising and informing them on the Branch's risk appetite and framework.

The composition, guiding principles and detailed roles and responsibilities are covered in the UAE-RMC Terms of Reference (TOR).

UAE – Audit Committee (UAE-AC)
The UAE- Audit Committee ("UAE-AC") of Bank of Baroda - UAE ("the UAE Branch") is a sub-committee of the Senior Management Committee and, as such, has direct delegated responsibility from the Senior Management Committee, through the Board of the Bank.

28 Financial risk management (continued)

28.1 Introduction and overview (continued)

The Board and UAE Corporate Governance (continued)

The objective of the UAE-AC is to provide oversight of the UAE Branch's overall internal control, compliance and internal audit related functions, which includes legal & regulatory sanctions, material financial loss or loss to reputational, quality & effectiveness of the UAE Branch's internal control system, financial affairs and related control arrangements and monitor inspection reports submitted by the Internal Auditors/ External Auditors as well as consider any relevant regulatory matters. It is also responsible for reviewing/ approving the financial statements of the UAE Branch.

The composition, guiding principles and detailed roles and responsibilities are covered in the UAE-AC Terms of Reference (TOR).

UAE – Nominations & Compensation Committee (UAE-NCC)
The UAE Nomination and Compensation Committee ("UAE-NCC") is appointed by the Senior Management Committee of the Bank of Baroda - UAE ("the UAE Branch") and, as such, has direct delegated responsibility from the Senior Management Committee through the Board of the Bank.

The UAE Nomination and Compensation Committee (UAE-NCC) shall lead the process of identifying, assessing, and selecting the candidates for the UAE-SMC and the Senior Management along with assessment of Fit and Proper criteria for the members of the UAE-SMC and the Senior Management of the UAE Branch. The Committee also ensures that appropriate succession planning for Senior Management and Material Risk Takers is in place.

The composition, guiding principles and detailed roles and responsibilities are covered in the UAE-NCC Terms of Reference (TOR).

Branch Risk Management
The Bank has a centralized Risk Management functions led by the Branch CRO. The centralized Risk Management function comprises Enterprise Risk, ESG Risk, Credit Risk, Operational Risk, Fraud Risk and Investigations, Market and Liquidity Risk Management Unit, Information Security and Business Continuity Management unit and overall Corporate Governance function.

Enterprise Risk Management Framework
The Enterprise Risk Management Framework ("ERMF") aims to accomplish its core values and purpose of being a world class organization maximizing its risk adjusted returns for all stakeholders by establishing an enterprise-wide risk management framework across the Bank including local and international branches, subsidiaries, associates and foreign representative offices. Core objective of ERMF is to provide a reasonable degree of assurance to the BOD that the risks threatening Bank achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system.

In view of core objective of the ERMF, the Branch has also formulated the UAE specific ERMF (UAE-ERMF). The UAE-ERMF & RMF enables Banks to develop and implement appropriate Board level strategies, policies & procedures and controls to manage all types of material risks and provides the Board / Senior

28 Financial risk management (continued)

28.1 Introduction and overview (continued)

The Board and UAE Corporate Governance (continued)

Management with a comprehensive Bank-wide view of material risks. The UAE-ERMF consists of specific policy documents covering all material risks across the Branch; which include Risk Appetite Framework, Loan (Credit) Policy and Retail Loan Policy, Credit Risk Management Policy, IFRS 9 ECL Policy, Market Risk Management Policy, Asset Liability Management Policy, Operational Risk

Management Policy, Fraud Management Policy, AML & Compliance Risk related policies, Information Security risk related policies, BCM Policy, Internal Capital Adequacy Assessment Process ("ICAAP") Policy, New Products Approval policy, Outsourcing Policy, Corporate Governance Framework etc.

In addition to these risk management policies, the Branch has also put in place detailed operational policies, procedures and manual wherever needed.

The Branch manages risks using three lines of defence comprising of business units and enabling functions, control units and Internal Audit.

Business units and enabling functions, as the first line of defence, identify and manage risk in their day-to-day activities by ensuring that activities are within the Branch's risk appetite and follow all relevant internal policies and processes. Risk Management and Compliance, as the second line of defence, establishes risk controls comprising of policies and processes while also providing oversight and independent challenge to the first line of defence. Internal audit, as the third line of defence, provides assurance to management and the Board of the effectiveness of risk management practices employed by the first two lines of defence.

Risk Management Framework

The Branch through its Risk Management Framework (RMF)

- Establishes common principles and standards for the management and control of all risks and to inform behaviour across the organisation;
- Provides a shared framework and language to improve awareness of risk management processes; and
- Provides clear accountability and responsibility for risk management.

The core components of the RMF include risk classifications, risk principles and standards, definitions of roles, responsibilities and governance structure. It also includes a clear definition of key terms to ensure that we use them consistently.

The Branch has a specialist risk management function, with strength in depth, experience across all risk types and economic scenarios. The Branch's management has overall responsibility for the establishment and oversight of the Branch's risk management framework. The risk management department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The risk management function works closely with the other functions of Branch to support their activities, while safeguarding the interest of stakeholders.

Risk Management Framework (continued)

The Branch continues to re-examine the entire process, inherent risk factors and controls and consider opportunities by rationalising regulatory risk management initiatives. Experiencing from the crisis, and to deliver value beyond mere adherence, one part of the framework is Internal Capital Adequacy Assessment Process (ICAAP), to assess capital to cover risks not covered under Pillar 1. This ICAAP exercise has demonstrated that the Branch has sufficient capital buffers to cushion any extreme circumstances or scenarios and the Branch has adequate risk bearing capacity at 99.9% confidence level.

28 Financial risk management (continued)

28.2 Credit risk

Credit risk is the risk of financial loss to the Branch if a customer or counterparty will fail to meet a commitment contractual obligation, resulting in financial loss to the Branch. Such risk arises from loans and advances to customers, due from banks and financial institutions, derivatives and certain other assets held by the Branch. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

Management of credit risk

Credit risk identification and assessment is carried out, through a comprehensive mechanism comprising of three levels of defence. The first level of defence lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defence is with the SME & Corporate Banking that assesses the risk on a customer and facility level and ensures proper documentation of customer, facility, and security documents, along with the Risk Management Department that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defence with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Branch.

As a part of credit risk monitoring and control framework, regular risk monitoring at both individual and portfolio levels is carried out along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non-financial covenants, recovery performance, rating system performance among others. The Branch has a policy for credit risk mitigation towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance. The types of Credit Risk Mitigation (CRM) include netting agreements, collaterals, guarantees, credit derivatives and Stand by Letter of Credit (SBLC).

