

**Consolidated financial statements
For the year end 31 December 2024**



Towards the Future

AAFAQ ISLAMIC FINANCE P.S.C.

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

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AAFAQ ISLAMIC FINANCE P.S.C.

Director's Report For the year end 31 December 2024

Dear Valued Shareholders of Aafaq Islamic Finance P.S.C.

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh,

The Directors are pleased to present their report along with the audited consolidated financial statements of Aafaq Islamic Finance P.S.C. and its subsidiary (together referred to as "the Company" or "Aafaq") for the year ending 31 December 2024.

In 2024, Aafaq continued to adapt the dynamic financial environment with a clear strategic focus and strong operational resilience. Our commitment to sound strategy and effective risk management has enabled us to make significant strides, broadening our market footprint through initiatives that support the UAE's vision for a sustainable future.

Aafaq reported a net profit of AED 257 million and operating income of AED 338 million for 2024, marking a substantial increase as compared to 2023. This exceptional growth was primarily driven by the growth in both in financing and investments business.

Aafaq has solidified its balance sheet position, with total assets standing firm at AED 2,818 million showcasing a growth of 9.3% compared to last year. The Company has maintained its robust liquidity exceeding the regulatory requirements. The company has actively deployed its capital by investing and growing the core assets like financing portfolio by introducing new products and services.

In 2024, Aafaq introduced new products such as the Maashi card and Flexi Wakala deposits, while earning several prestigious recognitions that reflect its leadership and innovation in various areas of the business. The Company was also commended for its outstanding implementation of advanced Islamic banking and finance systems, underscoring its commitment to technological excellence. Additionally, Aafaq has achieved full compliance with the Emiratization requirement demonstrating its dedication to developing local talent and supporting national workforce growth. These accolades serve as a testament to Aafaq's sustained success and its commitment to driving positive change within the financial sector.

I would like to express my sincere gratitude to our shareholders, strategic partners, and customers for their continued trust and support and also extend my thanks to Aafaq's Board of Directors for their invaluable support. Additionally, I am deeply appreciative of our senior management and staff for their unwavering commitment, hard work, and loyalty. I look forward to a prosperous year ahead, with continued success and the achievement of even greater results.

Finally, Aafaq remains steadfast in its commitment to supporting the vision of our nation's esteemed leaders and contributing to the economic prosperity of the years ahead. We are deeply grateful to our visionary leaders for their remarkable efforts in fostering a dynamic and continuously evolving economic landscape. May Allah bless them with good health and continued strength in their leadership.

Noora AbdulJaleel Al Blooki



27 MAR 2025



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Independent auditors' report

To the Shareholders of Aafaq Islamic Finance P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aafaq Islamic Finance P.S.C. ("the Company") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 26 March 2024.



Other Information

Management is responsible for the other information. The other information comprises the Director's Report set on page 1.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 8 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2024;
- vi) note 28 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) For the year ended 31 December 2024, the Group was not compliant with the following provisions of UAE Federal Decree Law No. (32) of 2021 and Finance Companies Regulation Circular No. 2/2023:
 - Article 152 which restricts entering into transactions with related parties exceeding 5% of the total share capital of the Company without consent of the General Assembly after valuation of the transaction in accordance with the controls and conditions issued by a decision of the Securities & Commodities Authority; and
 - In pursuance of Clause 21 of Finance Companies Regulation Circular No. 2/2023 dated 23 May 2023 (the "Regulation"), the Company will have to make necessary adjustments in accordance with the Articles of this Regulation until 30 June 2025, for which the Company has provided the Central Bank with a detailed adjustment plan to comply with the Regulation.



Report on Other Legal and Regulatory Requirements (continued)

Based on the information that has been made available to us, except for the matters described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2024; and

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

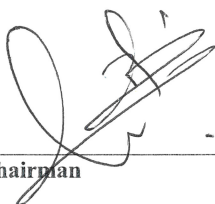
KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date:


31 MAR 2025

**Consolidated Statement of financial position
as at 31 December 2024**

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Cash and cash equivalents	4	390,016	312,936
Wakala deposits with Islamic financial institutions	5	78,451	61,819
Islamic financing assets	6	1,209,977	1,200,735
Investment securities	8	744,680	752,556
Investment properties	9	93,000	96,600
Property and equipment	11	19,731	22,080
Intangible assets	12	5,693	4,388
Other assets	10	275,954	127,950
Total assets		2,817,502	2,579,064
LIABILITIES AND EQUITY			
Margins against letters of guarantee	13	671,363	734,067
Customer accounts and deposits	14	892,873	706,733
Short term Murabaha facilities	16	261,600	261,600
Deferred tax liabilities	26.1	382	-
Other liabilities	15	348,070	299,456
Total liabilities		2,174,288	2,001,856
Equity			
Share capital	17	275,000	275,000
Legal reserve	18	139,900	139,900
Investment revaluation reserve	18	3,762	(687)
Impairment reserve	7	20,546	-
Translation reserve	18	(351,820)	(200,374)
Retained earnings		530,980	334,049
Equity attributable to shareholders of the Company		618,368	547,888
Non-controlling interests	30	24,846	29,320
Total equity		643,214	577,208
Total liabilities and equity		2,817,502	2,579,064



Vice Chairman



Chief Executive Officer

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

The independent auditors' report is set out on pages 2 to 5

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

	Notes	2024 AED'000	2023 AED'000
Operating income			
Income from Islamic financing assets	19	125,939	108,435
Income from wakala deposits and bank balances	20	13,882	8,514
Income from sukuk		17,856	18,330
Net fair value gain on investments	21	32,134	4,071
Net fees and commission expense	22	(1,706)	(14,924)
Other operating income	23	206,689	44,028
		394,794	168,454
Depositors share of profit	14	(38,188)	(30,131)
Profit expense on short term borrowings	16	(17,783)	(16,986)
Net operating income		338,823	121,337
Operating expenses			
General and administrative expenses	24	(101,418)	(91,412)
(Loss) / gain on fair valuation of investment properties	9	(3,600)	18,100
Impairment loss / (reversal) on financial assets	25	35,406	(32,686)
Profit before tax and zakat		269,211	15,339
Income tax expense	26	(7,128)	(2,032)
Zakat		(5,564)	(2,926)
Profit for the year		256,519	10,381
Profit for the year attributable to:			
Shareholders of the Company		217,477	9,851
Non-controlling interests	30	39,042	530
		256,519	10,381

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

The independent auditors' report is set out on pages 2 to 5.

Consolidated Statement of comprehensive income for the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Profit for the year		256,519	10,381
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in investment revaluation reserve for debt instrument at FVOCI			
- Net change in fair value		4,383	2,537
- Reclassification to profit or loss		232	-
- Impairment loss on debt securities		(903)	(176)
Related tax		(382)	-
Exchange difference arising on translation of foreign operations		(194,962)	(3,574)
<i>Items that will not be reclassified to profit or loss</i>			
Movement in investment revaluation reserve for equity instrument at FVOCI			
Related tax		1,230	(5,101)
		(111)	-
Other comprehensive income for the year – net of tax		(190,513)	(6,314)
Total comprehensive income for the year		66,006	4,067
Total comprehensive income for the year attributable to:			
Shareholders of the Company		70,479	3,748
Non-controlling interests	30	(4,473)	319
		66,006	4,067

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

	Share capital AED'000	Legal reserve AED'000	Investment revaluation reserve AED'000	Impairment reserve AED'000	Translation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Group AED'000	Non-controlling interests AED'000	Total equity AED'000
At 1 January 2024	275,000	139,900	(687)	-	(200,374)	334,049	547,888	29,320	577,208
Profit for the year	-	-	-	-	-	217,477	217,477	39,042	256,519
Other comprehensive income for the year – net of tax	-	-	4,449	-	(151,446)	-	(146,997)	(43,516)	(190,513)
Total comprehensive income for the year	-	-	4,449	-	(151,446)	217,477	70,480	(4,474)	66,006
Transfer to impairment reserve	-	-	-	20,546	-	(20,546)	-	-	-
At 31 December 2024	275,000	139,900	3,762	20,546	(351,820)	530,980	618,368	24,846	643,214
At 1 January 2023	275,000	139,900	2,053	-	(197,598)	324,198	543,553	29,874	573,427
Profit for the year	-	-	-	-	-	9,851	9,851	530	10,381
Other comprehensive income for the year	-	-	(2,740)	-	(2,776)	-	(5,516)	(798)	(6,314)
Total comprehensive income for the year	-	-	(2,740)	-	(2,776)	9,851	4,335	(268)	4,067
Dividends	-	-	-	-	-	-	-	(994)	(994)
Bonus shares issued	-	-	-	-	-	-	-	708	708
At 31 December 2023	275,000	139,900	(687)	-	(200,374)	334,049	547,888	29,320	577,208

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

The independent auditors' report is set out on pages 2 to 5.

