Bank of Sharjah P.J.S.C.

Review report and
condensed consolidated interim financial information
for the three-month period ended 31 March 2025

Bank of Sharjah P.J.S.C.

Table of contents

Grant Thornton Audit and Accounting Limited (Dubai Branch)

The Offices 5
Level 3
Office 302, 303, 308
One Central, DWTC
Dubai, UAE

P.O. Box 1620
T +971 4 388 9925
F +971 4 388 9915
www.grantthornton.ae

Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Information to the Board of Directors of Bank of Sharjah P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Bank of Sharjah P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2025 and the related condensed consolidated interim statements of profit or loss, comprehensive income, statements of changes in equity and cash flows for the three-month period then ended and a summary of material accounting policy information and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagements 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to note 2.1 to the condensed consolidated interim financial information, which describes the classification and measurement of the Bank's Subsidiary, Emirates Lebanon Bank S.A.L (the 'Subsidiary') as held for sale under IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*. Due to the geopolitical conditions in Lebanon, the sale has not been completed within one year from the date of classification and it was impractical for the Bank to obtain an updated valuation to arrive at the fair value less costs to sell for the Subsidiary as of 31 March 2025. Our review report is not modified in respect of this matter.

GRANT THORNTON UAE

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

Anand Prabhu
Registration No: 5567
Dubai, United Arab Emirates

May 06, 2025

Condensed consolidated interim statement of financial position
As at

	Note	31 March 2025 (unaudited) AED'000	31 December 2024 (audited) AED'000
ASSETS			
Cash and balances with central bank	6	**2,382,373**	4,639,575
Deposits and balances due from banks	7	**698,237**	595,972
Loans and advances, net	8	**25,902,213**	24,302,758
Investment securities, net	9	**11,592,001**	10,101,570
Investment properties		**1,157,453**	1,157,453
Assets acquired in settlement of debts		**1,073,650**	1,070,090
Other assets	10	**915,422**	679,832
Properties and equipment		**186,051**	190,932
Subsidiary held for sale	2.1	**844,790**	844,790
Total assets		**44,752,190**	43,582,972
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	11	**30,468,589**	29,704,942
Deposits and balances due to banks	12	**2,977,173**	2,822,812
Repo borrowings	13	**2,598,234**	2,420,284
Other liabilities	14	**1,165,995**	1,245,042
Issued bonds	15	**3,565,125**	3,563,070
Total liabilities		**40,775,116**	39,756,150
Equity			
Capital and reserves			
Share capital		**3,000,000**	3,000,000
Statutory reserve		**1,088,469**	1,088,469
Impairment reserve		**256,474**	190,316
Investment fair value reserve		**(776,982)**	(811,062)
Currency translation reserve		**(386,675)**	(386,675)
Retained earnings		**794,428**	744,234
Equity attributable to equity holders of the Bank		**3,975,714**	3,825,282
Non-controlling interests		**1,360**	1,540
Total equity		**3,977,074**	3,826,822
Total liabilities and equity		**44,752,190**	43,582,972

To the best of our knowledge, the condensed consolidated interim financial information presents fairly in all material respects the financial position, results of operations and cashflows of the Group as of, and for, the periods presented therein. The condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 06 May 2025.

on behalf of

Mohammed Bin Saud Al Qasimi
Chairman

Mohamed Khadiri
CEO

The accompanying notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of profit or loss (unaudited) for the three-month period ended

	Notes	31 March 2025 AED'000	31 March 2024 AED'000
Interest income		**553,682**	502,800
Interest expense		**(409,731)**	(414,266)
Net interest income		**143,951**	88,534
Net fee and commission income		**44,859**	43,430
Exchange profit		**9,133**	5,463
Income on investments		**4,920**	3,850
Net (loss)/income on properties		**(1,986)**	534
Other income		**27**	1,002
Operating income		**200,904**	142,813
Net impairment loss on financial assets	16	**(9,773)**	(13)
Net operating income		**191,131**	142,800
Personnel expenses		**(35,364)**	(31,164)
Depreciation		**(5,269)**	(5,982)
Other expenses		**(20,671)**	(21,230)
Profit before taxes		**129,827**	84,424
Income tax expense		**(13,655)**	(4,096)
Net profit for the period		**116,172**	80,328
Attributable to:			
Equity holders of the Bank		**116,352**	80,670
Non-controlling interests		**(180)**	(342)
Net profit for the period		**116,172**	80,328
Basic and diluted profit per share (AED)	19	**0.04**	0.03

The accompanying notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income (unaudited) for the three-month period ended

	31 March 2025 AED'000	31 March 2024 AED'000
Net profit for the period	**116,172**	80,328
Other comprehensive income items		
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value of equity instruments measured at fair value through other comprehensive income	**22,128**	(39,078)
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**10,278**	-
Expected credit loss on FVOCI Bonds (note 16)	**1,674**	-
Other comprehensive income/(loss) for the period	**34,080**	(39,078)
Total comprehensive income for the period	**150,252**	41,250
Attributable to:		
Equity holders of the Bank	**150,432**	41,592
Non-controlling interests	**(180)**	(342)
Total comprehensive income for the period	**150,252**	41,250

Bank of Sharjah P.J.S.C.