The Branch ensures that all documentation used in collateralized transactions and for documenting - on and off-balance sheet netting, guarantees, credit derivatives and collaterals, are binding on all parties and is legally enforceable in all relevant jurisdictions. The Branch also ensures that all the documents are reviewed by appropriate authority and have appropriate legal opinions to verify and ensure its enforceability.

Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environments and business goals. The Branch has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral revisions.

Management of credit risk (continued)

Credit analysis includes review of facility details, credit grade determination and financial spreading/ratio analysis. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are reviewed annually. The credit quality review process allows the Branch to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The businesses work closely with the Chief Risk Officer for managing pricing risk, portfolio diversification and overall asset quality within the requirements of the Branch's standards, policies and business strategy.

28 Financial risk management (continued)

28.2 Credit risk (continued)

Credit risk measurement

The Branch measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk. However, for financial instruments such as overdraft facilities that include both a loan and an undrawn commitment component, the Branch's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Branch's exposure to credit losses to the contractual notice period. For such financial instruments the Branch measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Branch does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Branch becomes aware of an increase in credit risk at the facility level.

This longer period is estimated taking into account the credit risk management actions that the Branch expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Stage wise ECL impairment

Policies and the Branch's framework in relation to stage wise impairment have been explained in detail in note 3.5.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Branch holds collateral against loans and advances to customers in the form of cash margins, pledges/liens over deposits, mortgage interests over property, other registered securities over assets and guarantees. The Branch accepts guarantees from parent companies for loans to their subsidiaries. Branch monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitor the market value of collateral obtained during its periodic review of credit facilities and of the adequacy of the allowance for impairment losses.

It is the Branch's policy to dispose repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Branch does not occupy repossessed properties for business use. It is the Branch's policy to ensure that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on collateral. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured. Nevertheless, collateral is and can be an important credit risk mitigants.

28 Financial risk management (continued)

28.2 Credit risk (continued)

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortized cost, and FVOCI debt investments without considering collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

As of 31 December, 2024	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Cash and balances with the UAE Central Bank	7,602,623	-	-	-	-	-	7,602,623	-
Due from banks	6,295	1	-	-	-	-	6,295	1
Due from the Head Office and other branches	260,472	-	-	-	-	-	260,472	-
Loans and advances to customers	19,492,913	73,202	464,280	64,881	799,670	546,749	20,756,863	684,832
Investment securities	1,962,708	26	-	-	-	-	1,962,708	26
Other financial assets	157,123	-	-	-	-	-	157,123	-
Unfunded Exposures	1,605,703	7,714	43,190	138	20,440	19,471	1,669,334	27,323
	31,087,837	**80,943**	**507,470**	**65,019**	**820,110**	**566,220**	**32,415,417**	**712,182**

28 Financial risk management (continued)

28.2 Credit risk (continued)

Credit quality analysis (continued)

As of 31 December, 2023	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Cash and balances with the UAE Central Bank	2,639,550	-	-	-	-	-	2,639,550	-
Due from banks	610,907	59	-	-	-	-	610,907	59
Due from the Head Office and other branches	570,684	-	-	-	-	-	570,684	-
Loans and advances to customers	16,690,180	80,762	695,192	119,884	2,409,778	2,151,076	19,795,150	2,351,722
Investment securities	1,124,877	15	-	-	-	-	1,124,877	15
Other financial assets	139,452	-	-	-	-	-	139,452	-
Unfunded Exposures	930,877	3,104	78,592	2,412	9,848	19,082	1,019,317	24,598
	22,706,527	83,940	773,784	122,296	2,419,626	2,170,158	25,899,937	2,376,394

28 Financial risk management (continued)

28.2 Credit risk (continued)

Loan & Advances Gross Exposure Movement

Movement (AED'000)	**Stage1**	**Stage2**	**Stage3**	**Total**
Balance as at 1st January 2024	**16,730,328**	**655,043**	**3,484,199**	**20,869,571**
Transfers:				
Stage 1 to Stage 2	(8,714)	7,531	-	(1,183)
Stage 1 to Stage 3	(64,264)	-	52,656	(11,608)
Stage 2 to Stage 1	45,321	(53,045)	-	(7,724)
Stage 2 to Stage 3	-	(49,830)	43,513	(6,317)
Total Stage Movement	**(27,657)**	**(95,344)**	**96,169**	**(26,832)**
Close during the year	(6,343,941)	(65,828)	-	(6,409,769)
Increase during the year	9,990,011	2,805	4,920	9,997,736
Net non-stage movements	(855,828)	(32,396)	15,347	(872,877)
Write-off	-	-	(2,627,227)	(2,627,227)
	2,790,242	**(95,419)**	**(2,606,960)**	**87,863**
Balance as at 31st December 2024	**19,492,913**	**464,280**	**973,408**	**20,930,602**

Loan & Advances Provision Movement (AED'000)

	Stage1	**Stage2**	**Stage3**	**Total**
Balance as at 1st January 2024	**80,762**	**119,884**	**2,151,076**	**2,351,722**
Transfers:				
Stage 1 to Stage 2	(17)	74	-	**57**
Stage 1 to Stage 3	(9,143)	-	33,529	**24,386**
Stage 2 to Stage 1	1,050	(3,394)	-	**(2,344)**
Stage 2 to Stage 3	-	(6,057)	19,835	**13,777**
Total Stage Movement	**(8,110)**	**(9,377)**	**53,364**	**35,876**
Close during the year	(33,312)	(7,307)	-	**(40,619)**
Increase during the year	32,334	40	4,914	**37,288**
Net non-stage movements	1,528	(38,358)	22,647	**(14,183)**
Write-off	-	-	(1,685,252)	**(1,685,252)**
	550	**(45,626)**	**(1,657,691)**	**(1,702,766)**
Balance as at 31st December 2024	**73,202**	**64,881**	**546,749**	**684,832**

28 Financial risk management (continued)

28.2 Credit risk (continued)

Loan & Advances Gross Exposure Movement

Movement (AED '000)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1st January 2023	12,825,950	1,077,386	3,836,952	17,740,288
Transfers:				
Stage 1 to Stage 2	(111,249)	110,811	-	(438)
Stage 1 to Stage 3	(9,672)	-	9,089	(583)
Stage 2 to Stage 1	39,611	(41,524)	-	(1,913)
Stage 2 to Stage 3	-	(303,611)	300,268	(3,343)
Total Stage Movement	**(81,310)**	**(234,324)**	**309,357**	**(6,277)**
Close during the year	(4,483,564)	(166,971)	(56,486)	(4,707,021)
Increase during the year	8,895,547	756	776	8,897,079
Net non-stage movements	(426,294)	(21,805)	334,127	(113,973)
Write-off	-	-	(940,525)	(940,525)
	3,985,688	**(188,019)**	**(662,109)**	**3,135,560**
Balance as at 31st December 2023	**16,730,328**	**655,043**	**3,484,199**	**20,869,571**