Consolidated 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 tax and zakat		269,211	15,339
<i>Adjustments for:</i>			
Depreciation on property and equipment	11	5,578	6,286
Amortization of Intangible assets	12	2,412	2,051
Provision for end of service benefit	15.1	1,007	1,674
Fair value loss on revaluation of investments	21	(32,134)	(4,071)
Fair value loss / (gain) on revaluation of investment properties	9	3,600	(18,100)
Impairment (reversal) / charge on financial assets	25	(35,406)	32,686
Dividend Income		(26,904)	(28,085)
Profit expense on short term Murabaha facilities		17,783	16,986
Foreign currency translation adjustment		(191,785)	(3,475)
Tax and zakat expense		12,692	4,958
Changes in:		26,054	26,249
Islamic financing assets		22,214	18,241
Net movement of wakala deposits		(16,828)	937
Other assets		(144,979)	(58,955)
Margins against letters of guarantee		(62,704)	(49,729)
Customer accounts and deposits		186,140	111,445
Other liabilities		6,056	(120,433)
<i>Cash generated / (used) in operations</i>		15,953	(72,245)
End of service benefit paid	15.1	(1,729)	(1,473)
Net cash generated / (used) in operating activities		14,224	(73,718)
Cash flows from investing activities			
Acquisition of property and equipment	11	(6,407)	(2,484)
Acquisition of intangible assets	12	(3,717)	(1,500)
Purchase of investments securities		(91,923)	(21,379)
Disposal of investment securities		137,780	27,315
Dividend received		26,904	28,085
Net cash used in investing activities		62,637	30,037
Cash flows from financing activities			
Lease payments		-	(1,007)
Short term Murabaha facility obtained		-	57,600
Net cash generated from financing activities		-	56,593
Net increase / (decrease) in cash and cash equivalents		76,861	12,912
Cash and cash equivalents at beginning of year	4	352,790	339,878
Cash and cash equivalents at end of year		429,651	352,790

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

The independent auditors' report is set out on pages 2 to 5.

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

1 Legal status and principal activities

Aafaq Islamic Finance P.S.C. (the “Group”) is a Private Joint Stock Group incorporated in the Emirate of Dubai on 8 November 2006 with limited liability in accordance with the provisions of United Arab Emirates (UAE) Federal Law No. (32) of 2021 on Commercial Companies.

The Group is licensed by the Dubai Economy and Tourism (formerly Department of Economic Development of Government of Dubai) and by the Central Bank of the UAE as an Islamic finance group and is primarily engaged in financing and investing activities that are conducted in accordance with Islamic Shari’a Laws, which prohibits usury, and within the provisions of its Memorandum and Articles of Association. The registered office of the Group is located at Al Saqr Business Tower, Sheikh Zayed Road, Trade Center Second, P.O. Box 282400, Dubai, UAE.

On 1 July 2022, 80.2% interest in the share capital of the Group was transferred to Emirates Business Group LLC (the “Parent”) which ultimately controls the Group.

2 Summary of material accounting policy information

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) (“IFRSs”), general principles of the Shari’a as determined by the Group’s Internal Shari’a Supervisory Committee and applicable requirements of the laws of the UAE.

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except as modified by the revaluation of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and investment properties.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

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

- Level 1 input are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group (together referred to as the “Group”). Control is achieved when the Group:

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

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

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

2 Summary of material accounting policy information *(continued)*

(c) Basis of consolidation *(continued)*

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

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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

2 Summary of material accounting policy information (continued)

(c) Basis of consolidation (continued)

The details of the Group's subsidiary is as follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest		Principal Activity
		2024	2023	
National Bank of Sudan	Republic of Sudan	77.68%	77.68%	Banking operations

(d) Business combinations

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

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any on-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

2 Summary of material accounting policy information (continued)

(d) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(e) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Functional and presentation currency

The presentation currency of the Group is United Arab Emirates Dirham ("AED"). These consolidated financial statements are presented in AED and amounts have been rounded to the nearest thousand except when otherwise indicated.

(g) New and revised IFRS and interpretations

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2024. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group's future transactions or arrangements.

Description	Effective from
Non-current Liabilities with Covenants – Amendment to IAS 1	1 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7	1 January 2024

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are discussed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective from
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027

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

2 Summary of material accounting policy information (*continued*)

(h) Financial instruments

The Group classifies its financial instruments in the following categories: financial assets or financial liabilities and measures them at fair value through profit or loss (“FVTPL”), amortised cost and fair value through other comprehensive income (“FVOCI”). Management determines the classification of financial instruments at the time of initial recognition based on the requirements of IFRS 9.

Recognition and derecognition

Financial assets and financial liabilities are recognised in the Group’s consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or is sold to another party. On derecognition of a financial asset (except for equity investments designated as FVOCI), the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized through other comprehensive income and accumulated in equity is recognized in the consolidated statement of profit or loss.

Upon derecognition of equity instruments where the Group had elected FVOCI option, gains or losses are not recognised in the statement of profit or loss. Correspondingly, the Group transfers such gains or losses including their respective accumulated balance in reserves directly to retained earnings.

The Group derecognises financial liabilities when, and only when, the Group’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.

Measurement

Upon recognition, financial assets and financial liabilities are initially measured at fair value plus (in the case of a financial asset or financial liability not classified as FVTPL) transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets that are classified as FVTPL, the transaction costs are taken directly to the consolidated statement of profit or loss.

Financial assets at amortised cost

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 profit on the principal amount outstanding.

These include cash and cash equivalents, wakala deposits, due from related parties, financing assets and other financial assets.

Financial assets at FVOCI

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 solely payments of principal and profit on the principal amount outstanding.

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

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement (continued)

Financial assets at FVOCI (continued)

These include Group's sukuk portfolio.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets other than those mentioned above are classified as measured at FVTPL. These includes Group's portfolio of investment securities and unquoted equity instruments.

On initial recognition the Group 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.

Financial liabilities

Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Financial liabilities are subsequently measured at amortised cost, except for financial liabilities at FVTPL. These includes Short term Murabaha facilities, margin deposits and other liabilities.

FVTPL classification is applied financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability) and partially in profit or loss (the remaining amount of change in the fair value of the liability). The Group has not designated any liability as FVTPL.

Business model assessment

Financial assets at amortised cost or at FVOCI

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how group of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and
- reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in
- particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

2 Summary of material accounting policy information *(continued)*

(h) Financial instruments *(continued)*

Business model assessment *(continued)*

Financial assets at amortised cost or at FVOCI (continued)

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

Financial assets at FVTPL

These are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 29 (g).

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' 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 costs and profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group 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 Group considers;

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets and
- features that modify consideration of the time value of money.

Reclassifications

If the business model under which the Group 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 Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets.

Modifications of financial assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

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

2 Summary of material accounting policy information (*continued*)

(h) Financial instruments (*continued*)

Modifications of financial assets (*continued*)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms.

In case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine net carrying amount of the asset at that date. The difference between the revised carrying amount and the fair value of the new financial asset with the new terms is transferred to profit or loss as a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except where the new finance is considered to be originated credit impaired. This occurs only in the case where the fair value of the new finance is significantly discounted to its revised carrying value due to high risk of default which has not been reduced by the modification. The Group 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. Income and expenses are offset in the statement of profit or loss where it reflects the substance of the transaction or other event.

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- balances with central banks;
- deposits and balances due from banks;
- sukuk
- financing to customers; and
- finance commitments issued;

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are explained in Credit risk policy under risk management note 29.

Expected credit losses ("ECL") are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EPR. However, for unfunded exposures, ECL is measured as the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the finance and the cash flows that the Group expects to receive if the finance is drawn down.

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

2 Summary of material accounting policy information (continued)

(h) Financial instruments (continued)

Impairment of financial assets (continued)

The Group measures ECL on an individual basis, or on a collective basis for portfolios of finances that share similar economic 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 original EPR, regardless of whether it is measured on an individual basis or a collective basis.

Measurement of ECL

Credit loss allowances are categorised and measured using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1

Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, the expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2

When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3

Financial instruments that are considered impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

A financial asset or a group of financial assets are "**impaired**" when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flow of the assets.

At each reporting date, the group assesses whether there is an objective evidence that financial assets not carried at FVTPL are impaired. Objective evidence that financial assets are impaired includes, but not limited to:

- Significant financial difficulty of a borrower or issuer
- Decrease in the risk rating
- Non-payment of obligations to other banks
- Default or delinquency by a borrower
- Restructuring of a facility by the Group on terms that the group would not consider otherwise
- Indication that a borrower or issuer would enter bankruptcy
- Disappearance of an active market for a security

The key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss given default (LGD)

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

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

2 Summary of material accounting policy information (continued)

(h) Financial instruments (continued)

Impairment of financial assets (continued)

Measurement of ECL (continued)

Exposure at default (EAD)

The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

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

Definition of default

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 Group considers the following as constituting an event of default:

- the borrower is past due for more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. The decision to use cross-default is based on case-by-case assessment of borrower and facility conditions such as collateral and materiality of exposure.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example, in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk (SICR)

While determining whether the risk of default on a financial instrument has increased significantly since its origination, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and expert credit assessment and including forward-looking information. For retail financing SICR is measure based on days past due.