Condensed consolidated interim statement of changes in equity for the three-month period ended

	Share capital AED'000	Statutory reserve AED'000	Impairment reserve AED'000	Investment fair value reserve AED'000	Currency translation reserve AED'000	Retained earnings AED'000	Total equity attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2024 (audited)	3,000,000	1,050,000	190,316	(754,382)	(386,675)	404,932	3,504,191	1,324	3,505,515
Profit for the period	-	-	-	-	-	80,670	80,670	(342)	80,328
Other comprehensive loss	-	-	-	(39,078)	-	-	(39,078)	-	(39,078)
Total comprehensive income for the period	-	-	-	(39,078)	-	80,670	41,592	(342)	41,250
Adjustment on disposal of FVOCI investment	-	-	-	-	-	421	421	-	421
Transfer from retained earnings	-	-	24,704	-	-	(24,704)	-	-	-
Balance at 31 March 2024 (unaudited)	3,000,000	1,050,000	215,020	(793,460)	(386,675)	461,319	3,546,204	982	3,547,186
Balance at 1 January 2025 (audited)	**3,000,000**	**1,088,469**	**190,316**	**(811,062)**	**(386,675)**	**744,234**	**3,825,282**	**1,540**	**3,826,822**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**116,352**	**116,352**	**(180)**	**116,172**
Other comprehensive income	**-**	**-**	**-**	**34,080**	**-**	**-**	**34,080**	**-**	**34,080**
Total comprehensive income for the period	**-**	**-**	**-**	**34,080**	**-**	**116,352**	**150,432**	**(180)**	**150,252**
Transfer from retained earnings	**-**	**-**	**66,158**	**-**	**-**	**(66,158)**	**-**	**-**	**-**
Balance at 31 March 2025 (unaudited)	**3,000,000**	**1,088,469**	**256,474**	**(776,982)**	**(386,675)**	**794,428**	**3,975,714**	**1,360**	**3,977,074**

The accompanying notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows (unaudited) for the three-month period ended 31 March

	2025 AED'000	2024 AED'000
Cash flows from operating activities		
Net profit before tax for the period	**129,827**	84,424
Adjustments for:		
Depreciation of properties and equipment	**5,269**	5,982
Gain on sale of properties and equipment	**-**	(713)
Amortisation of premium on debt instruments	**(11,336)**	(12)
Provision for employees' end of service benefits	**2,992**	13,230
Gain on sale of assets acquired in settlement of debts	**-**	(3,738)
Net impairment loss on financial assets	**9,773**	13
Unrealized (gain)/ loss on assets acquired in settlement of debts	**(3,561)**	1,935
Net fair value changes on other financial assets at FVTPL	**(3,637)**	-
Issued bond cost	**1,160**	674
Interest on Lease Liability	**432**	573
Dividends income	**(1,157)**	(1,065)
Operating profit before changes in operating assets and liabilities	**129,762**	101,303
Changes in:		
Deposits and balances due from banks maturing after three months from dates of placements	**654**	5,977
Statutory deposits with central bank	**(282,440)**	231,636
Loans and advances	**(1,623,702)**	(259,256)
Other assets	**(135,143)**	(93,986)
Customers' deposits	**763,648**	(325,764)
Other liabilities	**(68,801)**	43,511
Cash used in operations	**(1,216,022)**	(296,579)
Cash flows from investing activities		
Purchase of properties and equipment	**(388)**	(2,377)
Payment for Right of Use Assets	**(13,671)**	(11,043)
Proceeds from sale of properties and equipment	**-**	4,508
Purchase of financial assets	**(2,014,908)**	(328,890)
Proceeds from disposal of investments	**474,586**	38,772
Proceeds from sale of assets acquired in settlement of debts	**-**	17,738
Dividends received	**1,157**	1,065
Cash used in investing activities	**(1,553,224)**	(280,227)
Cash flows from financing activities		
Proceeds from repo borrowings and due to banks	**45,079**	-
Cash generated from financing activities	**45,079**	-
Net decrease in cash and cash equivalents during the period	**(2,724,167)**	(576,806)
Cash and cash equivalents at the beginning of the period	**2,818,405**	2,395,016
Cash and cash equivalents at the end of the period (note 6)	**94,238**	1,818,210

The accompanying notes 1 to 26 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

1. General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through six branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain. The accompanying condensed consolidated interim financial statements combine the activities of the Bank and its subsidiaries (collectively the "Group").

2. Basis of preparation

2.1 Subsidiary held for sale

The Central Bank of the UAE continues to support the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat of unnecessary volatility. Accordingly, the objective remains to cease the consolidation of the Lebanese Subsidiary's financial statements in the Group's financial statements, as per the Central Bank of the UAE recommendations effective 1st April 2023. This step is necessary to mitigate the accounting anomalies and disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22nd June 2023, the Board approved the de-linking.