Loan & Advances Provision Movement (AED '000)

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1st January 2023	75,972	162,792	2,536,551	2,775,315
Transfers:				
Stage 1 to Stage 2	(1,792)	1,792	-	-
Stage 1 to Stage 3	(205)	-	205	-
Stage 2 to Stage 1	1,936	(1,936)	-	-
Stage 2 to Stage 3	-	(34,543)	34,543	-
Stage 3 to Stage 2	-	-	-	-
Total Stage Movement	(61)	(34,687)	34,748	-
Close during the year	(25,373)	(31,998)	(46,215)	(103,586)
Increase during the year	24,436	6,582	31,309	62,327
Net non-stage movements	5,788	17,195	173,136	196,119
Write-off	-	-	(578,453)	(578,453)
	4,851	(8,221)	(420,223)	(423,593)
Balance as at 31st December 2023	80,762	119,884	2,151,076	2,351,722

28 Financial risk management (continued)

28.2 Credit risk (continued)

Risk mitigation

The Branch has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance. The types of Credit Risk Mitigation ("CRM") include netting agreements, collaterals, guarantees, credit derivatives and standby Letters of Credits ("SBLC"). The Branch ensures that all documentation used in collateralized transactions and for documenting on and off-balance sheet netting, guarantees, credit derivatives and collateral is binding on all parties and is legally enforceable in all relevant jurisdictions. The Branch also ensures that all the documents are reviewed by the appropriate authority and have appropriate legal opinions to verify and ensure its enforceability.

The Branch holds collateral and other credit enhancements against certain of its credit exposures. An estimate of the collateral coverage (after the application of haircuts) against net credit-impaired loans & advances is shown below:

Credit Risk Mitigation - Advances Portfolio As of 31 December, 2024 (AED'000)	Exposure	Collateral Value	Collateral After CBUAE Hair Cuts	Net Unsecured After CBUAE Hair Cuts
Commercial Building	1,497,957	5,835,925	2,917,963	-
Deposit	5,669,639	17,307,409	17,307,409	-
Moveable Asset	159,257	561,907	280,954	-
Residential Building	1,114,608	3,337,162	2,336,013	-
Shares LIC Debenture	-	-	-	-
Bank / Bank Guarantee	5,097,848	-	-	5,097,848
Unsecured	6,914,901	-	-	6,914,901
	20,454,210	**27,042,403**	**22,842,339**	**12,012,749**
Unsecured Exposure Without Haircuts				34.32%
Unsecured Exposure With Haircuts				59.62%

Collateral Value Covers	As of 31 December 2024 (AED'000)
0-50%	20,204,983
51-100%	2
Above 100%	5,129

28 Financial risk management (continued)

28.2 Credit risk (continued)

Risk mitigation (continued)

Credit Risk Mitigation - Advances Portfolio As of 31 December, 2023 (AED'000)	Exposure	Collateral Value	Collateral After CBUAE 28/2010 Hair Cuts	Net Unsecured After CBUAE 28/2010 Hair Cuts
Book Debts	88,656	461,427	230,712	-
Commercial Building	2,084,981	7,752,699	3,876,350	-
Deposit	2,622,329	3,276,983	3,276,983	-
Moveable Asset	69,002	199,598	99,799	-
Plant & Machinery	87,285	150,390	75,195	12,090
Residential Building	1,518,327	3,268,871	2,288,210	-
Shares LIC Debenture	185,033	1,785,301	892,651	-
Bank / Bank Guarantee	4,765,731	4,765,731	4,765,731	-
Unsecured	6,222,730	-	-	6,222,731
	17,644,074	**22,661,000**	**15,505,631**	**6,234,821**
Unsecured Exposure without Haircuts				35.27%
Unsecured Exposure with Haircuts				35.34%

Collateral Value Covers	As of 31 December 2023 (AED'000)
0-50%	4,308,528
51-100%	108
Above 100%	10,124

Country Risk:

Country risk is the likelihood of economic, social and political events in a foreign country negatively influencing the willingness or ability of state owned and/or privately-owned customers in that country to pay their debts on time. The Branch undertakes a detailed qualitative analysis pertaining to country risk as a part of the business decision process. These factors include economic, social and political stability in each country, the monetary policy, the foreign exchange control measure, the transparency of information, the financial and market structure, banking regulations and supervision, the legal system and the accounting standards among others. Country risks are monitored and controlled using country limits set by the Bank at Corporate office; these limits are in accordance with overall business strategy, capital adequacy and provisions for potential risks, risk rating of each country, acceptable level of risk and business opportunities in each country.

28 Financial risk management (continued)

28.2 Credit risk (continued)

Country Risk (continued)
As of 31 December, 2024 (AED'000)

Country Name	Stage 1		Stage 2		Stage 3		Total	
	Exposure	Provision	Exposure	Provision	Exposure	Provision	Exposure	Provision
Bahrain	596,863	3,087	-	-	-	-	596,863	3,087
Egypt	367,300	71	182,266	39,178	-	-	549,566	39,249
India	3,436,676	1,081	-	-	42,136	22,419	3,478,812	23,499
Kenya	18,365	1,713	-	-	-	-	18,365	1,713
Kuwait	794,286	12	-	-	-	-	794,286	12
Oman	613,699	3,671	-	-	-	-	613,699	3,671
Qatar	1,799,770	88	-	-	-	-	1,799,770	88
Saudi Arabia	2,283,846	3,036	-	-	-	-	2,283,846	3,036
Singapore	334,243	54	-	-	-	-	334,243	54
Tanzania	123,296	414	-	-	-	-	123,296	414
UAE	7,542,698	53,505	282,014	25,703	931,274	524,330	8,755,986	603,539
UK	1,059,661	873	-	-	-	-	1,059,661	873
USA	176,763	2,597	-	-	-	-	176,763	2,597
Liberia	24,921	135	-	-	-	-	24,921	135
Australia	194,669	2,861	-	-	-	-	194,669	2,861
Luxembourg	91,825	2	-	-	-	-	91,825	2
Colombia	33,057	1	-	-	-	-	33,057	1
China	975	2	-	-	-	-	975	2
Total	**19,492,913**	**73,202**	**464,280**	**64,881**	**973,409**	**546,749**	**20,930,602**	**684,832**

As of 31 December, 2023 (AED'000)

