nbf
In good hands

2024 ANNUAL REPORT

COMMITTED TO
YOUR SUCCESS

2024 ANNUAL REPORT

H.H. SHEIKH MOHAMED BIN ZAYED AL NAHYAN

PRESIDENT OF THE UNITED ARAB EMIRATES AND RULER OF ABU DHABI

H.H. SHEIKH MOHAMMED BIN RASHID AL MAKTOUM

VICE PRESIDENT AND PRIME MINISTER OF THE UNITED ARAB EMIRATES
AND RULER OF DUBAI

H.H. SHEIKH MANSOUR BIN ZAYED AL NAHYAN

UNITED ARAB EMIRATES VICE PRESIDENT, DEPUTY PRIME MINISTER
AND CHAIRMAN OF THE PRESIDENTIAL COURT

H.H. SHEIKH HAMAD BIN MOHAMMED ALSHARQI

MEMBER OF THE SUPREME COUNCIL OF THE UNITED ARAB EMIRATES
AND RULER OF FUJAIRAH

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YEAR OF SUSTAINABILITY

> We announce that 2024 will be the continuation of the "Year of Sustainability", building on the success of last year's theme and reaffirming the nation's commitment to fostering a sustainable and prosperous future for all. This year continues to invite everyone that calls the UAE home to join in the collective effort to adopt sustainable practices through a range of community-driven initiatives and activities themed around sustainability."

H.H. Sheikh Mohamed bin Zayed Al Nahyan
President of the UAE
and Ruler of Abu Dhabi

> Innovation is a true sustainable wealth for nations and a main pillar for development and progress of countries, and the UAE has adopted innovation as a culture of work and lifestyle to build a knowledge-based society with a futuristic vision."

H.H. Sheikh Mohammed bin Rashid Al Maktoum
Vice President and Prime Minister of
the UAE and Ruler of Dubai

In a resounding message of commitment to sustainability, the UAE President, His Highness Sheikh Mohamed Bin Zayed Al Nahyan, extended the Year of Sustainability into 2024. This decision reinforced the nation's efforts to protect and preserve the environment for future generations.

The Year of Sustainability has made significant progress in promoting sustainable practices and inspiring collective action. The UAE's ambition to invest AED 600 billion in clean and renewable energy sources over the next three decades reflects its dedication to a greener and more sustainable future. It was the first country in the GCC to commit to hitting net zero by 2050 and is a regional leader in renewable energy. It aims to triple its renewable energy capacity to 14.2 gigawatts by 2030 and has set a target of raising the percentage of clean energy in its total energy mix to 30 per cent by 2031.

Sustainability is at the core of the National Bank of Fujairah's (NBF) business. The bank has set its sights on being a key player in sustainable finance, creating a positive impact on the environment and the communities it serves. Being a responsible corporate citizen is no longer a matter of choice. It is a matter of urgency. As such, NBF fully endorsed and supported the UAE's continued focus on sustainability in 2024, introducing numerous initiatives to minimise its ecological footprint and protect the environment.

53 الاستدامة SUSTAINABILITY UAE

الإمارات THE EMIRATES

STRATEGIC REPORT

For over 40 years, NBF has cemented its position as a cornerstone of the UAE's banking sector. Renowned for its excellence in customer relationship and centricity, it has combined award-winning services, deep local market expertise, and a steadfast dedication to customer care. Over the course of those four decades and more, NBF has forged enduring relationships that reflect its unwavering commitment to its clients' success.

Maintaining the bank's strategic direction, during 2024 NBF refreshed its vision, mission and values to highlight its commitment to sustainability, a broader focus on the retail business, and renewed emphasis on customer service differentiation.

OUR VISION

Your financial partner focused on your business and personal needs.

OUR MISSION

- To provide our customers with exceptional financial services.
- To foster a strong sense of partnership through service and innovation.
- To deliver a stimulating working environment where individuals can tap into their potential to achieve new heights.
- To operate to the highest standard of professionalism, while contributing to the growth and advancement of our communities and to support all stakeholders in their sustainability journeys.
- To provide sustainable returns to our shareholders.

OUR VALUES

P — PASSION AND COMMITMENT
Prepared to go the extra mile, owning and being accountable for your contributions to the bank.