The following are indicators to be considered for determination of SICR:

- internal risk grade;
- external credit rating (where available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements;
- significant changes in the actual or expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower; and
- macroeconomic information is incorporated as part of the internal rating model.

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

2 Summary of material accounting policy information (continued)

(h) Financial instruments (continued)

Impairment of financial assets (continued)

Presentation of allowance for ECL in the consolidated statement of financial position

Allowances for ECL are presented in the consolidated statement of financial position as follows:

Classification of financial instrument	Presentation in consolidated financial statements
Financial assets measured at amortised cost	Deducted from the gross carrying amount of the assets.
Debt instruments measured at FVOCI	No loss allowance is recognised in the consolidated statement of financial position as the carrying amount of these assets is at their fair value. Correspondingly, the loss allowance is recognised in the consolidated statement of comprehensive income of these instruments.
Off balance sheet obligations	As a provision.

(i) Impairment of non-financial assets

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

2 Summary of material accounting policy information (continued)

(k) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment. Depreciation is provided for on a straight-line basis on all property and equipment. Where the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying value of the asset disposed of and are taken into account in determining operating income. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	up to 10 years
Furniture and fixtures	up to 5 years
Office and computer equipment	up to 10 years
Motor vehicles	4 years
Right of use asset	3.5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(l) Intangible assets

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss.

The Group's intangible assets include software. The estimated useful lives of the intangible assets for the calculation of amortization are as follows:

Software	up to 10 years
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(m) Staff termination and other benefits

In compliance with UAE Labour Law, the Group has a gratuity benefit scheme for all of its expatriate salaried employees. The Group is also a participant in a pension scheme in respect of eligible UAE national employees in compliance with applicable law.

Obligations for contributions to pension and gratuity schemes are recognised as an expense in the consolidated statement of profit or loss on an accrual basis.

(n) Income recognition

Profit income on investments, deposits and bank balances are recognised in profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Profit income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of a profit generating instrument and its amount at maturity calculated on an effective profit rate basis.

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

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

2 Summary of material accounting policy information (continued)

(n) Income recognition (continued)

Fees and commission income and expenses that are integral to the effective profit rate on a financial asset or liability are included in the measurement of the effective profit rate. Other fees and commission income are recognised as the related services are performed.

Revaluation gains on investments include unrealised gains and losses due to changes in the fair value of financial assets designated at fair value through profit or loss and realised gains or losses on financial assets (debt investments) at fair value through other comprehensive income.

Dividend income is recognised in the profit or loss when the Group's right to receive payment is established.

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms and is presented as a part of other operating income.

(o) Provisions

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

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

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 virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

(p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

(q) 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 are translated into AED at the rates of exchange ruling at the consolidated statement of financial position date. Any resultant gains and losses are recognised in the consolidated statement of profit or loss.

(r) Islamic financing and investments – products, definitions and income recognition

Shari'a is the Islamic law which is essentially derived from the Quran and Sunnah that governs beliefs and conducts of human beings. The Group incorporates the Shari'a rules and principles in its activities.

Wakala deposits

Wakala deposit is an agreement whereby the Group (the Muwakkil) provides certain amount of funds (the Wakala Capital) to an agent (the Wakeel) to invest it in a Shari'a compliant manner and in accordance with the feasibility study/investment plan submitted to the Muwakkil by the Wakeel, who is entitled to a fixed fee (the Wakala Fee) as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The Muwakkil bears the loss unless caused by the default, negligence or violation of any of the terms and conditions of the Wakala by the Wakeel. Wakala deposits are stated at amortised cost of the Wakala assets net of provision for impairment, if any, and Wakala capital amounts settled.

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

2 Summary of material accounting policy information (*continued*)

(r) Islamic financing and investments – products, definitions and income recognition (*continued*)

Wakala deposits

Estimated income from Wakala deposits is amortized on a time-apportioned basis over the period, adjusted by actual income when declared by the Wakeel, whereas the losses are charged to profit or loss on their declaration by the Wakeel.

Istisna'a

Istisna'a is a sale contract between two parties whereby one party (Sani' or seller) undertakes to construct, for the other party (Mustasni' or buyer), a specific asset or property according to certain pre-agreed specifications in consideration of a pre-determined price to be delivered during a pre-agreed period of time. The work undertaken is not restricted to be accomplished by the Sani' alone and the whole or part of the construction can be undertaken by third parties under the control and responsibility of the Sani'. Under an Istisna'a contract, the Group could be the Sani' or the Mustasni'.

Murabaha

A Murabaha Contract whereby the Group (the Seller) sells an asset to the Client (the Purchaser), on a deferred payment basis, after purchasing the asset, which the Seller has purchased and acquired, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha purchase price, payable by the Purchaser, comprises the cost of the asset and an agreed profit amount. The Purchaser usually pays the Murabaha Sale price on an instalment basis over the period of the Murabaha contract. Where the income is quantifiable, it is recognised on a time-apportioned basis over the period of the Murabaha contract.

Ijara

Ijara is an agreement whereby the Group (Lessor) leases an asset to the customer (Lessee) (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and promise to lease), against certain rental payments for specific lease term/periods, payable on a fixed or variable rental basis. Leased assets are usually residential properties or commercial real estate.

The Ijara agreement specifies the leased asset, duration of the lease term, as well as the basis for rental calculation, the timing of rental payments and responsibilities of both parties during the lease term. The customer provides the Group with an undertaking to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Group retains the ownership of the assets throughout the lease term. At the end of the lease term, upon fulfilment of all the obligations by the customer under the Ijara agreement, the Group will sell the leased asset to the customer at a nominal value based on a sale undertaking given by the Group.

Income is recognized on an accrual basis over the lease term based on the fixed rental amount outstanding (which predominantly represents the cost of the leased asset).

Musharaka

Musharaka is used to provide venture capital or project finance. The Group and customer contribute towards the capital of the Musharaka. Usually a special purpose company or a partnership is established as a vehicle to undertake the Musharaka. Profits are shared according to a pre-agreed profit distribution ratio but losses are borne according to the capital contributions. Capital contributions may be in cash or in kind, as valued at the time of entering into the Musharaka.

Estimated profit is amortized on a time-apportioned basis over the period, adjusted by actual profit when received, whereas the losses are charged to profit or loss on their declaration.

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

2 Summary of material accounting policy information (continued)

(s) Foreign operations

The activities of subsidiaries based outside the UAE are not deemed an integral part of the head office operations, as they are financially and operationally independent of the head office. The assets and liabilities of the foreign operations are translated into UAE Dirhams at rates of exchange at the reporting date. The income and expense of foreign operations are translated at average rates, as appropriate. Exchange differences arising from retranslating the opening net assets, are taken directly to foreign currency translation adjustment account in other comprehensive income.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest NCI.

(t) Leases

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liabilities are included in other liabilities line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect profit on the lease liability (using effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are included in property and equipment line in the consolidated statement of financial position.

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

2 Summary of material accounting policy information (continued)

(t) Leases (continued)

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the consolidated statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

(u) Income tax

Income taxes are recognised as income or expense in the profit or loss for the year, except in cases in which the tax results from a process or an event that is recognised at the same time or in a different year outside the profit or loss, whether in other comprehensive income or in equity directly or business combination.

Current income tax

The current tax for the current year and prior years and that have not been paid are recognised as a liability, but if the taxes that have already been paid in the current year or prior years are excess of the value payable for these years, this increase is recognised as an asset. The taxable current liabilities (assets) for the current year and prior years are measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to be issued by the end of the financial year. Tax assets and liabilities are set-off only when certain conditions are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- The initial recognition of goodwill.
- The initial recognition of assets or liabilities in a transaction that:
 - a. Is not a business combination.
 - b. Does not affect neither accounting nor taxable profit (or loss).
- Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the Group's future business plans. Deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

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

Deferred tax assets and liabilities are set-off only if certain conditions are met.

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

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

3 Critical accounting judgments and key sources of estimation uncertainty *(continued)*

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are continually evaluated and are based on historical experience and other factors. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows in order to determine the level of impairment provisions required for financing as well as for non-trading investments. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

Classification and measurement of financial assets (Business model assessment)

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Expected credit losses

Significant increase of credit risk

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

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

ECL Model and assumptions

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

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 the ECL the Group 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.

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

3 Critical accounting judgments and key sources of estimation uncertainty (continued)

Expected credit losses (continued)

ECL Model and assumptions (continued)

Probability of default (PD)

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

Loss given default (LGD)

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 of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using the Comparable Method and the Income Capitalisation Method. The Comparable Method utilizes the evidence of transactions or current asking prices of similar sites in the immediate vicinity and, if appropriate, applies adjustments to the sales figures based on market research and discussion with independent agents. Under the Income Capitalisation Method the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates. Information about the valuation techniques and inputs used in determining the fair value of investment properties are disclosed in note 9.

Fair value measurement of financial assets and valuation process

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The Board of Directors of the Group are responsible to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of a financial asset, the Group uses market-observable data to the extent it is available. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. These valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in note 29 (g).