Country Name	Stage 1		Stage 2		Stage 3		Total	
	Exposure	Provision	Exposure	Provision	Exposure	Provision	Exposure	Provision
Bahrain	521,806	3,510	-	-	-	-	521,806	3,510
Egypt	550,950	3,995	182,817	54,690	-	-	733,767	58,685
Hong Kong	73,460	335	-	-	-	-	73,460	335
India	4,669,831	15,775	69,078	5,796	524,314	238,712	5,263,223	260,283
Kenya	35,052	241	-	-	-	-	35,052	241
Kuwait	968,847	111	-	-	-	-	968,847	111
Oman	1,183,779	2,710	-	-	-	-	1,183,779	2,710
Qatar	1,983,420	1,585	-	-	-	-	1,983,420	1,585
Saudi Arabia	1,193,725	82	-	-	-	-	1,193,725	82
Singapore	1,200	4	-	-	287,788	214,503	288,988	214,507
Switzerland	1,431	5	-	-	-	-	1,431	5
Tanzania	171,211	1,016	-	-	-	-	171,211	1,016
UAE	5,060,245	47,747	403,148	59,398	2,651,029	1,687,599	8,114,422	1,794,744
UK	104,208	1,012	-	-	20,980	10,221	125,188	11,233
USA	178,600	2,463	-	-	-	-	178,600	2,463
Canada	11,891	40	-	-	-	-	11,891	40
Cyprus	9,871	95	-	-	-	-	9,871	95
Belgium	8,807	31	-	-	-	-	8,807	31
Lebanon	871	-	-	-	-	-	871	-
Sri Lanka	-	-	-	-	82	36	82	36
Comoros	-	-	-	-	5	3	5	3
Philippines	-	-	-	-	2	2	2	2
Bangladesh	6	-	-	-	-	-	6	-
Portugal	1,027	4	-	-	-	-	1,027	4
Iran	90	1	-	-	-	-	90	1
Total	**16,730,328**	**80,762**	**655,043**	**119,884**	**3,484,200**	**2,151,076**	**20,869,571**	**2,351,722**

28 Financial risk management (continued)

28.2 Credit risk (continued)

Concentration risk
Credit concentration risk is managed via portfolio standards and within concentration caps set for counterparties or related parties and for industry sectors and credit grade bands.

The Branch's maximum gross exposure to credit risk, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions and sector wise:

Concentration by location	Loans and advances		Due from banks, Head office and other branches		Investment securities	
	2024	2023	**2024**	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
United Arab Emirates	**7,424,455**	10,641,936	**1,315,671**	687,565	**1,932,676**	1,101,514
Other Middle East Countries	**2,311,078**	1,629,215	**4,878,917**	5,538,798	**30,032**	108,462
India	**1,697,318**	642,922	**2,502,708**	1,662,780	**-**	18,365
Europe	**-**	-	**161,818**	5,118	**-**	-
USA	**176,763**	178,600	**287,556**	346,463	**-**	-
Others	**361,251**	591,283	**622,912**	184,814	**-**	-
	11,970,865	13,683,956	**9,769,582**	8,425,538	**1,962,708**	1,228,341

By Sector	**2024**	2023	**2024**	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Mining and quarrying	**567,592**	699,547	**-**	-	**-**	-
Manufacturing	**2,134,355**	1,969,665	**-**	-	**-**	-
Electricity, gas and water	**59,661**	140,227	**-**	-	**-**	-
Real estate	**375,658**	327,383	**-**	-	**-**	-
Trade	**1,958,547**	2,254,988	**-**	-	**-**	-
Transport and communication	**144,847**	304,642	**-**	-	**-**	-
Non-Banking financial institutions	**793,229**	1,159,240	**9,769,582**	**8,425,538**	**-**	-
Government	**600,786**	1,099,297	**-**	-	**1,962,708**	**1,228,341**
Others	**5,336,190**	5,728,967	**-**	-	**-**	-
	11,970,865	13,683,956	**9,769,582**	**8,425,538**	**1,962,708**	**1,228,341**

Investment Securities
The Branch has investments in debt securities which are measured at fair value through other comprehensive income. Credit risk in these investments is managed within the overall credit risk appetite for corporates and financial institutions. The following table provide analysis of the debt securities. The standard credit ratings used by the Branch are those assessed by Standard & Poor's or their equivalent.

Analysis of investment securities

	2024	2023
	AED'000	AED'000
Rating		
A- to A+	**1,962,708**	1,132,837
	1,962,708	1,132,837

28 Financial risk management (continued)

28.2 Credit risk (continued)

Aging analysis of past due but not impaired loans
The following table sets out the aging of loans and advances which are past due but not impaired and for which no individual impairment provision has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due status of a loan does not necessarily mean that the counterparty is impaired.

Particulars			**2024**			2023
			Loans to customers			Loans to customers
	Consumer	**Wholesale**	**Total**	Consumer	Wholesale	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Up to 30 days past due	**20,654**	**741,478**	**762,132**	65,126	359,093	424,219
Between 31-60 days past due	**8,062**	**4,557**	**12,619**	3,536	507,581	511,117
Between 61-90 days past due	**242**	**-**	**242**	56,447	7,938	64,385
	28,958	**746,035**	**774,993**	125,109	874,612	999,721

Climate Risk:
Climate change risk has become a crucial challenge to the financial industry, of late. The Branch is committed to reduce the impact of climate change risk and is consciously working towards sustainable development of its banking operations so as to achieve the economic development while maintaining the quality of environmental and social ecosystems. As a policy matter, to reduce the greenhouse effect, the Branch does not finance borrowers for setting up new units producing /consuming Ozone Depleting Substances (ODS) and small / medium scale units engaged in the manufacturing of aerosol units using Chlorofluorocarbons (CFC) which enables reduction in greenhouse effect.

28.3 Market risk

Market risk is the risk that changes in market prices such as interest rates, equity prices and foreign exchange rates and credit spreads (not relating to change in the obligor's/issuer's credit standing) - will affect the Branch's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Branch's solvency while optimising the return on risk. The Branch is exposed to market risk on its banking book as well as trading book. Market risk in the banking book is managed in accordance with the Branch's Asset and Liability Committee (ALCO), while market risk in the trading book is managed in accordance with the investment policy and treasury policy. The Branch has very limited trading portfolio, hence it is not exposed to any significant market risk in respect a trading portfolio.

Management of market risk
Market risk is governed by the Board approved Investment Policy, Treasury Policy and Market Risk Management Policy which define levels of risk appetite in terms of Category of Investment, Trader daily Trading Limits, Stop Loss Limits, VaR limits, PV01 Limits, Earning at Risk, Daily Mark to Market, Net Open Overnight Position, Forex Positions and Aggregate Gap Limit. The investment and treasury policies cover both trading and non-trading books of the Branch.