R — RESPECT
Nurture mutual trust and understanding, appreciate and seek the views of every individual.

I — INTEGRITY
Operate with honesty, fairness and transparency.

D — DEDICATION TO TEAMWORK
Work towards shared and common goals. Build effective service value chains across organisational boundaries.

E — EXCELLENCE IN SERVICE
Deliver an exceptional customer service with the highest standards.

NBF INTRODUCTION

Since its establishment in 1982, NBF has been a trusted partner to its customers, delivering exceptional service and innovative solutions. Renowned for excellence in corporate and business banking, trade finance, and treasury, the bank has continuously expanded its offerings to include a comprehensive range of personal banking options and Shari'ah-compliant services. NBF's unwavering commitment to the economic growth of Fujairah and the UAE is evident through its robust support for key industries, including oil, shipping, precious metals, diamonds, services, manufacturing, construction, education, and healthcare.

This industry-focused approach has enabled NBF to build a legacy defined by a deep understanding of the market, strong cultural roots, and a relentless drive for service excellence and innovation. The bank is also known as a significant and consistent partner to the SME sector in the UAE. Around 14 per cent of the bank's assets are in this segment and NBF is committed to making financial inclusion a reality.

Beyond its award-winning financial solutions and unparalleled market expertise, NBF is also a champion of progressive values. It fosters an inclusive culture that celebrates diversity, encourages innovation, and leads the way in sustainable finance. Guided by a commitment to developing enduring relationships, the bank empowers its customers to navigate and capitalise on opportunities in a dynamic global marketplace. It is equally dedicated to creating a supportive, inspiring workplace that prioritises the personal and professional growth of its employees.

OUR NETWORK

Headquartered in Fujairah, NBF has 14 branches, with the majority located in Fujairah and additional branches in Abu Dhabi, Dubai, and Sharjah. It has 57 independent ATMs and CDMs spread across the UAE. The bank has two subsidiaries. The first, NBF Financial Services FZC, was established in 2004 and provides the bank with key support services. The second, NBF Markets (Cayman) Ltd, is registered in the Cayman Islands and provides support services related to foreign exchange and derivative transactions.

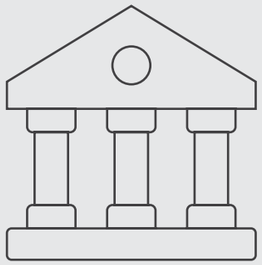
OUR HISTORY

Established through an Emiri decree issued by His Highness Sheikh Hamad bin Mohammed AlSharqi, Ruler of Fujairah, NBF was founded in 1982. The bank obtained its license from the Central Bank of the UAE (CBUAE) in August 1984 and commenced operations as a full-service corporate bank on 20 September of the same year. Listed on the Abu Dhabi Securities Exchange under the symbol NBF in 2005, the bank's prominent shareholders include the Government of Fujairah, Easa Saleh Al Gurg LLC, and the Investment Corporation of Dubai.

Rooted in the UAE, NBF takes pride in its contribution to local economic growth and community development, while actively promoting Fujairah's rich cultural heritage.

NBF AT A GLANCE

NBF delivers a comprehensive suite of banking services, encompassing treasury and trade finance, alongside corporate and commercial banking solutions. It also continues to expand its offerings in personal banking and Shari'ah-compliant financial services.



1984
started operations

14
Branches

44,000
Customers

2
Subsidiaries
Representative offices

38
Customer nationalities

AED 2.4bn
Operating income
(2023: 2.3bn)

AED 1.62bn
Operating profit
(2023: 1.58bn)

Key performance metrics

Return on average equity (2023: 11.7%)	12.7%
Return on average assets (2023: 1.46%)	1.51%

BBB+/A-
Credit rating

Total number of employees
855

47%
Female workforce

42.72%
Emiratisation ratio

84%
Employee engagement

Social Media

6
regulatory relationships

NBF NPS Scores	Conventional	Islamic
Wholesale Banking Services	54	50
Retail Banking Services	54	52

NBF BUSINESS MODEL

NBF offers corporate, business, and retail banking services, complemented by specialised expertise in trade finance, treasury, and cash management. The bank also excels in niche sectors such as precious metals and diamonds, energy and marine, education, healthcare, and provides tailored Islamic banking solutions through NBF Islamic, addressing the financial needs of customers seeking Shari'ah-compliant services.