Income tax

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

Based on recent developments in relation to the Cabinet of Ministers Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifying the threshold of income over which the 9% tax rate would apply, the CT Law is considered enacted.

As per IAS 12 Income taxes, any change in tax laws should be recognized in the financial statements in the period in which the enactment occurs and therefore any tax implications (current and/or deferred) will need to be assessed accordingly.

Significant management judgement is required to determine the amount of deferred tax assets or liabilities that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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

3 Critical accounting judgments and key sources of estimation uncertainty (continued)

Income tax (continued)

The Group performed an assessment based on the information available at this point of time on the impact of the law and assessed that there is no impact of the enactment of CT Law during the year.

International Tax Reform - Pillar Two model rules

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

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

The amendments introduced by Federal Decree-Law No. 60 of 2023 are intended to prepare for the introduction of the BEPS 2.0 Pillar 2 Rules. The implementation of these rules in the UAE is still pending additional Cabinet Decisions, and the specific form and manner of implementation are yet to be determined.

Additionally, Pillar Two legislation is effective in the jurisdiction in financial year ending 31 December 2024 where the Group operates. The Group will continue to monitor the Pillar Two legislations in all relevant jurisdictions and accrue any potential top-up tax when the legislation is effective in those jurisdictions in accordance with the IAS 12 Amendments and taking into consideration the transitional CbC safe harbour relief.

The Group is in the process of assessing the potential exposure to Pillar Two income taxes. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the potential exposure in the year 2024.

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

The Group has applied this mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

4 Cash and cash equivalents

	2024 AED'000	2023 AED'000
Cash in hand	233	4,693
Balances with Central banks	21,496	19,063
Balances with banks		
Current accounts	73,029	166,777
Call and savings accounts	140,855	34,257
Wakala deposits having maturity of less than 30 days	194,038	128,000
	429,651	352,790
Impairment allowance	(39,635)	(39,854)
	390,016	312,936

As at 31 December 2024, AED 386.5 million (2023: AED 301.07 million) of cash and cash equivalents are held with banks and other financial institutions based in the UAE.

See note 7 for movement in impairment for financial assets.

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

5 Wakala deposits with Islamic financial institutions

	2024 AED'000	2023 AED'000
Wakala deposits	86,712	69,884
Impairment allowance	(8,261)	(8,065)
	<u>78,451</u>	<u>61,819</u>

Wakala deposits include AED 86 million invested in financial institutions in UAE (2023: AED 69.9 million). These deposits carry profit rates ranging from 3.6% to 5% (2023: 4.2% to 5.5%) per annum. The impairment allowance on such Wakala placement amounts to AED 8.3 million (2023: AED 8.1 million).

See note 7 for movement in impairment for wakala deposits.

6 Islamic financing assets

	2024 AED'000	2023 AED'000
Murabaha financing	1,470,965	1,568,626
Ijarah financing	345,972	387,473
Istisna'a financing	-	665
Other financing	326	9,111
Gross financing assets	1,817,263	1,965,875
Deferred income	(189,860)	(207,565)
Profit in suspense	(85,261)	(93,837)
Net financing assets before impairment	1,542,142	1,664,473
Impairment allowance	(332,165)	(463,738)
	<u>1,209,977</u>	<u>1,200,735</u>

In accordance with Shari'a principles, Islamic financing is provided for the activities that are entirely Shari'a compliant. As at 31 December 2024, AED 1,513 million (2023: AED 1,605 million) of Islamic financing assets are provided to customers based in the UAE.

Gross Ijara and related present value of the minimum Ijara payments

	2024 AED'000	2023 AED'000
Not later than one year	64,755	88,899
Later than one year but not later than five years	177,667	197,842
Later than five years	103,550	100,732
Gross Ijara	345,972	387,473
Less: Deferred income	(14,141)	(13,973)
Net Ijara	331,831	373,500
Net present value		
Not later than one year	61,980	85,693
Later than one year but not later than five years	168,985	190,708
Later than five years	100,866	97,099
Total net present value	331,831	373,500

See note 7 for movement in impairment for Islamic financing assets.

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

7 Impairment allowances

The movements in impairment allowance on financial assets, during the year are as follows:

	Cash and cash equivalents AED'000	Wakala deposits AED'000	Islamic financing assets AED'000	Investment securities AED'000	Other assets AED'000	Total AED'000
As at 1 January 2023	40,032	7,737	430,320	3,312	26,265	507,666
Charge/(reversal) for the year	(178)	328	33,469	(176)	(757)	32,686
foreign exchange translation impact	-	-	(51)	-	-	(51)
As at 31 December 2023	39,854	8,065	463,738	3,136	25,508	540,301
Charge/(reversal) for the year	(219)	196	(31,456)	(903)	(3,024)	(35,406)
foreign exchange translation impact	-	-	(5,956)	-	-	(5,956)
Write off during the year	-	-	(94,161)	-	-	(94,161)
As at 31 December 2024	39,635	8,261	332,165	2,233	22,484	404,778

ECL impairment on sukuk is included in revaluation reserve for debt investments carried at FVOCI and recognised in other comprehensive income amounting to AED 2.2 million (2023: AED 3.1 million).

Following table summarizes the movement of impairment reserve due to changes in the provision in Islamic financing assets as per CBUAE guidelines and IFRS 9:

	CBUAE Guidelines AED'000	IFRS 9 AED'000	Difference AED'000
2024			
Specific Provision	317,692	297,146	20,546
General provision	35,019	35,019	-
	352,711	332,165	20,546
2023			
Specific Provision	428,433	428,433	-
General provision	35,305	35,305	-
	463,738	463,738	-

As per CBUAE Guidelines on implementation of IFRS 9, finance companies are required to create a reserve under equity transferring from retained earnings only if the provision as per CBUAE guidelines is higher the ECL as per IFRS 9.

8 Investment securities

	2024 AED'000		Total
	Quoted	Unquoted	
FVTPL investments			
Equity instruments	78,775	280,000	358,775
Investment in funds	14,109	-	14,109
	92,884	280,000	372,884
FVOCI investments:			
Equity instruments	19,563	56	19,619
Sukuk	352,177	-	352,177
	371,740	56	371,796
	464,624	280,056	744,680

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

8 Investment securities (continued)

ECL impairment on FVOCI sukuk is included in revaluation reserve for debt investments carried at FVOCI and recognised in other comprehensive income. See note 7 for movement in impairment for debt securities classified as FVOCI.

Investment securities as of 31 December 2023 were classified as following:

	2023 AED'000		Total
	Quoted	Unquoted	
FVTPL investments			
Equity instruments	96,585	260,000	356,585
Investment in funds	15,430	-	15,430
	<u>112,015</u>	<u>260,000</u>	<u>372,015</u>
FVOCI investments:			
Equity instruments	18,349	190	18,539
Sukuk	362,002	-	362,002
	<u>380,351</u>	<u>190</u>	<u>380,541</u>
	<u>492,366</u>	<u>260,190</u>	<u>752,556</u>

Movement in the investments during the year is as follows:

	2024 AED'000			
	FVTPL investments		FVOCI investments	
	Equity	Funds	Equity	Sukuks
At 1 January 2024	356,585	15,430	18,539	362,002
Additions	12,681	-	-	79,242
Disposals	(44,178)	-	(17)	(93,450)
Fair value gain/(loss)	33,687	(1,321)	1,231	4,383
Translation loss	-	-	(135)	-
At 31 December 2024	<u>358,775</u>	<u>14,109</u>	<u>19,618</u>	<u>352,177</u>

	2023 AED'000			
	FVTPL investments		FVOCI investments	
	Equity	Funds	Equity	Sukuks
At 1 January 2023	354,428	15,368	23,644	363,545
Additions	29	-	-	21,350
Disposals	(1,881)	-	-	(25,430)
Fair value loss	4,009	62	(5,100)	2,537
Reclassification gain from OCI to profit and loss	-	-	-	-
Translation gain	-	-	(5)	-
At 31 December 2023	<u>356,585</u>	<u>15,430</u>	<u>18,539</u>	<u>362,002</u>

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

9 Investment properties

The below table shows the movements in investment properties. The valuations of these properties are based on significant unobservable inputs and as a result are classified as Level 3 under the fair value hierarchy.

	2024 AED'000	2023 AED'000
At 1 January	96,600	78,500
Gain on fair valuation of investment properties	(3,600)	18,100
At 31 December	<u>93,000</u>	<u>96,600</u>

The fair values of the investment properties are arrived at on the basis of a valuation carried out by accredited independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The valuations were mainly determined by using the Comparable Method (Market Approach). There has been no change to the valuation techniques during the year. Refer to note 3 for the key assumptions used in determination of fair value of investment properties and significant estimation uncertainty related to determination of the fair value.

The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. The investment properties are categorised under Level 3 in the fair value hierarchy. There were no transfers between Levels 1, 2 or 3 during 2024 or 2023.