When the Group classified the Lebanese subsidiary as an "asset held for sale," all the subsidiary's assets and liabilities were categorized accordingly. Once classified in this category, the group of assets and liabilities is measured at the lower of carrying amount or fair value less costs to sell. If impairment occurs, an impairment loss is recognized in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate remains a significant judgment, determined based on the market offer approach.

The previously heightened geopolitical environment in Lebanon had delayed the sale beyond the 12-month timeframe stipulated by IFRS 5. However, recent political and economic developments clearly indicate a more stable and promising outlook, prompting renewed interest from potential buyers. During the period ended 31 March 2025, the Bank received reconfirmed offers from potential acquirers, reflecting a more positive market sentiment. Discussions are advancing, with buyers demonstrating increased confidence in Lebanon's financial sector recovery. The Bank is currently in the process of obtaining revised offers for the sale of the subsidiary, positioning itself for a final transaction in an improving macroeconomic environment.

While the Bank remains confident in the successful sale of Emirates Lebanon Bank, it acknowledges that delays may still occur due to external factors. Nonetheless, the improving political and financial landscape is expected to facilitate and expedite the completion of the transaction. Additionally, the Bank has received an updated letter from the regulator reaffirming support for the classification of EL Bank as held for sale under IFRS 5, reflecting the improved market conditions and ongoing strategic efforts to finalize the sale.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

2. Basis of preparation (continued)

2.1 Subsidiary held for sale (continued)

The breakdown of the Lebanese subsidiary's net assets as at 1 April 2023 is as follows:

ASSETS	**AED'000**
Cash and balances with central bank	2,892,460
Deposits and balances due from banks	10,497
Loans and advances, net	1,090,017
Investments measured at fair value	29,567
Investments measured at amortised cost	43,344
Other intangibles	345
Assets acquired in settlement of debt	79,641
Other assets	17,989
Property and equipment	6,040
Total assets	4,169,900
LIABILITIES	
Customers' deposits	2,318,968
Deposits and balances due to banks	617,261
Other liabilities	189,728
Total liabilities	3,125,957
Net assets	1,043,943
Fair value of net assets	844,790

2.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws of the United Arab Emirates ("UAE"). Group has also complied with provisions of the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") which was issued on 20 September 2021 and came into effect on 2 January 2022.

Basis of measurement - The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values as explained in the accounting policies below.

Functional and presentation currency - The condensed consolidated interim financial information is presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands' dirham, except when otherwise indicated.

Basis of consolidation - This condensed consolidated interim financial information incorporates the condensed interim financial information of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

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

The condensed consolidated interim financial information comprises the financial statements of the Bank and of the following subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

2. Basis of preparation (continued)

2.2 Basis of preparation (continued)

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group'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/payable or received/receivable is recognised directly in equity and attributed to owners of the Group.

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
	2025	2024				
Emirates Lebanon Bank S.A.L.	**100%**	100%	1965	2008	Lebanon	Financial institution
El Capital FZC	**100%**	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	**100%**	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	**100%**	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	**100%**	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	**100%**	100%	2010	2010	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	**100%**	100%	2015	2015	Cayman Islands	Financing activities
Muwaileh Capital FZC	**90%**	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Repos Limited	**100%**	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	**100%**	100%	2018	2018	Cayman Islands	Financing activities
GTW Holding LTD	**100%**	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
GDLR Holding LTD	**100%**	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
BOS Real Estate Egypt	**100%**	100%	2023	2023	Egypt	Real estate development activities

3. Application of other new and revised International Financial Reporting Standards ("IFRS")

3.1 New and revised IFRS Accounting Standards applied with no material effect on the condensed Consolidated interim financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability

Other than the above, there are no other significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.

3. Application of other new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRS Accounting Standards in issue but not yet effective

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

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
Amendments to IFRS 9 Financial Instruments and IFRS 7 *Financial Instruments Disclosures regarding the classification and measurement of financial instruments*	1 January 2026
The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	
IFRS 19 *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendment to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to treatment of sale or contribution of assets from investors*	Effective date deferred indefinitely.

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

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2024.

5 Material accounting policies

5.1 Recognition and Initial Measurement

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in consolidated statement of profit or loss.

5.2 Classification of financial assets

Balances with central banks, due from banks and financial institutions, financial assets and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition). IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

5 Material accounting policies (continued)

5.2 Classification of financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at amortised cost

The effective interest rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective interest 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 interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition. Income is recognised in the consolidated statement of profit or loss on an effective interest rate basis for financing and investing instruments measured subsequently at amortised cost.

Financial assets measured at FVTPL

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Group designates fair value through other comprehensive income (FVTOCI) at initial recognition. Financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the Group has chosen to designate it as at FVTPL at initial recognition, are measured at FVTPL. Financial assets (other than equity instruments) may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis. Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) designated as at FVTPL at initial recognition is not permitted. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated statement of profit or loss at the end of each reporting period. The net gain or loss recognised in the consolidated statement of profit or loss.

5 Material accounting policies (continued)

5.2 Classification of financial assets (continued)

Financial assets measured at FVTOCI

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

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not transferred to consolidated statement of profit or loss.