Accordingly, the Branch ALCO look after the risk appetites defined in the related policy and provides market oversight, guidance on the liquidity management and market risk management.

28 Financial risk management (continued)

28.3 Market risk (continued)

Interest rate risk
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. The Branch is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. Interest rate risk is managed principally through monitoring interest rate gaps and establishing limits on the interest rate gaps for stipulated periods. The ALCO is the monitoring body for compliance with these limits. Interest rate risk is also assessed by measuring the impact of reasonable possible interest rate movements.

Sensitivity analysis - interest rate risk

	2024	2023
	AED'000	AED'000
Shift in yield curve		
+100 bps	**77,532**	**57,981**
-100 bps	**(77,532)**	**(57,981)**

A substantial portion of the Branch's assets and liabilities are re-priced within 1-year. Accordingly, there is limited exposure to interest rate risk. The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. The sensitivity does not incorporate actions that could be taken by the management to mitigate the effect of interest rate movements.

The assets and liabilities repricing profile has been determined on the basis of the final maturity period or interest repricing periods at the reporting date, whichever is earlier.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Branch. It is unusual for Branches to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Branch and its exposure to changes in interest rates and exchange rates.

28 Financial risk management (continued)

28.3 Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis - interest rate risk (continued)

The Branch's interest rate gap position on assets and liabilities based on the contractual re-pricing dates is as follows:

Particulars	Less than 1 month	1 to 3 months	3 to 6 months	6 months to year	Over 1 year	Non-interest bearing	Total
2024	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with the UAE Central Bank	-	-	-	-	-	7,602,623	7,602,623
Due from banks	-	-	-	-	-	6,294	6,294
Due from the Head Office and other branches	260,472	-	-	-	-	-	260,472
Loans and advances to customers	6,557,066	12,204,557	491,980	547,915	113,578	156,936	20,072,032
Investment securities	488,491	338,271	786,255	303,376	46,289	-	1,962,682
Property and equipment	-	-	-	-	-	36,981	36,981
Derivatives	-	-	-	-	-	5,743	5,743
Deferred tax asset	-	-	-	-	-	64,873	64,873
Other assets	-	-	-	-	-	157,123	157,123
Total assets	7,306,029	12,542,828	1,278,235	851,291	159,867	8,030,573	30,168,823
Due to banks	1,781,942	859,482	-	-	-	-	2,641,424
Due to the Head Office and other branches	985,868	918,250	-	-	-	-	1,904,118
Deposits from customers	12,823,242	2,080,416	1,778,708	4,589,391	347,463	-	21,619,220
Derivatives	-	-	-	-	-	2,850	2,850
Liabilities accepted by the Branch	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	569,582	569,582
Total Head office account and reserves	-	-	-	-	-	3,431,629	3,431,629
Total liabilities and head office account and reserves	15,591,052	3,858,148	1,778,708	4,589,391	347,463	4,004,061	30,168,823
On balance sheet interest rate sensitivity gap – 2024	(8,285,023)	8,684,680	(500,473)	(3,738,100)	(187,596)	4,026,512	-
Cumulative interest rate sensitivity gap -2024	(8,285,023)	399,657	(100,816)	(3,838,916)	(4,026,512)	-	-

28 Financial risk management (continued)

28.3 Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis - interest rate risk (continued)

The Branch's interest rate gap position on assets and liabilities based on the contractual re-pricing dates is as follows:

Particulars	Less than 1 month	1 to 3 months	3 to 6 months	6 months to year	Over 1 year	Non-interest bearing	Total
2023	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash and balances with the UAE Central Bank	-	-	-	-	-	2,639,550	2,639,550
Due from banks	325,740	128,555	128,555	27,998	-	-	610,848
Due from the Head Office and other branches	570,684	-	-	-	-	-	570,684
Loans and advances to customers	3,766,247	2,030,785	1,643,400	809,353	8,934,941	258,702	17,443,428
Investment securities	-	646,231	394,211	24,981	59,439	-	1,124,862
Property and equipment	-	-	-	-	-	27,443	27,443
Derivatives	-	-	-	-	-	4,289	4,289
Deferred tax asset	-	-	-	-	-	106,621	106,621
Other assets	-	-	-	-	-	139,452	139,452
Total assets	4,662,671	2,805,571	2,166,166	862,332	8,994,380	3,176,057	22,667,177
Due to banks	286,611	-	-	-	-	-	286,611
Due to the Head Office and other branches	109,317	-	550,950	-	-	-	660,267
Deposits from customers	10,801,410	1,657,841	1,412,806	3,876,559	600,987	-	18,349,603
Derivatives	-	-	-	-	-	717	717
Liabilities accepted by the Branch	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	543,942	543,942
Total Head office account and reserves	-	-	-	-	-	2,826,037	2,826,037
Total liabilities and head office account and reserves	11,197,338	1,657,841	1,963,756	3,876,559	600,987	3,370,696	22,667,177
On balance sheet interest rate sensitivity gap – 2023	(6,534,667)	1,147,730	202,410	(3,014,227)	8,393,393	(194,639)	-
Cumulative interest rate sensitivity gap -2023	(6,534,667)	(5,386,937)	(5,184,527)	(8,198,754)	194,639	-	-

28 Financial risk management (continued)

28.3 Market risk (continued)

Interest rate risk (continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Branch has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As the UAE Dirham and other GCC currencies, except Kuwait are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Equity price risk
Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The Branch has no significant exposure to equity price risk as at 31 December 2024.

28.4 Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk can be segregated into two broad categories:

(1) Funding liquidity risk is the risk that the Branch will encounter difficulty in funding the increase in assets and meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets, without incurring unacceptable losses.

(2) Market liquidity risk is the risk that the Branch cannot easily offset or eliminate a position at the market price because of market disruption or inadequate market depth.

Management of liquidity risk
The Branch manages liquidity risk on a short term, medium term and long-term basis. The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation. ALCO is the responsible governing body that approves the Branch's liquidity management policies. Liquidity is managed by the ALCO within the predefined liquidity limits as set out in the Board approved Asset Liability Management Policy. ALCO is responsible for ensuring that the Branch is self-sufficient and is able to meet all its obligations to make payments as they fall due by operating within the liquidity limits set for the Branch.

The key elements of the Branch's liquidity strategy are as follows:

(a) Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities;
(b) Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
(c) Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Branch's financial assets and liabilities, and the extent to which the Branch's assets are encumbered and so not available as potential collateral for obtaining funding; and
(d) Carrying out stress testing of the Branch's liquidity position.