A description of the valuation techniques used and key inputs to the valuations of investment properties as at 31 December 2023 and 2024 is as follows:

Property	Valuation technique	Significant unobservable inputs	Sensitivity
Plots of land	Comparable Method	Comparable transactions Current market prices of similar assets	Change in micro and macro-economic conditions would cause a significant impact

	2024 AED'000	2023 AED'000
Rental income	5,521	-
Direct operating costs	<u>953</u>	<u>-</u>

10 Other assets

	2024 AED'000	2023 AED'000
Related party receivables (note 28)	66,531	66,581
Assets acquired in satisfaction of claims*	166,364	62,225
Advances, deposits and prepayments	33,828	10,549
Accrued profit	6,655	5,725
Staff advances	549	1,584
Other assets	24,511	7,382
	<u>298,438</u>	<u>154,046</u>
Impairment allowance	(22,484)	(26,096)
	<u>275,954</u>	<u>127,950</u>

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

10 Other assets (continued)

*Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as “Assets acquired in satisfaction of claims”. The assets acquired are recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange. During the year, the group did not sell any of these properties.

See note 7 for movement in impairment of other assets.

11 Property and equipment

	Land and Buildings AED'000	Furniture and fixtures AED'000	Office and computer equipment AED'000	Motor Vehicles AED'000	Right of use Asset* AED'000	Total AED'000
Cost						
1 January 2024	28,164	9,871	9,937	1,141	4,866	53,979
Additions	83	963	3,840	171	1,350	6,407
Disposals	-	-	-	-	-	-
Exchange differences	(2,642)	-	(1,041)	(532)	-	(4,215)
At 31 December 2024	25,605	10,834	12,736	780	6,216	56,171
Accumulated depreciation						
At 1 January 2024	12,565	6,461	7,893	495	4,485	31,899
Charge for the year	2,545	1,281	838	194	720	5,578
Disposals	-	-	-	-	-	-
Exchange differences	(395)	-	(351)	(291)	-	(1,037)
At 31 December 2024	14,715	7,742	8,380	398	5,205	36,440
Net book value	10,890	3,092	4,356	382	1,011	19,731
Cost						
1 January 2023	27,520	9,460	8,904	865	4,866	51,615
Additions	723	411	1,054	296	-	2,484
Disposals	-	-	-	(1)	-	(1)
Exchange differences	(79)	-	(21)	(19)	-	(119)
At 31 December 2023	28,164	9,871	9,937	1,141	4,866	53,979
Accumulated depreciation						
At 1 January 2023	9,984	5,050	7,263	283	3,054	25,634
Charge for the year	2,582	1,411	642	220	1,431	6,286
Disposals	-	-	-	(1)	-	(1)
Exchange differences	(1)	-	(12)	(7)	-	(20)
At 31 December 2023	12,565	6,461	7,893	495	4,485	31,899
Net book value	15,599	3,410	2,044	646	381	22,080

*Right of use asset pertains to office space occupied in a building which is used as office premises by the Group.

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

12 Intangible assets

	Software	
	2024 AED'000	2023 AED'000
Cost		
1 January	12,486	10,986
Additions during the year	3,717	1,500
At 31 December	16,203	12,486
Accumulated amortization		
1 January	8,098	6,047
Additions during the year	2,412	2,051
At 31 December	10,510	8,098
Net book value	5,693	4,388

13 Margins against letters of guarantee

	2024 AED'000	2023 AED'000
Labour guarantees ¹	668,017	729,057
Corporate guarantees ²	3,346	5,010
	671,363	734,067

¹ These are margins collected by the Group on issuance of letters of guarantee in favour of the Ministry of Human Resources and Emiratization (MOHRE) on behalf of its customers.

² These represent varying margins against corporate letters of guarantee (Note 27).

14 Customer accounts and deposits

	2024 AED'000	2023 AED'000
Wakala deposits	884,095	684,253
Current accounts	7,681	21,319
Savings accounts	1,097	1,161
	892,873	706,733

Wakala deposits amounting to AED 884.1 million invested by UAE corporate customers (2023: AED 684.25 million). These deposits carry profit rates ranging from 0.6% to 7.2% per annum (2023: 0.6% to 7.2% per annum) having fixed maturity term which ranges from 1 month to 36 months (2023: 1 month to 12 months). Depositors share of profit recognized during the year is AED 38 million (2023: 30 million).

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

15 Other liabilities

	2024 AED'000	2023 AED'000
Collections payable ¹	198,292	186,812
Outstanding cheques	35,903	37,157
End of service benefits	5,738	6,460
Other payables	72,818	21,051
Accrued profit on deposits	5,091	17,172
Accrued expenses	16,270	14,617
Cash margins	2,300	1,903
Unrestricted investment accounts	542	5,091
Zakat payable	3,034	3,399
Tax payable	8,082	5,794
	348,070	299,456

¹ These represent collections made on behalf of Government organisations and subsequently payable to them.

15.1 Employee benefits

The Group provides gratuity benefits to its eligible employees. The movement in the employees' gratuity payable obligation was as follows:

	2024 AED'000	2023 AED'000
Balance at 1 January	6,460	6,259
Charge for the year	1,007	1,674
Payments during the year	(1,729)	(1,473)
Balance at 31 December	5,738	6,460

16 Short term Murabaha facilities

Short term Murabaha facility (the "Facility") represents an Islamic Liquidity Murabaha with a local bank carrying a profit rate of 1.5% p.a. + 3 Months EIBOR to be paid quarterly whereas the principal has three months maturity with a rollover option, renewable at the discretion of the bank. The total Facility amount as of 31 December 2024 is AED 422 million (2023: AED 422 million) of which AED 262 million (2023: AED 262 million) has been utilized as of 31 December 2024. Profit expense amounting to AED 17.8 million (2023: AED 16.9 million) has been recognized during the year. Short term Murabaha facilities are secured against pledge over the group's investment securities in favor of the bank. The fair value of such securities pledged amounts to AED 388 million (2023: AED 371 million).

17 Share capital

The authorised, issued and fully paid-up share capital of the Group is 275 million shares of AED 1 each (2023: 275 million shares of AED 1 each).

18 Reserves

Legal reserve

In accordance with Article 241 of the Federal Law No. 32 of 2021 on Commercial Companies, the Company is required to transfer 10% of its net profit for the year to a non-distributable legal reserve until the amount of the legal reserve is equal to 50% of the Company's share capital. The share premium of AED 125 million has been included in legal reserve as directed by Article 19 of the Company's Articles of Association.

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

18 Reserves (continued)

Investment revaluation reserves

Investment revaluation reserve represents cumulative gains or losses arising on revaluation of FVOCI debt, equity investments and the impact of ECL on FVOCI debt investments.

Translation reserve

Translation reserve represents cumulative gains or losses arising on translation on the exchange differences arising from translation of the net investment in foreign operations.

19 Income from Islamic financing assets

	2024 AED'000	2023 AED'000
Murabaha financing	97,243	81,298
Ijarah financing	28,134	26,881
Other financing	562	256
	<u>125,939</u>	<u>108,435</u>

20 Income from wakala deposits and bank balances

	2024 AED'000	2023 AED'000
Profit on wakala deposits	12,146	6,390
Profit on bank balances	1,736	2,124
	<u>13,882</u>	<u>8,514</u>

21 Net fair value gain on investments

	2024 AED'000	2023 AED'000
Gain on debt investments at FVOCI reclassified upon disposal	(232)	-
Net fair value gain on investments classified as FVTPL	32,366	4,071
	<u>32,134</u>	<u>4,071</u>

22 Net fees and commission expense

	2024 AED'000	2023 AED'000
Fees and commission income:		
Fees	33,421	20,352
Commission	8,103	8,087
	<u>41,524</u>	<u>28,439</u>

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

22 Net fees and commission income (continued)

	2024 AED'000	2023 AED'000
Fees and commission expenses:		
Cash collection charges	(1,441)	(1,433)
Labour guarantees (expenses) / income	(779)	221
Bank fees and commission	(826)	(701)
Credit card expenses	(29,254)	(35,064)
Others	(10,930)	(6,386)
	<u>(43,230)</u>	<u>(43,363)</u>
Net fees and commission expense	<u>(1,706)</u>	<u>(14,924)</u>

23 Other operating income

	2024 AED'000	2023 AED'000
Foreign currency translation gain ¹	176,212	3,961
Dividend income	26,904	28,085
Others	3,573	11,982
	<u>206,689</u>	<u>44,028</u>

¹Foreign currency translation gain pertains to the translation of monetary assets of a subsidiary from the functional currency to the presentation currency of such subsidiary and should be read in conjunction with the foreign exchange loss recorded on the translation of foreign operations of the Group.