5.3 Measurement of ECL

Credit loss allowances are 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, an amount equal to 12 months expected credit loss is recorded. 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 in default, 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 to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with 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 coupon rate as a proxy for effective interest rate (EIR);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

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

For undrawn loan commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's coupon rate, regardless of whether it is measured on an individual basis or a collective basis.

5 Material accounting policies (continued)

5.3 Measurement of ECL (continued)

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

- Probability of default (PD) – PD estimates are estimates at a certain date, which are calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories and sizes of counterparties.

- Exposure at default (EAD) – EAD represents the expected exposure upon default of an obligor. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.
  EAD is calculated as below:
  - For Direct Facilities: Limit or Exposure whichever is higher
  - For Letters of Credit & Acceptances: Limit or Exposure whichever is higher
  - For all types of Guarantees: Exposure

- 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, considering cash flows from the proceeds from liquidation of any collateral.
  LGD is derived as below:
  - Senior Unsecured: 45%
  - Eligible Securities as per Basel lower LGD, taking into consideration applicable Basel haircuts on collateral as well as LGD floors to certain collateral

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1, if certain criteria are met, if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

The group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail. The credit risk may be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management process that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences. As a backstop, the group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to the initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

5 Material accounting policies (continued)

5.3 Measurement of ECL (continued)

The group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD [stage 1] and lifetime PD [stage 2].

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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 the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators
- a backstop of 30 days past due.

Improvement in credit risk profile

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

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded stage-wise (one stage at a time) from Stage 3 to Stage 2 and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 instalments (for quarterly instalments) have been made or 12 months (for instalments longer than quarterly) curing period is met.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

5 Material accounting policies (continued)

5.3 Measurement of ECL (continued)

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: (as a deduction from the gross carrying amount of the assets);
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the statement of profit or loss.

5.4 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The Group initially recognises financial liabilities such as deposits and debt securities issued on the date at which they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL where the financial liability is either held for trading or it is designated at FVTPL and measured at fair value. Determination is made at initial recognition and is not reassessed. Financial liabilities at FVTPL are stated at fair value, with any gains / losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/ loss recognised in consolidated statement of profit or loss incorporates any interest paid on the financial liability. However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to consolidated statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities at amortized cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

5. Material accounting policies (continued)

5.4 Financial liabilities (continued)

De-recognition of financial liabilities

Financial liabilities are derecognised when they are extinguished - that is when the obligation specified in the contract is discharged, cancelled or expired.

5.5 Estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements as at and for the year ended 31 December 2024.

5.6 Investment properties

Investment properties are held to earn rental income and/or capital appreciation. Investment properties include cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties are reported at valuation based on fair value at the end of the reporting period. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated statement of profit or loss in the period in which these gains or losses 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

6. Cash and balances with central bank

The analysis of the Group's cash and balances with the central bank is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Cash on hand	**45,134**	44,843
Statutory deposits	**352,462**	70,022
Time placements	**1,984,777**	4,524,710
	2,382,373	4,639,575

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14 day period. Balances with other central banks includes mandatory reserves which are available for day to day operations under certain specified conditions.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

6. Cash and balances with central bank (continued)

Cash and cash equivalents

For the statement of condensed consolidated interim statement of cash flows, cash and cash equivalents includes:

	31 March 2025 AED'000 (unaudited)	31 March 2024 AED'000 (unaudited)
Cash and balances with central bank (Note 6)	**2,382,373**	3,291,634
Deposits and balances due from banks (Note 7)	**830,707**	1,021,272
Deposits and balances due to banks (Note 12)	**(2,977,173)**	(1,473,273)
Repo borrowings (Note 13)*	**(2,198,234)**	(363,195)
	(1,962,327)	2,476,438
Less: Deposits with central banks and balances due from banks – original maturity more than three month	**(368,426)**	(569,208)
Less: Statutory deposits with central banks (Note 6)	**(352,462)**	(89,020)
Add: Deposits and balances due to banks – original maturity more than three month	**1,496,289**	-
Add: Repo borrowings – original maturity more than three month	**1,281,164**	-
	94,238	1,818,210

*Approximately AED 0.4 billion (31 December 2024: AED 0.8 billion) of Repo borrowing have not been deducted from cash and cash equivalents as at 31 March 2025. Considering the underlying substance of the borrowing and nature of the underlying collateral, the Group has classified the proceeds/ repayments from the Repo borrowing as a cash inflow/ outflow from financing activities. (Note 13)

7. Deposits and balances due from banks

The analysis of the Group's deposits and balances due from banks is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Demand	**462,281**	352,848
Time	**368,426**	375,806
	830,707	728,654
Expected credit losses (note 16)	**(132,470)**	(132,682)
	698,237	595,972

7. Deposits and balances due from banks (continued)

The geographical analysis of deposits and balances due from banks is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Banks abroad	**795,638**	697,204
Banks in the U.A.E.	**35,069**	31,450
	830,707	728,654
Expected credit losses (note 16)	**(132,470)**	(132,682)
	698,237	595,972

8. Loans and advances, net

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Overdrafts	**6,757,743**	6,511,448
Commercial loans	**18,251,651**	16,665,417
Bills discounted	**1,068,755**	1,180,987
Other advances	**1,634,879**	1,731,476
Gross amount of loans and advances	**27,713,028**	26,089,328
Expected credit losses (note 16)	**(1,810,815)**	(1,786,570)
Net loans and advances	**25,902,213**	24,302,758

(b) Impairment reserve

The CBUAE issued its IFRS 9 guidance addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE.

Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the credit risk weighted assets as calculated under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called "the impairment reserve- general". The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for banks) when computing the regulatory capital.

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Non-distributable impairment reserve- General		
Minimum provision for stage 1& 2 as per CBUAE requirements*	**439,777**	384,985
Less: Stage 1 and Stage 2 impairment provision taken against income	**183,303**	194,669
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	**256,474**	190,316

8. Loans and advances, net (continued)

*For the purpose of calculation, the movement in impairment reserve provisions under IFRS 9 are determined based on CB UAE classification of loans and advances, only for the purpose of this disclosure.

(c) The geographic analysis of the gross loans and advances of the Group is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Loans and advances resident in the U.A.E.	**26,365,228**	25,284,183
Loans and advances non-resident	**1,347,800**	805,145
	27,713,028	26,089,328

9. Investment securities, net

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Investments measured at fair value		
Investments measured at FVTPL		
Quoted debt securities	**426,818**	423,181
	426,818	423,181
Investments measured at FVTOCI		
Quoted equity securities	**237,401**	215,272
Unquoted equity securities	**76,177**	76,173
Quoted debt securities	**1,798,310**	1,505,016
	2,111,888	1,796,461
Total investments measured at fair value	**2,538,706**	2,219,642
Investments measured at amortised cost		
Quoted debt securities	**1,164,576**	262,855
Unquoted debt securities	**7,888,952**	7,622,124
Expected credit losses (Note 16)	**(233)**	(3,051)
Total investments measured at amortised cost	**9,053,295**	7,881,928
Total investments	**11,592,001**	10,101,570

All of the quoted investments are listed on the securities exchanges in the U.A.E. (Abu Dhabi Securities Exchange and Dubai Financial Market). Included in the debt securities are bonds and sukuk with the fair value of AED 3.16 billion (31 December 2024: AED 2.72 billion) given as collateral against borrowings under repo agreements (Note 13).

9. Investment securities, net (continued)

The composition of the investment measured at fair value and amortised cost by geography is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
United Arab Emirates	9,304,493	8,454,142
MENA Region (including G.C.C. countries)	2,084,104	1,593,071
United States of America	126,766	-
United Kingdom	20,210	-
Europe	56,661	57,408
	11,592,234	10,104,621
Expected credit losses (Note 16)	(233)	(3,051)
	11,592,001	10,101,570

10. Other assets

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Acceptances – contra (note 14)	322,802	349,408
Interest receivable	226,585	98,793
Prepayments	19,050	12,492
Others	374,949	247,103
	943,386	707,796
Expected credit loss (note 16)	(27,964)	(27,964)
	915,422	679,832

11. Customers' deposits

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Current and other accounts	6,189,629	6,324,769
Saving accounts	96,551	95,283
Time deposits	24,182,409	23,284,890
	30,468,589	29,704,942

12. Deposits and balances due to banks

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Demand	118,828	1,469
Time	2,858,345	2,821,343
	2,977,173	2,822,812

12. Deposits and balances due to banks (continued)

The geographical analysis of deposits and balances due to banks is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Banks in the U.A.E.	**2,066,106**	1,887,387
Banks abroad	**911,067**	935,425
	2,977,173	2,822,812

13. Repo borrowings

The analysis of the repo borrowing agreements is as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Banks in the U.A.E.	**2,256,378**	2,420,284
Banks abroad	**341,856**	-
	2,598,234	2,420,284

The Group entered into repo agreements under which bonds with fair value of AED 3.16 billion (31 December 2024: AED 2.72 billion) were given as collateral against borrowings. The risks and rewards relating to these bonds remain with the Group.

Repo borrowings include an amount of AED 0.4 billion (31 December 2024: AED 0.8 billion) which is represented as part of the group's financing activities in the consolidated statement of cashflows. (Note 6)

14. Other liabilities

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Interest payable	**587,392**	561,938
Acceptances – contra (Note 10)	**322,802**	349,408
Unearned income	**54,631**	53,025
Provision for employees' end of service benefits	**52,115**	50,165
Tax liability	**46,589**	31,670
Lease liabilities	**41,866**	55,106
Managers' cheques	**18,695**	31,044
Accrued expenses	**2,337**	3,755
ECL on unfunded exposure (Note 16)	**1,055**	18,104
Clearing balances	**-**	52,714
Others	**38,513**	38,113
	1,165,995	1,245,042

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

15. Issued Bonds

On 14 March 2023, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 7%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

On 12 September 2024, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 5.25%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the London Stock Exchange's International Securities Market.