28 Financial risk management (continued)

28.4 Liquidity risk (continued)

Management of liquidity risk (continued)
Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Branch does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Exposure to liquidity risk

The key measure used by the Branch for managing liquidity risk is the ratio of net liquid assets (i.e. total assets by maturity against total liabilities by maturity) and its loans to deposit ratio.

	2024	2023
	AED'000	AED'000
Loans and advances to customers, net	**20,072,032**	17,443,428
Deposits from customers	**21,619,220**	18,349,603
Loans to deposit ratio	**92.84%**	**95.06%**

In addition to above, Liquidity Risk of the Branch is also monitored by Eligible Liquid Asset Ratio (ELAR), Lending to Stable Resources Ratio (LSRR), Structural Liquidity, Intraday Liquidity, Stock Approach Ratios, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Funding Concentration Ratios (Single Borrower, Borrower, Borrowings from Single Bank), Resources to Deployment Ratios etc.

Details of the Branch's net liquid assets are summarised in the table below by the maturity profile of the Branch's assets and liabilities based on the contractual repayments. The maturity profile is monitored by the management to ensure adequate liquidity is maintained.

28 Financial risk management (continued)

28.4 Liquidity risk (continued)

Maturity profile of asset and liabilities

Particulars 2024	Less than 1 month AED'000	1 to 3 months AED'000	3 to 6 months AED'000	6 months to year AED'000	Over 1 year AED'000	Total AED'000
Cash and balances with the UAE Central Bank	7,602,623	-	-	-	-	7,602,623
Due from banks	6,294	-	-	-	-	6,294
Due from the Head Office and other branches	260,472	-	-	-	-	260,472
Loans and advances to customers	4,154,434	1,960,783	2,564,716	1,263,663	10,128,436	20,072,032
Investment securities	488,491	338,271	786,255	303,377	46,289	1,962,682
Property and equipment	5,743	-	-	-	-	5,743
Derivatives	36,981	-	-	-	-	36,981
Deferred tax asset	64,873	-	-	-	-	64,873
Other assets	157,123	-	-	-	-	157,123
Total assets (Inflows)	12,777,034	2,299,054	3,350,971	1,567,040	10,174,725	30,168,823
Due to banks	1,781,942	859,482	-	-	-	2,641,424
Due to the Head Office and other branches	67,618	-	-	-	1,836,500	1,904,118
Deposits from customers	12,823,242	2,080,416	1,778,708	4,589,391	347,463	21,619,220
Derivatives	2,850	-	-	-	-	2,850
Liabilities accepted by the Branch	-	-	-	-	-	-
Other liabilities	569,582	-	-	-	-	569,582
Total liabilities (Outflows)	15,245,234	2,939,898	1,778,708	4,589,391	2,183,963	26,737,194
Total Head office and reserves					3,431,629	3,431,629
Total Liabilities and head office account and reserves	15,245,234	2,939,898	1,778,708	4,589,391	5,615,592	30,168,823
At 31 December 2023						
Total assets (Inflows)	7,838,729	2,805,571	2,166,166	862,332	8,994,379	22,667,177
Total liabilities (Outflows)	11,741,997	1,657,841	1,963,756	3,876,559	3,427,024	22,667,177
Net on balance sheet liquidity gap 2023	(3,903,268)	1,147,730	202,410	(3,014,227)	5,567,355	-

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

28 Financial risk management (continued)

28.4 Liquidity risk (continued)

Maturity profile of asset and liabilities (continued)

Particulars	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
2023						
Inflows	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with the UAE Central Bank	2,639,550	-	-	-	-	2,639,550
Due from banks	325,740	128,555	128,555	27,998	-	610,848
Due from the head office and other branches	570,684	-	-	-	-	570,684
Loans and advances to Customers	4,024,950	2,030,785	1,643,400	809,353	8,934,940	17,443,428
Investment securities	-	646,231	394,211	24,981	59,439	1,124,862
Derivatives	27,443	-	-	-	-	27,443
Property and equipment	4,289	-	-	-	-	4,289
Deferred tax asset	106,621	-	-	-	-	106,621
Other assets	139,452	-	-	-	-	139,452
Total assets (Inflows)	7,838,729	2,805,571	2,166,166	862,332	8,994,379	22,667,177
Outflows	286,611	-	-	-	-	286,611
Due to banks	109,317	-	550,950	-	-	660,267
Due to the head office and other branches	10,801,410	1,657,841	1,412,806	3,876,559	600,987	18,349,603
Deposits from customers	717	-	-	-	-	717
Derivatives	-	-	-	-	-	-
Other liabilities	543,942	-	-	-	-	543,942
Total liabilities (Outflows)	11,741,997	1,657,841	1,963,756	3,876,559	600,987	19,841,140
Total Head office and reserves	-	-	-	-	2,826,037	2,826,037
Total Liabilities and head office account and reserves	11,741,997	1,657,841	1,963,756	3,876,559	3,427,024	22,667,177
Net on balance sheet liquidity gap 2023						
At 31 December 2022						
Total assets (Inflows)	5,465,941	1,520,588	2,084,783	1,300,254	7,199,915	17,571,481
Total liabilities (Outflows)	9,014,566	1,102,073	681,799	3,892,404	2,880,639	17,571,481
Net on balance sheet liquidity gap 2022	(3,548,625)	418,515	1,402,984	(2,592,150)	4,319,276	-

28 Financial risk management (continued)

28.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. The definition of Operational Risk is "causal-based," providing a breakdown of operational risk into above four categories based on its sources. Operational Risk includes legal and regulatory risk i.e. exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as ordinary damages in civil litigation, related legal costs and private settlements etc. Reputational risk and strategic risk are not included under Operational Risk as they are part of Pillar II risks. Operational risks emanate from every segment of Branch's operations and are faced by all the business units. Management of operational risk includes its identification, assessment, measurement, control, mitigation, analysis, monitoring and reporting.

The Branch has taken measures to put in place tools, firstly to identify all such operational risks. The Branch has also taken measures to implement processes and policies to mitigate the risk to an acceptable level and to avoid or minimise financial losses and damage to Branch's reputation. In order to ensure a structured and focused operational risk management process, the Branch has Operational Risk Management Committee ("ORMC") whose mandate is to oversee operational risk management process, consider each operational risk in order of "priority by significance", to develop policies, processes and procedures for managing operational risk in all of the Branch's material products, activities, processes and systems as well as recommend best way to integrate the operational risk management in the overall organisation wide risk management process.