24 General and administrative expenses

	2024 AED'000	2023 AED'000
Salaries and related benefits	57,121	57,392
Legal and professional expenses	13,979	11,326
Depreciation on property and equipment (Note 11)	5,578	6,286
Amortization of intangible assets (Note 12)	2,412	2,051
Other general and administrative expenses	14,848	7,653
Sponsorship and marketing expenses	7,480	6,704
	<u>101,418</u>	<u>91,412</u>

25 Net impairment loss on financial assets

	2024 AED'000	2023 AED'000
<i>(Reversal) / Charge for the year</i>		
Financing assets at amortised cost	(31,457)	33,451
Financial assets at FVOCI	(903)	(176)
Other financial assets	(3,046)	(589)
	<u>(35,406)</u>	<u>32,686</u>

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

26 Income Tax

	2024 AED'000	2023 AED'000
<i>Statement of profit or loss</i>		
Current tax charge	7,128	-
Deferred tax charge	-	-
	<u>7,128</u>	<u>-</u>
<i>Statement of other comprehensive income</i>		
Current tax on unrealized gain on revaluation of FVTOIC equity investments	111	-
Deferred tax on unrealized gain on revaluation of FVOCI sukuk investments	382	-
	<u>493</u>	<u>-</u>
Reconciliation of tax expense and the accounting profit		
Accounting profit before tax	263,647	15,339
At UAE statutory corporate tax rate of 9% (2023: 0%)	7,701	-
Tax on subsidiary's profit in Sudan	3,159	-
Exempt income	(4,142)	-
Effect of standard exemptions	133	-
Effect of non-deductible expenses	17	-
Effect of transfer pricing adjustment	260	-
At effective income tax rate of 5% (2023: 0%)	<u>7,128</u>	<u>-</u>

26.1 Deferred tax

	2024 AED'000	2023 AED'000
Investment securities measured at fair value	382	-
Deferred tax liability	<u>382</u>	<u>-</u>
Recognized in profit or loss	-	-
Recognized in other comprehensive income	382	-
Deferred tax liability	<u>382</u>	<u>-</u>

27 Contingencies and commitments

The amounts reflected in the table for guarantees represent the maximum accounting loss that would be recognized at the statement of financial position date.

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

27 Contingencies and commitments (continued)

	2024 AED'000	2023 AED'000
Guarantee given to the Central Bank of the UAE ¹	50,000	50,000
Guarantee to the Government and other organisations ¹	41,034	34,034
Labour guarantees issued	814,050	834,270
Corporate guarantees issued	95,405	107,930
Trade related contingencies	56,107	56,869
Other commitments	201,180	251,356
	1,257,776	1,334,459
Margin collected against guarantees	(671,363)	(734,067)
Wakalas encumbered against guarantees	(74,195)	(79,858)
	512,218	520,534

¹ Financial asset with a fair value of AED 85 million (2023: AED 85 million) had been pledged as at 31 December 2024 relating to the guarantees given to the Central Bank of the UAE and other organizations.

28 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. Related parties comprise major shareholders, directors and key management personnel of the Group. Key management personnel comprise those who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the management and are made on terms agreed by the Board of Directors or management.

Remuneration of key management personnel and the Board of Directors remuneration during the year are as follows:

	2024 AED'000	2023 AED'000
Short term benefits	9,279	10,963
Post-employment benefits	593	413
Directors' remuneration	4,636	1,867

The significant balances and transactions included in the consolidated financial statements are as follows:

	Parent ¹ / Major Shareholder AED'000	Entity under common management AED'000	Total AED'000
At 31 December 2024			
Financing assets	126,018	27,167	153,185
Other assets ²	-	66,531	66,531
Wakala deposits (liability)	15,000	25,000	40,000
Profit income	4,110	22	4,132
Depositors share of profit	330	58	388
At 31 December 2023			
Financing assets	180,244	-	180,244
Other assets	-	66,581	66,581
Wakala deposits (liability)	55,193	-	55,193
Profit income	5,135	-	5,135
Depositors share of profit	2,069	-	2,069

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

28 Related party transactions (*continued*)

¹ Parent includes the Parent of the Group and its affiliates.

² Amount presented under “entity under common management” is the gross amount of receivable. Loss allowance recorded against such receivable amounts to AED 18 million (2023: AED 22 million).

29 Financial risk management

The Group’s activities expose it to a variety of financial risks and those activities involve the identification, evaluation, acceptance and management of risks or a combination of risks. Taking risk is core to the Group’s business, and the operational risks are an inevitable consequence of being in business. The Group’s aim is therefore to achieve an appropriate balance between risk and return and minimise the potential adverse effects on the Group’s financial performance.

The Group’s risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The key risks are credit, liquidity, market and operational risks. Market risk includes currency, profit rate and other price risks.

Risk Management Framework

The Board of Directors (the “Board”) has overall responsibility for the establishment and oversight of the Group’s risk management framework and they are assisted by two board committees (Risk and Compliance Committee (“BRCC”) and Board Audit Committee (“BAC”).

Board risk and Compliance Committee (“BRCC”)

BRCC comprising of members from the Board, is responsible for recommending and setting the Group’s risk strategy and policy guidelines, and subsequently monitoring adherence. BRCC takes credit decisions above management’s discretionary powers, defines risk limits within which the Group’s management operates and also monitors the overall risks for the Group. BRCC also has a responsibility to oversight the compliance with applicable laws and regulation. BRCC receives regular reports from Head of Risk and compliance summarising developments in the risk environment, alignment of business strategy with risk appetite, performance trends in the key Portfolios and actual or potential non-compliance with applicable laws and regulations.

The BRCC is assisted by two Management Level Committees in order to carry out reviews and make recommendations to the BRCC. These are the Management Risk and Compliance Committee (MRCC) and Assets and Liability Committee (ALCO).

Management Risk and Compliance Committee (MRCC)

The MRCC reviews and recommends the risk policies, risk appetite limits, potential credit and investment proposal recommendations to the BRCC and also ensures effective management of credit, market, operational, business continuity and reputational risks.

Asset Liability Committee (ALCO)

The ALCO reviews and advise to the BRCC for the Group’s balance sheet structure and quality, management of liquidity and funding plans including profit rates on deposits and lending’s.

Board Audit Committee (BAC)

The Board Audit Committee (BAC), assisted by the internal audit division, is charged with directly supporting the Board in fulfilling its responsibilities in safeguarding shareholders’ funds. The BAC provides assurances to the Board that the policies and procedures and the objectives set by the Board, are being complied with. The BAC comprises three Board members and the Head of Audit, as its secretary, and meets at least four times a year.

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

29 Financial risk management (continued)

Risk Management Framework (continued)

Board Audit Committee (BAC) (continued)

The Group manages risks using three lines of defence comprising of business units, control units and Internal Audit. Business units, as the first line of defence, identify and manage risk in their day-to-day activities by ensuring that activities are within the Group's risk appetite and are in compliance with all relevant internal policies and processes. Risk, Legal and Compliance division, 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. The Head of Risk has a direct reporting line to the BRCC to ensure the independence of Risk from business. Internal audit, headed by Head of 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. The Head of Audit has a direct reporting line to the BAC.

In broad terms, the structure enables the establishment of risk management policies, and monitoring and review of compliance with those policies. Significant risk issues are escalated to the appropriate committee for information and/or action. The identification, assessment, measurement and management of specific risks is further discussed below:

(a) Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to a financial instrument, to meet its obligations under a contract. It arises principally from financing, trade finance and non-trading investment activities. For risk management purposes, credit risk arising on trading investments is reported as a component of market risk exposure. The Group has policies and procedures dedicated to controlling and monitoring risk from all such activities.

The Group's primary exposure to credit risk arises from financing and receivables, due from banks, and investments. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the consolidated statement of financial position. In addition, the Group is exposed to credit risk through commitments to extend financing and financial guarantees.

The maximum exposure to credit risk at the reporting date is shown below:

	Gross maximum exposure	
	2024 AED'000	2023 AED'000
Cash and cash equivalents	429,651	352,790
Wakala deposits	86,712	69,884
Financing assets	1,542,142	1,965,875
Investment securities	352,177	362,002
Other assets	119,236	79,718
Contingencies and commitments	1,308,794	1,334,459
	3,838,712	4,164,728

Credit risk management

Credit risk is actively managed and monitored in accordance with defined credit policies and procedures. The creditworthiness of each counter party is evaluated, and appropriate credit limits are established. To reduce individual counterparty credit risk, the Group ensures that established limits and actual levels of exposure are regularly reviewed and updated by management. In addition, the Group's credit review procedures are designed to identify, at an early stage, exposures that require more detailed monitoring and review.

The Group uses an internal risk rating system to assess the credit quality of corporate borrowers having exposure above AED 1 million. Each corporate borrower is assigned a rating, including classified accounts. The risk rating system has 10 grades. Grades 1-7 are performing, and Grades 8 -10 are non-performing.

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

29 Financial risk management (continued)

(a) Credit risk (continued)

Credit risk management (continued)

Exposures to Government and related entities, banks and non-banking financial institutions are evaluated using external ratings (where available). For sukuk, issue ratings is used, where available. Where issue rating is not available, issuer ratings considered for risk evaluation.

Impairment reserve under the Central Bank of UAE (CBAUE) guidance

The CBAUE issued a guidance note to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBAUE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE (“the guidance”). As per the guidance note, where provisions under IFRS 9 exceed provisions under circular 28/10 of the CBAUE, no amount is required to be transferred to the impairment reserve.