16. Net impairment loss on financial assets

The movement in impairment loss by financial asset category during the period ended 31 March 2025 is as follows:

	Opening balance AED'000	Net charge/ (reversal) during the period AED'000	Write off during the period AED'000	Closing balance AED'000
Deposits and balances due from banks	132,682	(212)	-	132,470
Loans and advances	1,786,570	24,283	(38)	1,810,815
Investments	3,051	(2,818)	-	233
Unfunded exposure	18,104	(17,049)	-	1,055
Other assets	27,964	-	-	27,964
Total	1,968,371	4,204	(38)	1,972,537
Charge on FVOCI Bonds		1,674		
Other adjustments		3,895		
Net impairment charge on financial assets		9,773		

The movement in impairment loss by financial asset category during the period ended 31 March 2024 is as follows:

	Opening balance AED'000	Net charge/ (reversal) during the period AED'000	Write off during the period AED'000	Closing balance AED'000
Deposits and balances due from banks	132,582	456	-	133,038
Loans and advances	1,731,369	354	583	1,732,306
Investments	3,599	(1,836)	-	1,763
Unfunded exposure	30,263	164	-	30,427
Other assets	27,964	-	-	27,964
Total	1,925,777	(862)	583	1,925,498
Other adjustments		875		
Net impairment charge on financial assets		13		

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

17. Commitments and contingent liabilities

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Financial guarantees for loans	207,829	207,829
Other guarantees	1,812,875	1,540,525
Letters of credit	276,223	292,343
	2,296,927	2,040,697
Irrevocable commitments to extend credit	517,939	545,953
	2,814,866	2,586,650

18. Related party balances

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties. Transactions within the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related parties' balances included in the consolidated statement of financial position and the significant transactions with related parties are as follows:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Loans and advances	1,653,414	1,637,929
Letters of credit, guarantee and acceptances	231,810	213,565
Total	1,885,224	1,851,494
Collateral deposits	(205,992)	(172,239)
Expected Credit Losses	(1,670)	(3,422)
Net exposure	1,677,562	1,675,833
Other deposits	7,020,975	7,090,609
Investment in Government of Sharjah bonds	7,295,537	7,174,847

	Three-month period ended 31 March	
	2025	2024
	AED'000	AED'000
Transactions during the reporting period	(unaudited)	(unaudited)
Interest income	129,496	121,160
Interest expense	81,889	77,299
Rent expense	2,125	2,125

18. Related party balances (continued)

Compensation of Directors and key management personnel:

	Three-month period ended 31 March	
	2025	2024
	AED'000	AED'000
	(unaudited)	(unaudited)
Short term benefits	**1,526**	1,454
End of service benefits	**47**	104
Total compensation	**1,573**	1,558

No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

19. Profit per share

Profit per share are computed by dividing the profit for the period by the average number of shares outstanding during the period as follows:

Basic and diluted profit per share	**31 March 2025 (unaudited)**	31 March 2024 (unaudited)
Profit attributable to owners of the Bank for the period (AED'000)	**116,352**	80,670
Weighted average number of ordinary shares:		
Ordinary shares at the beginning of the period (in thousands shares)	**3,000,000**	3,000,000
Weighted average number of shares outstanding during the period (in thousands shares)	**3,000,000**	3,000,000
Basic and diluted profit per share (AED)	**0.04**	0.03

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

20. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Group. For operating purposes, the Group is organised into two major business segments:

(i) Commercial, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
(ii) Investment and treasury, which involves the management of the Group's investment portfolio.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

20. Segmental information (continued)

The following table presents information regarding the Group's operating segments:

	Commercial Banking AED'000	Investment and treasury AED'000	Unallocated AED'000	Total AED'000
31 March 2025 (unaudited):				
Segment assets	**29,305,625**	**13,594,244**	**1,852,321**	**44,752,190**
Segment liabilities	**36,366,798**	**3,565,127**	**843,191**	**40,775,116**
31 December 2024 (audited):				
Segment assets	29,887,713	12,103,812	1,591,447	43,582,972
Segment liabilities	35,297,446	3,563,070	895,634	39,756,150

The following table presents information regarding the Group's operating segments for the three-month period ended 31 March 2025 (unaudited):

	Commercial Banking AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	60,353	83,598	-	143,951
- Net fee and commission income	44,859	-	-	44,859
- Exchange profit	9,133	-	-	9,133
- Income on investments	-	4,920	-	4,920
- Net loss on properties	-	(1,986)	-	(1,986)
- Other income	27	-	-	27
Total operating income	114,372	86,532	-	200,904
Other material non-cash items				
- Net impairment loss on financial assets	(6,955)	(2,818)	-	(9,773)
- Depreciation	-	-	(5,269)	(5,269)
- General and administrative expense	(47,630)	(8,405)	-	(56,035)
- Income tax expense	-	-	(13,655)	(13,655)
Net profit for the period	59,787	75,309	(18,924)	116,172

20. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the three-month period ended 31 March 2024 (unaudited):