Operational Risk Management Framework (ORMF) of the Branch comprises of following:

- Operational Risk Management Policy, Procedures and Processes;
- Operational Risk Profile, Risk Appetite and Strategy to Mitigate Risk
- Operational Risk Organizational and Governance Structure
- Operational Risk Management System (ORMS) to identify, measure, monitor, control and mitigate Operational Risk, i.e. Loss Data Management, System & Tools, Business Line Mapping, Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Scenario and Sensitivity Analysis, Business Environment and Internal Control Factors (BEICF), Operational Risk Capital Computation
- New Product Approval
- Monitoring, Analysis and Reporting

Compliance with Head Office standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are shared with Audit Committee at Head Office level and Senior Management of the Branch.

In addition to the reviews by internal audit, the compliance with policies and procedures is strengthened by reviews of compliance and operational risk manager.

28.6 Derivatives

The Branch enters into a variety of derivatives for hedging purposes. Derivatives used by the Branch include swaps and foreign exchange forward contracts. The Branch is not engaged in any trading in derivatives. Derivatives are used purely for the hedging purposes for the clients as well as the Branch's own combined financial positions.

Swaps are agreements between the Branch and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Branch are interest rate swaps. Under interest rate swaps, the Branch agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount.

28 Financial risk management (continued)

28.6 Derivatives (continued)

Foreign exchange forward contracts are commitments to either purchase or sell foreign currencies at a specified future date for a specified price. The Branch is subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavourable movements in interest rates relative to the contractual rates. However, market risk in most of the cases is covered through back-to-back deals to maintain the Branch's position.

The table below shows the positive and negative fair values of Derivatives, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity.

				Notional amount by term of maturity		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**
2024						
Foreign exchange contracts	**5,743**	**2,850**	**16,764,342**	**4,672,592**	**6,404,076**	**5,687,674**
	5,743	**2,850**	**16,764,342**	**4,672,592**	**6,404,076**	**5,687,674**
2023						
Foreign exchange contracts	4,289	717	7,788,938	1,107,035	4,991,730	1,690,173
	4,289	717	7,788,938	1,107,035	4,991,730	1,690,173

28 Financial risk management (continued)

28.7 Capital risk management

The Branch's regulator, the CBUAE, sets and monitors regulatory capital requirements.

The Branch's objectives when managing capital are as follows:
(1) Safeguarding the Branch's ability to continue as a going concern and increase return for stakeholders; and
(2) Comply with regulatory capital set by the CBUAE.

The Branch's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on stakeholders' return is also recognised and the Branch recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Branch also assesses its capital requirements internally taking into consideration growth requirements and business plans, and quantifies its regulatory and risk / economic capital requirements within its integrated ICAAP Framework. Risks such as interest rate risk in the banking book, concentration risk, strategic risk, legal and compliance risk, stress risk, insurance risk and reputational risk are all part of the ICAAP.

Effective from 2017, the capital is computed using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

The Branch's regulatory capital is analysed into two tiers:
- CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital. The minimum capital adequacy requirements as set out by the CBUAE are as follows:
- Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) where introduced over and above the minimum CET1 requirement of 7%.

28 Financial risk management (continued)

28.7 Capital risk management (continued)

The CBUAE issued Basel III capital regulation vide its notice no. CBUAE/BSD/N/2020/4980 dated November 12, 2020, along with updated capital regulation of CBUAE of December 2022. The Branch has complied with all the externally imposed capital requirements.

Following is the Branch's capital adequacy position under Basel III as at reporting date:

	2024 AED'000	2023 AED'000
Tier 1 capital		
Allocated capital	**760,000**	760,000
Statutory reserves	**142,602**	119,160
Retained earnings	**2,030,642**	1,627,655
Audited Profit/Loss	**468,837**	424,197
Transfer to Statutory reserves & other adj.	**(61,800)**	(21,210)
Accumulated other comprehensive income	**1,074**	(83,765)
IFRS transitional arrangement	**-**	-
CET 1 Capital Before deduction	**3,341,355**	2,826,037
Less: Regulatory Deductions (DTA)	**-**	-
Total tier 1 capital	**3,341,355**	2,826,037
Tier 2 capital		
General provisions/general loan loss reserves	**185,129**	161,015
Total tier 2 capital	**185,129**	161,015
Total regulatory capital (sum of tier 1 and 2 capital)	**3,526,484**	2,987,052
Risk weighted assets		
Credit risk	**14,831,154**	12,881,224
Market risk	**6,733**	5,473
Operational risk	**1,497,098**	1,201,726
Total risk weighted assets (RWA)	**16,334,985**	14,088,423
Total tier 1 capital expressed as % of RWA	**20.46%**	20.06%
Total tier 2 capital expressed as % of RWA	**1.13%**	1.14%
Capital adequacy ratio	**21.59%**	21.20%

29 Customers indebtedness and Liabilities accepted by the Branch

	2024 AED'000	2023 AED'000
Customers indebtedness and Liabilities accepted by the Branch	**-**	-

Customers' indebtedness accepted by the Branch represent the accepted documented liability amount which is recoverable from the respective customers of the Branch at the reporting date. Liabilities accepted by the Branch represent bills of exchange, letter of credits etc., where the Branch has accepted the liabilities under documentary credits at the reporting date. These assets and liabilities have been presented on a gross basis on the face of the statement of financial position as the Branch does not have a legal right of set-off.

30 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Branch, related parties, as defined in International Accounting Standard 24: Related Parties (IAS 24), include key management personnel and other branches and fellow subsidiaries which are part of Bank of Baroda Group (which includes the Corporate Head Office of the Branch and the branches of the Group operating in different countries in the world), with whom banking transactions are carried out on mutually agreed terms. The management believes that the terms and transaction are comparable with those that could be obtained from third parties.