External credit risk ratings

The table below presents the external credit ratings as at December 31 of the Group’s deposits and balances due from banks and sukuk securities designated at FVOCI based on Moody’s rating scale. Sukuk issuer level ratings are used in case ratings are not available at issuance level. Wherever Moody’s ratings are not available, comparable Fitch or S&P’s equivalent ratings scale is used.

	Balances with banks		Wakala deposits		Sukuk at FVOCI	
	2024 AED’000	2023 AED’000	2024 AED’000	2023 AED’000	2024 AED’000	2023 AED’000
Ratings						
Aaa to Aa3	14,507	7,599	-	-	29,697	12,095
A1 to A3	174,997	60,027	122,238	81,200	123,666	116,830
Baa1 to Baa3	1,092	100,176	100,000	68,000	96,232	105,459
Ba1 to B3	-	-	-	-	94,299	124,189
Caa to C	-	-	-	-	-	-
Unrated	44,784	52,295	58,512	48,684	8,283	3,429
	235,380	220,097	280,750	197,884	352,177	362,002

Credit quality per class of financial assets

The credit exposures categorised and measured using a three-stage approach at the reporting date is shown below:

As at 31 December 2024

	Stage 1	Stage 2	Stage 3	ECL	Net amount
	AED’000	AED’000	AED’000	provision AED’000	AED’000
Assets					
Cash and cash equivalents	394,494	-	35,157	(39,635)	390,016
Wakala deposits	86,712	-	-	(8,261)	78,451
Islamic financing assets	834,978	119,219	587,945	(332,165)	1,209,977
Investment securities	352,177	-	-	(2,233)	349,944
Other assets	119,236	-	-	(22,484)	96,752
	1,787,597	119,219	623,102	(404,778)	2,125,140

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

29 Financial risk management (continued)

(a) Credit risk (continued)

Credit risk management (continued)

Credit quality per class of financial assets (continued)

As at 31 December 2023

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	ECL provision AED'000	Net amount AED'000
<i>Assets</i>					
Cash and cash equivalents	317,391	-	35,399	(39,854)	312,936
Wakala deposits	69,884	-	-	(8,065)	61,819
Islamic financing assets	940,628	85,532	638,313	(463,738)	1,200,735
Investment securities	362,002	-	-	(3,136)	358,866
Other assets	79,718	-	-	(26,096)	53,622
	<u>1,769,623</u>	<u>85,532</u>	<u>673,712</u>	<u>(540,889)</u>	<u>1,987,978</u>

The concentrations of credit risk by industry sector at the reporting date is shown below:

As at 31 December 2024

	Cash and bank balances AED'000	Wakala deposits AED'000	Financing assets AED'000	Investment Securities AED'000
Financial institutions	235,380	280,750	-	195,494
Construction	-	-	70,568	-
Transport, Storage & Communication	-	-	4,185	22,330
Services	-	-	221,930	-
Trade	-	-	193,925	-
Consumers	-	-	348,474	-
Healthcare	-	-	36,262	-
Government	-	-	-	7,430
Real estate	-	-	276,046	95,262
Others	-	-	390,753	31,661
	<u>235,380</u>	<u>280,750</u>	<u>1,542,142</u>	<u>352,177</u>

As at 31 December 2023

	Cash and bank balances AED'000	Wakala deposits AED'000	Financing assets AED'000	Investment Securities AED'000
Financial institutions	220,097	197,884	-	211,411
Construction	-	-	210,187	-
Transport, Storage & Communication	-	-	7,524	20,836
Services	-	-	218,927	-
Trade	-	-	298,953	-
Consumers	-	-	536,158	-
Healthcare	-	-	39,900	-
Government	-	-	-	7,510
Real estate	-	-	447,863	91,758
Others	-	-	206,363	30,487
	<u>220,097</u>	<u>197,884</u>	<u>1,965,875</u>	<u>362,002</u>

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

29 Financial risk management (continued)

(a) Credit risk (continued)

Credit risk management (continued)

Impaired financing assets and debt investments

Impaired financing assets and debt investments are financial assets for which the Group determines that there is objective evidence that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The classification and measurement of ECL is further explained in note 2(h) of these consolidated financial statements.

Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured due to deterioration in the borrower's financial position and where the Group has made material concessions that it would not otherwise consider. Once a financing is restructured, it remains in this category for a minimum period of twelve months, in order to establish a satisfactory track record of performance under the restructuring agreement. The twelve-month period commences from the date of signing of the agreement for restructuring.

Write-off policy

The Group writes off a financing or investment balance (and any related allowances for impairment losses) when it determines that the financing or investments are uncollectible. This is determined after all possible efforts of collecting the amounts have been exhausted.

Collaterals and other credit enhancements

The Group 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 securities wherever possible. The Group ensures that all documentation used in collateralized transactions is binding on all parties and is legally enforceable in relevant jurisdictions. In addition, if the finance provided by the Group is asset backed (in accordance with the principles of Shari'a), the properties are funded based on the Group's appraised value. The appraised value is based on the internal assessment and a report from an independent valuer.

(b) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in meeting all foreseeable funding commitments and deposits / margins withdrawal that may arise. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time-frame in order to meet the funding requirements.

Management of liquidity risk

Management monitors the maturity profiles to ensure that adequate liquidity is maintained. This enhances funding flexibility, limits dependence on one source of funds. The ALCO is responsible for review and approval of liquidity policies and procedures.

Maturity profile of financial assets and liabilities:

The following table reflects the contractual maturities of assets and liabilities which have been determined based on the remaining period to maturity as at the statement of financial position date. It does not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds.

The maturity profiles of financial assets (gross) and liabilities are as follows:

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

29 Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued):

As at 31 December 2024

	Profit Bearing			Non Profit bearing			Total AED'000
	Up to three months AED'000	From Three months to 1 year AED'000	Over 1 year AED'000	Up to three months AED'000	From Three months to 1 year AED'000	Unspecified maturity AED'000	
ASSETS							
Cash and cash equivalents	379,849	-	-	49,802	-	-	429,651
Wakala deposits	-	86,712	-	-	-	-	86,712
Islamic financing assets	352,882	517,508	671,752	-	-	-	1,542,142
Investments securities	76,145	16,099	259,934	-	-	392,502	744,680
Other assets	-	-	-	-	119,236	-	119,236
	<u>808,876</u>	<u>620,319</u>	<u>931,686</u>	<u>49,802</u>	<u>292,316</u>	<u>392,502</u>	<u>2,922,421</u>
LIABILITIES							
Margins against letters of guarantee	-	-	-	671,363	-	-	671,363
Customer accounts and deposits	322,819	561,277	-	8,777	-	-	892,873
Other liabilities	-	-	-	347,582	542	-	348,070
Short term Murabaha facilities	261,600	-	-	-	-	-	261,600
	<u>584,419</u>	<u>561,277</u>	<u>-</u>	<u>1,027,722</u>	<u>542</u>	<u>-</u>	<u>2,173,906</u>
Undiscounted Cash flow of liabilities*							
Customer accounts and deposits	322,818	561,277	-	8,777	-	-	892,872
Short term Murabaha facilities	261,600	-	-	-	-	-	261,600

*Undiscounted cashflows of liabilities except for customer accounts and deposits and short term Murabaha facilities (shown separately above) are same as their maturity profiles.

As at 31 December 2023

	Profit Bearing			Non Profit bearing			Total AED'000
	Up to three months AED'000	From Three months to 1 year AED'000	Over 1 year AED'000	Up to three months AED'000	From Three months to 1 year AED'000	Unspecified maturity AED'000	
ASSETS							
Cash and cash equivalents	219,009	-	-	133,781	-	-	352,790
Wakala deposits	-	69,884	-	-	-	-	69,884
Islamic financing assets	440,876	217,594	1,006,003	-	-	-	1,664,473
Investments securities	13,175	80,370	268,457	-	-	390,554	752,556
Other assets	-	-	-	-	79,718	-	79,718
	<u>673,060</u>	<u>367,848</u>	<u>1,274,460</u>	<u>133,781</u>	<u>79,718</u>	<u>390,554</u>	<u>2,919,421</u>
LIABILITIES							
Margins against letters of guarantee	-	-	-	734,067	-	-	734,067
Customer accounts and deposits	344,158	340,096	-	22,479	-	-	706,733
Other liabilities	-	-	-	294,365	5,091	-	299,456
Short term Murabaha facilities	261,600	-	-	-	-	-	261,600
	<u>605,758</u>	<u>340,096</u>	<u>-</u>	<u>1,050,911</u>	<u>5,091</u>	<u>-</u>	<u>2,001,856</u>
Undiscounted Cash flow of liabilities*							
Customer accounts and deposits	338,781	358,344	54	22,479	-	-	719,658
Short term Murabaha facilities	262,034	-	-	-	-	-	262,034

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

29 Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued):

The table below shows the contractual expiry of the Bank's contingent liabilities and commitments

	Up to three months AED'000	From Three months to 1 year AED'000	Over 1 year AED'000	Unspecified maturity AED,000	Total AED'000
31 December 2024					
Contingent liabilities	22,687	9,523	4,500	218,466	255,175
Commitments	3,622	1,197	25,074	171,286	201,179
	<u>26,309</u>	<u>10,720</u>	<u>29,574</u>	<u>389,752</u>	<u>456,355</u>
31 December 2023					
Contingent liabilities	40,794	250	1,000	170,264	212,308
Commitments	19,128	58,700	32,103	141,425	251,356
	<u>59,922</u>	<u>58,950</u>	<u>33,103</u>	<u>311,689</u>	<u>463,664</u>

Analysis of financial liabilities by contractual undiscounted payment obligation

The table above also represents the maturity profile of the Group's financial liabilities as at 31 December 2024 and 2023 as the contractual undiscounted payment obligations are same as their carrying values except for Wakala deposits in other liabilities.