	Commercial Banking AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	32,137	56,397	-	88,534
- Net fee and commission income	43,430	-	-	43,430
- Exchange profit	5,463	-	-	5,463
- Income on investments	-	3,850	-	3,850
- Net income on properties	-	534	-	534
- Other income	1,002	-	-	1,002
Total operating income	82,032	60,781	-	142,813
Other material non-cash items				
- Net impairment loss on financial assets	1,823	(1,836)	-	(13)
- Depreciation	-	-	(5,982)	(5,982)
- General and administrative expenses	(44,535)	(7,859)	-	(52,394)
- Income tax expense	-	-	(4,096)	(4,096)
Net profit for the period	39,320	51,086	(10,078)	80,328

** Unallocated items comprise mainly head office expenses and tax assets*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period. Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for the purpose of resource allocation. The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in the consolidated financial statements for the year ended 31 December 2024. For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

21. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments held at fair value through profit and loss - Investments held for trading or designated at fair value through profit and loss represent investment securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Including in these investments listed equity securities for which the fair values are based on quoted prices at close of business as of 31 March 2025, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supposed by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income - The condensed consolidated interim financial information includes holdings in unquoted securities amounting to AED 76 million (31 December 2024: AED 76 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on comparable ratios backed by discounted cash flow analysis depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

21. Fair value of financial instruments (continued)

For investments valued using comparable ratios, share prices of comparable companies represent significant inputs to the valuation model. If the share prices of the comparable companies were 5% higher/lower while all other variables were held constant, then the fair value of the securities would increase/decrease by AED 4 million (31 December 2024: AED 4 million). The impact of the change in fair valuation from previously existing carrying amounts have been recognised as a part of cumulative changes in fair value in equity.

Fair value of financial instruments carried at amortised cost - Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated interim financial information approximates their fair values.

31 March 2025 (unaudited)

	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	1,164,343	7,888,952	-	9,053,295	9,061,368
- Loans and advances	-	-	25,902,213	25,902,213	25,902,213
Financial liabilities					
- Customers' deposits	-	-	30,468,589	30,468,589	30,468,589
- Issued Bonds	3,565,125	-	-	3,565,125	3,705,341

31 December 2024 (audited)

	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	262,488	7,619,440	-	7,881,928	7,873,959
- Loans and advances	-	-	24,302,758	24,302,758	24,302,758
Financial liabilities					
- Customers' deposits	-	-	29,704,942	29,704,942	29,704,942
- Issued Bonds	3,563,070	-	-	3,563,070	3,686,719

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

21. Fair value of financial instruments (continued)

The fair value for other financial assets measured at amortized cost is based on market prices.

Fair value measurements recognised in the condensed consolidated interim statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. They are ranked into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, including over-the-counter quoted prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2025 (unaudited)				
Investments measured at fair value				
Investment measured at FVTPL				
Quoted debt securities	**426,818**	**-**	**-**	**426,818**
Investments carried at FVTOCI				
Quoted equity securities	**237,401**	**-**	**-**	**237,401**
Unquoted equity securities	**-**	**-**	**76,177**	**76,177**
Quoted debt securities	**1,798,310**	**-**	**-**	**1,798,310**
Total	**2,462,529**	**-**	**76,177**	**2,538,706**
Other assets				
Positive fair value of derivatives	**-**	**319**	**-**	**319**
Negative fair value of derivatives	**-**	**(1,075)**	**-**	**(1,075)**
At 31 December 2024 (audited)				
Investments measured at fair value				
Investment measured at FVTPL				
Quoted debt securities	423,181	-	-	423,181
Investments carried at FVTOCI				
Quoted equity securities	215,272	-	-	215,272
Unquoted equity securities	-	-	76,173	76,173
Quoted debt securities	1,505,016	-	-	1,505,016
Total	2,143,469	-	76,173	2,219,642
Other assets				
Positive fair value of derivatives	-	1,144	-	1,144
Negative fair value of derivatives	-	(1,432)	-	(1,432)

21. Fair value of financial instruments (continued)

There were no transfers between Level 1 and Level 2 during the current period.

Reconciliation of Level 3 fair value measurements of other financial assets measured at fair value:

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Opening balance	**76,173**	120,222
Profit/ (loss) recognised in other comprehensive income	**4**	(44,049)
Closing balance	**76,177**	76,173

22. Capital adequacy

Basel III

	31 March 2025 AED'000 (unaudited)	31 December 2024 AED'000 (audited)
Capital base		
Common Equity Tier 1	**3,924,362**	3,865,227
Additional Tier 1 capital	**-**	-
Tier 1 capital	**3,924,362**	3,865,227
Tier 2 capital	**366,481**	320,821
Total capital base	**4,290,843**	4,186,048
Risk-weighted assets:		
Credit risk	**29,318,441**	25,665,669
Market risk	**566,176**	587,802
Operational risk	**1,113,632**	1,185,911
Total risk-weighted assets	**30,998,249**	27,439,382
Capital ratios		
Common equity Tier 1 capital ratio	**12.7%**	14.1%
Tier 1 capital ratio	**12.7%**	14.1%
Total capital ratio	**13.8%**	15.3%

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

23. Risk management

Stage migration for the three-month period ended 31 March 2025 (unaudited)