The significant transactions included in the financial statements with related parties are as follows:

	2024 AED'000	2023 AED'000
Interest income	**8,252**	6,089
Interest expenses	**75,916**	44,555
Head Office charges	**529**	1,400

The year-end balances in respect of related parties are disclosed as Loan & Advances and due from / to the Head Office and branches. The balances of amounts of Loans & Advances and due from / to the Head Office and branches are as follows:

Due from the head office and other branches	**2024 AED'000**	2023 AED'000
Bank of Baroda - United Kingdom	**326**	527
Bank of Baroda - New York	**249,764**	463,205
Bank of Baroda - India (Mumbai)	**10,382**	15,127
Bank of Baroda – MMO	**-**	-
Bank of Baroda – UK Subsidiaries	**-**	91,825
	260,472	570,684

Due to Head Office and other branches	**2024 AED'000**	2023 AED'000
Bank of Baroda – Botswana	**18,365**	**-**
Bank of Baroda - United Kingdom	**-**	550,950
Bank of Baroda – Oman	**1,958**	1,085
Bank of Baroda - India (Treasury)	**13,895**	1,943
Bank of Baroda – MMO	**232**	3,765
Bank of Baroda – Gift City	**1,836,500**	-
Bank of Baroda – DIFC	**97**	102,524
Bank of Baroda – US	**33,071**	-
	1,904,118	660,267

Loans & Advances	**2024 AED'000**	2023 AED'000
Bank of Baroda – IBB, Baroda	**359**	**-**
Bank of Baroda – CFS Branch, Mumbai	**319,153**	**-**
Bank of Baroda – Vadodara Branch, Gujarat	**-**	**4,260**
	319,512	**4,260**

30 Related party transactions (continued)

30.1 The Branch's management has identified the Chief Executive Officer and Deputy Chief Executive Officer as key management personnel. The disclosure, as required under IAS 24 (revised) with respect to key management remuneration, would result in the disclosure of the compensation paid to both.

	2024 AED'000	2023 AED'000
Key management remuneration	797	802

31 Accounting classification and fair values

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments:

Particulars	Carrying amount AED'000	Fair value through OCI AED'000	FVTPL AED'000	Amortized Cost AED'000
As at 31 December 2024				
Financial assets				
Cash and balances with the UAE Central Bank	7,602,623			7,602,623
Due from banks	6,294			6,294
Due from the head office and other Branches	260,472			260,472
Loans and advances to customers	20,072,032			20,072,032
Investment securities	-	1,962,682		1,962,682
Derivatives			5,743	5,743
Liabilities accepted by the Branch	-	-	-	-
Other assets (excluding prepayments)	154,647	-	-	154,647
	28,096,068	1,962,682	5,743	30,064,493
Financial liabilities				
Due to banks	2,641,424	-	-	2,641,424
Due to the Head Office and other Branches	1,904,118	-	-	1,904,118
Deposits from customers	21,619,220	-	-	21,619,220
Derivatives	-		2,850	2,850
Liabilities accepted by the Branch	-	-	-	-
Other liabilities	569,582	-	-	569,582
	26,734,344	-	2,850	26,737,194

31 Accounting classification and fair values (continued)

Particulars	Carrying amount AED'000	Fair value through OCI AED'000	FVTPL AED'000	Amortised Cost AED'000
As at 31 December 2023				
Financial assets				
Cash and balances with the UAE Central Bank	2,639,550	-	-	2,639,550
Due from banks	610,848	-	-	610,848
Due from the head office and other Branches	570,684	-	-	570,684
Loans and advances to customers	17,443,428	-	-	17,443,428
Investment securities	-	1,124,862	-	1,124,862
Derivatives	-	-	4,289	4,289
Liabilities accepted by the Branch	-	-	-	-
Other assets (excluding prepayments)	137,184	-	-	137,184
	21,401,694	1,124,862	4,289	22,530,845
Financial liabilities				
Due to banks	286,611	-	-	286,611
Due to the Head Office and other Branches	660,267			660,267
Deposits from customers	18,349,603	-	-	18,349,603
Derivatives	-	-	717	717
Liabilities accepted by the Branch	-	-	-	-
Other liabilities	543,942	-	-	543,942
	19,840,423	-	717	19,841,140

Management believes that the fair values of financial assets and liabilities measured at amortised cost are not significantly different from their carrying values.

Fair value measurement - fair value hierarchy:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Branch determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Branch measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1:
Inputs that are quoted market price (unadjusted) in active markets for an identical instrument.

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.

31 Accounting classification and fair values (continued)

Fair value measurement - fair value hierarchy (continued)

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.

Valuation techniques include net present value, discounted cash flow models, and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The table below analyses financial instruments, measured at fair value at the end of reporting period, by level into fair value hierarchy into which the fair value measurement is categorised:

2024	Level 1 AED'000	Level 2 AED000	Level 3 AED'000	Total AED'000
Financial assets				
Investment securities	**1,962,682**	**-**	**-**	**1,962,682**
Derivatives	**-**	**5,743**	**-**	**5,743**
	1,962,682	**5,743**	**-**	**1,968,425**
Financial liabilities				
Derivatives	**-**	**2,850**	**-**	**2,850**
	-	**2,850**	**-**	**2,850**

2023	Level 1 AED'000	Level 2 AED000	Level 3 AED'000	Total AED'000
Financial assets				
Investment securities	1,124,862	-	-	1,124,862
Derivatives	-	4,289	-	4,289
	1,124,862	4,289		1,129,151
Financial liabilities				
Derivatives	-	717	-	717
	-	717	-	717

31 Accounting classification and fair values (continued)

Fair value measurement - fair value hierarchy (continued)

At 31 December 2024	Fair value AED'000	Carrying Amount AED'000
Assets		
Cash and balances with UAE Central Bank	**7,602,623**	**7,602,623**
Due from banks	**6,294**	**6,294**
Due from the head office and other branches	**260,472**	**260,472**
Loans and advances to customers	**20,072,032**	**20,072,032**
Other assets	**157,123**	**157,123**
	28,098,544	**28,098,544**
Liabilities		
Due to banks	**2,641,424**	**2,641,424**
Due to Head Office and other branches	**1,904,118**	**1,904,118**
Deposits from customers	**21,619,220**	**21,619,220**
Other liabilities	**569,582**	**569,582**
	26,734,344	**26,734,344**

At 31 December 2023	Fair value AED'000	Carrying amount AED'000
Assets		
Cash and balances with UAE Central Bank	2,639,550	2,639,550
Due from banks	610,848	610,848
Due from the head office and other branches	570,684	570,684
Loans and advances to customers	17,443,428	17,443,428
Other assets	139,452	139,452
	21,403,962	21,403,962
Liabilities		
Deposits from customers	286,611	286,611
Due to banks	660,267	660,267
Due to Head office and other branches	18,349,603	18,349,603
Other liabilities	543,942	543,942
	19,840,423	19,840,423

Movements in level 3 financial instruments measured at fair value

There was no movement between the levels of financial instruments during the year was Nil (2023: Nil)

Fair value measurement - fair value hierarchy (continued)

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

31 Accounting classification and fair values (continued)

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

32 Contingent liability arising from litigation

The Branch operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Branch's business.

When the Branch can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Branch records a provision against the case, no provision is made where the probability of outflow is considered to be remote, or probable, or a reliable estimate cannot be made. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Branch takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

33 Comparative figures

Previous year's figures, which were not material, have been regrouped or reclassified wherever necessary to make them comparable with those of current year.

34 Subsequent events

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

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