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

(c) Market risk

Market risk is the risk that movement in market risk factors e.g. profit rates, foreign exchange rates, credit spreads and equity prices, will affect the Group's income or the value of its financial instruments.

Management of market risk

The Group separates its exposure for market risk purposes into trading and non-trading portfolios. All trading instruments are recognised at fair value, and changes in fair value are directly shown in the statement of profit or loss. Exposure to market risk is managed in accordance with risk limits set by senior management in response to changing market conditions.

Profit rate risk

Profit rate risk arises from profit bearing financial instruments and reflects the possibility that changes in profit rates will adversely affect the value of the financial instruments and the related income. Repricing mismatches expose the Group to unanticipated fluctuations in profit income or underlying economic value.

The Group manages the profit rate risk by monitoring profit rate mismatches. The Group is not materially exposed to profit rate risk (except for FVOCI debt instruments) due to regular profit rate fluctuations, as almost all its profit generating assets are at a fixed rate and liabilities are either fixed rated or not profit bearing.

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

29 Financial risk management (continued)

(c) Market risk (continued)

Profit rate risk (continued)

A change in the price by 1% would have immaterial (2022: not material) impact on the profit or loss. As the Group is not exposed to any material floating rate instrument, the maturity dates and contractual repricing dates would be the same and thus the profit rate mismatch is the same as the maturity mismatches disclosed in Note 29(b).

(d) Foreign currency risk

The Group does not have any significant foreign currency dealings except for USD which is pegged with AED.

(e) Equity price risk

Equity price risk arises from changes in the value of investments at fair value through profit or loss and FVOCI equity investments. A change in the price by 1% would have AED 3.729 thousand (2022: AED 3,720 thousand) impact on the profit or loss and AED 196 thousand (2023: AED 185 thousand) impact on other comprehensive income.

(f) Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Group's operations and are faced by all business entities.

The primary responsibility related to operational risk rests with the Board, however, the board has delegated such responsibility to BRCC, supported by MRCC and Head of Risk, as detailed in the risk framework above. The operational risk management process includes risk identification, assessment, measurement and the development and implementation of controls to mitigate or minimise potential impacts due to failure of such controls.

The Group has established standard policies, procedures, processes and controls in order to appropriately identify and manage operational risks. The key features of the Group's operational risk management process include but not limited to:

- segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of control procedures to address the risks identified;
- incidence reporting and management process;
- whistle blowing and fraud risk management policy;
- reporting of operational losses and proposed remedial action;
- development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation through risk transfer strategy such as insurance, where effective.

Compliance with Group standards is supported by periodic reviews undertaken by the Internal Audit function and results are submitted to the Audit Committee and senior management of the Group. Periodic reviews are also conducted by compliance department and any breaches or non-compliance is reported to the BRCC and senior management.

(g) Fair value measurement

The Group's consolidated financial statements are prepared on a fair value basis for investment properties and available for sale investments except those for which a reliable measure of fair value is not available. Other financial assets and liabilities are stated at amortised cost or historical cost.

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

29 Financial risk management (continued)

(g) Fair value measurement

The fair value of the Group's assets and liabilities is not materially different from the carrying value at 31 December 2023.

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

	FVTPL AED'000	FVOCI AED'000	Amortised cost AED'000	Carrying amount AED'000
At 31 December 2024				
Cash and cash equivalents	-	-	429,651	429,651
Wakala deposits	-	-	86,712	86,712
Islamic financing assets	-	-	1,542,142	1,542,142
Investment securities	372,884	371,796	-	744,680
Other assets	-	-	119,236	119,236
	<u>372,884</u>	<u>371,796</u>	<u>2,177,741</u>	<u>2,922,421</u>
Liabilities				
Margins against letters of guarantee	-	-	671,363	671,363
Customer accounts and deposits	-	-	892,873	892,873
Other liabilities	-	-	348,070	348,070
Short term Murabaha facilities	-	-	261,600	261,600
	<u>-</u>	<u>-</u>	<u>2,173,906</u>	<u>2,174,511</u>
At 31 December 2023				
Cash and cash equivalents	-	-	352,790	352,790
Wakala deposits	-	-	69,884	69,884
Islamic financing assets	-	-	1,664,473	1,664,473
Investment securities	372,015	380,541	-	752,556
Other assets	62,225	-	79,718	141,943
	<u>434,240</u>	<u>380,541</u>	<u>2,166,865</u>	<u>2,981,646</u>
Liabilities				
Margins against letters of guarantee	-	-	734,067	734,067
Customer accounts and deposits	-	-	706,733	706,733
Other liabilities	-	-	299,456	299,456
Short term Murabaha facilities	-	-	261,600	261,600
	<u>-</u>	<u>-</u>	<u>2,001,856</u>	<u>2,001,856</u>

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted bid prices for identical assets or unadjusted quoted offer prices for identical liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

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

29 Financial risk management (continued)

(g) Fair value measurement (continued)

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market.

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on latest available information and observable inputs of a similar nature, historical observations or other analytical techniques.

This category mainly includes private equity instruments. The carrying values of these investments are based on the latest available valuations performed by management.

Investment properties classified as Level 3 are stated at fair value, which has been determined based on valuations performed by independent professional valuers. The valuation methodologies considered by external valuers include the Income Capitalisation Method and Comparable Method.

Under the Income Capitalisation Method, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

The Comparable Method utilizes the evidence of transactions or current asking prices of similar sites in immediate vicinity and, if appropriate, applies adjustments to the sales figures based on market research, and discussions with independent agents.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The table below shows the hierarchy used by the Group for the assets and liabilities that are measured at fair value or for which fair value information is disclosed as at:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2024				
Assets				
Investment securities	464,624	-	280,056	744,680
Investment properties	-	-	93,000	93,000
	<u>464,624</u>	<u>-</u>	<u>373,056</u>	<u>837,680</u>
31 December 2023				
Assets				
Investment securities	492,366	-	260,190	752,556
Investment properties	-	-	96,600	96,600
	<u>492,366</u>	<u>-</u>	<u>356,790</u>	<u>849,156</u>

During the year ended 31 December 2024, there were no transfers between Levels (2023: nil).

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

29 Financial risk management (continued)

(g) Fair value measurement (continued)

Valuation techniques using significant unobservable inputs – Level 3 (continued)

Movement in investments securities that are measured based on the Level 3 hierarchy are as follows:

	2024 AED'000	2023 AED'000
At 1 January	260,190	250,195
Fair value gain/(loss)	20,000	10,000
Other adjustments	(134)	(5)
At 31 December	280,056	260,190

30 Non-controlling interests

The table below shows details of the non-controlling interests of the National Bank of Sudan:

Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2024	2023	2024	2023	2024	2023
			AED'000	AED'000	AED'000	AED'000
Republic of Sudan	77.68%	77.68%	(4,474)	319	24,845	29,320

Summarised financial information in respect of the Group's subsidiary National Bank of Sudan that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2024 AED'000	2023 AED'000
Assets	156,336	191,705
Liabilities	(27,450)	(45,221)
	128,886	146,484
Revenue	196,016	18,480
Expenses	(21,095)	(18,517)
Other comprehensive loss	(194,963)	(3,574)
Total comprehensive loss for the year	(20,042)	(3,611)
Total comprehensive loss for the year attributable to owners	(15,569)	(3,930)
Total comprehensive loss for the year attributable to the non-controlling interests	(4,474)	319
Total comprehensive loss for the year	(20,043)	(3,611)
Dividends paid to non-controlling interests	-	994
Net cash inflows from operating activities	(1,911)	54,126
Net cash inflows/(outflows) from investing activities	(9,887)	1,920
Net cash inflows from financing activities	-	708
At 31 December	5,764	56,754

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

31 Reclassification

The group previously presented the intangible asset that contains the software, under property and equipment. However, in order to comply with the requirements of IAS 16 and IAS 38, this intangible asset has been presented as “Intangible assets” separately on statement of financial position. Accordingly prior year amounts have been restated by reclassifying the amount of AED 4,388 thousand from property and equipment to intangible assets.

32 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 MAR 2025.