Scope: All clients

Migration during the period

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2025	2,903,143	666	29,867	166	23,178	326	2,956,188	1,158
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-	-
Transfers from 1&2 to stage 3	-	-	-	-	-	-	-	-
Transfers from stage 3	40	-	-	-	(40)	-	-	-
Change in exposure	(74,721)	43	(307)	32	320	55	(74,708)	130
As of 31 March 2025	2,828,462	709	29,560	198	23,458	381	2,881,480	1,288
Wholesale banking loans								
As of 1 January 2025	9,631,848	58,421	11,420,082	1,330,084	2,081,210	396,907	23,133,140	1,785,412
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-	-
Transfers from stage 2 to stage 1	50,755	1	(50,755)	(1)	-	-	-	-
Transfers from stage 3	-	-	9,403	687	(9,403)	(687)	-	-
Change in exposure	1,431,462	11,124	257,600	12,916	9,346	75	1,698,408	24,115
As of 31 March 2025	11,114,065	69,546	11,636,330	1,343,686	2,081,153	396,295	24,831,548	1,809,527
Total	13,942,527	70,255	11,665,890	1,343,884	2,104,611	396,676	27,713,028	1,810,815

23. Risk management (continued)

Stage migration for the three-month period ended 31 March 2024 (unaudited)

Scope: All clients

Migration during the period

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2024	2,696,205	1,084	31,346	38	21,938	197	2,749,489	1,319
Transfers from stage 1 to stage 2	(4,841)	-	4,841	-	-	-	-	-
Transfers from 1&2 to stage 3	-	-	(3,503)	-	3,503	-	-	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Change in exposure	229,093	26	6,479	42	22	23	235,594	91
As of 31 March 2024	2,920,457	1,110	39,163	80	25,463	220	2,985,083	1,410
Wholesale banking loans								
As of 1 January 2024	7,871,898	41,486	11,183,272	1,292,513	1,994,560	396,051	21,049,730	1,730,050
Transfers from stage 1 to stage 2	(141,104)	(3,616)	141,104	3,616	-	-	-	-
Transfers from stage 2 to stage 1	26,110	45	(26,110)	(45)	-	-	-	-
Transfers from stage 3	-	-	6	-	(6)	-	-	-
Change in exposure	(262,991)	873	277,973	(408)	9,631	381	24,613	846
As of 31 March 2024	7,493,913	38,788	11,576,245	1,295,676	2,004,185	396,432	21,074,343	1,730,896
Total	10,414,370	39,898	11,615,408	1,295,756	2,029,648	396,652	24,059,426	1,732,306

23. Risk management (continued)

ECL charge/(flow) for the three-month period ended 31 March 2025 (unaudited)

Scope: All clients

	Non-credit impaired Stage 1 AED'000	Stage 2 AED'000	Credit impaired Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2025	**666**	**166**	**326**	**1,158**
Others	**43**	**32**	**55**	**130**
ECL allowance as of 31 March 2025	**709**	**198**	**381**	**1,288**
Wholesale banking loans:				
ECL allowance as of 1 January 2025	**58,421**	**1,330,084**	**396,907**	**1,785,412**
Emirates governments	**(523)**	**-**	**-**	**(523)**
GREs (Gov ownership >50%)	**(1,752)**	**-**	**-**	**(1,752)**
Other corporates	**7,913**	**(690)**	**18**	**7,241**
High net worth individuals	**17**	**(1)**	**-**	**16**
SMEs	**2,209**	**14,293**	**(630)**	**15,872**
Banks	**3,261**	**-**	**-**	**3,261**
ECL allowance as of 31 March 2025	**69,546**	**1,343,686**	**396,295**	**1,809,527**
	70,255	**1,343,884**	**396,676**	**1,810,815**

ECL charge/(flow) for the three-month period ended 31 March 2024 (unaudited)

Scope: All clients

	Non-credit impaired Stage 1 AED'000	Stage 2 AED'000	Credit impaired Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2024	1,084	38	197	1,319
Others	26	42	23	91
ECL allowance as of 31 March 2024	1,110	80	220	1,410
Wholesale banking loans:				
ECL allowance as of 1 January 2024	41,486	1,292,513	396,051	1,730,050
Emirates governments	(78)	-	-	(78)
GREs (Gov ownership >50%)	385	-	-	385
Other corporates	(3,263)	3,050	36	(177)
High net worth individuals	(103)	148	18	63
SMEs	361	(35)	327	653
ECL allowance as of 31 March 2024	38,788	1,295,676	396,432	1,730,896
	39,898	1,295,756	396,652	1,732,306

24. Corporate tax

During the three-month period ended 31 March 2025, the Group has recorded a provision for current income tax amounting AED 13.7 million (31 March 2024: AED 4.1 million) in accordance with the CT Law, representing an effective tax rate of 10.52% (31 March 2024: 4.85%) and nil deferred taxation liability arising from investment securities.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2025 (unaudited)

25. Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2025.

26. Subsequent events

There are no material subsequent events have occurred that require adjustment to, or disclosure in, the interim financial statements.