OUR STRENGTHS AND CAPABILITIES

Robust shareholding
The bank has had strong and long-term focused principal shareholders since its establishment. Key shareholders include the Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai

Well-established relationships
A partnership-focused bank, working with some of the biggest brands and a committed partner to SMEs in the UAE

Extraordinary talent
The most engaged and committed talent pool in the GCC region committed to continuous development

Vigorous fundamentals
One of the UAE's leading banks with a well-diversified balance sheet and strong credit ratings. Ample liquidity combined with efficiency, capital strength and strong investment grade ratings

Varied business offering
A leading industry-focused mid-market corporate banking, business banking and trade services player with a full range of banking services for business and personal financial needs

ESG focused
Sustainable practices are embraced across the bank's operations, product offerings and business decisions

Service differentiation and digital focus
A digitally-enabled bank delivering differentiated and exceptional customer banking services for business and personal financial needs

OUR STAKEHOLDER IMPACT

a: Our customers
We always value our customers by providing excellent services because it is they who are responsible for the continuation of our operations

b: Our employees
We endeavour to create the best working environment for our people in order to ensure their and our best performances

c: Our partners
Our strong partnerships help us achieve exceptional growth and success

d: Our shareholders
We strive to deliver the best sustainable returns to our investors

e: Our communities
We are proud to positively support the community and make a difference

AWARDS 2024

- Best Real-Time Payments Implementation
  MEA Finance Leaders in Payments Awards 2024
- Best Payment System Implementation
  MEA Finance Leaders in Payments Awards 2024
- Banking Excellence in Customer & Employee Insights – Award from MicroStrategy 2024
  CIO100 Awards UAE 2024
- Ranked first in Medium-Sized Banking Sector Category
  NAFIS Award 2023-2024
- Most Innovative Commercial Bank UAE
  International Finance Awards 2024
- Best Islamic Banking Window UAE
  International Finance Awards 2024
- Best Domestic Trade Finance Service
  Euromoney 2024
- Best Cloud Implementation
  MEA Finance Technology Awards 2024
- Most Innovative Trading Platform
  MEA Finance Technology Awards 2024
- Best Treasury Management Implementation
  MEA Finance Technology Awards 2024
- Leading Practices in Internal Audit in GRC Category
  UAE Internal Auditors Association (IAA) Audit Summit and Awards 2024
- Best Business Banking Solutions UAE
  Capital Finance International (CFI) Awards 2024
- Best Use Case of Data Analytics
  Middle East Banking AI & Analytics Summit & Awards 2024

AWARDS 2023

- Best Commercial Bank UAE
  MEA Finance Industry Awards 2023
- Best SME Bank UAE
  MEA Finance Industry Awards 2023
- Best Trade Finance Provider
  MEA Finance Industry Awards 2023
- Most Innovative Trading Platform
  MEA Finance Banking Technology Awards 2023
- Best Innovation in Trade Finance
  MEA Finance Banking Technology Awards 2023
- Best Islamic Window UAE
  International Finance Awards 2023
- Best Fraud & Risk Management Solutions Award
  Banking AI and Analytics Summit & Awards 2023
- Best Change Management Initiative
  CIPD Middle East People Awards 2023
- Elite Quality Recognition Award 2023
  JP Morgan

AWARDS 2022

- Best Commercial Bank UAE
  MEA Finance Industry Awards 2022
- Best SME Bank UAE
  MEA Finance Industry Awards 2022
- Best Trade Finance Provider
  MEA Finance Industry Awards 2022
- Most Innovative Trading Platform – NBFX
  MEA's Finance Banking Technology Awards 2022
- Best Innovation in Trade Finance
  MEA's Finance Banking Technology Awards 2022
- Best Cyber Assurance and Resiliency Capabilities at the Wealth & Investment Summit 2022
  MEA Finance

DIRECTORS' REPORT

NBF continues to focus on true value creation, connecting customers to opportunities and ensuring the long-term sustainability of their business models.

STATEMENT FROM THE CHAIRMAN

It is with great pride that I present NBF's annual report for 2024, a year that underscored our resilience, adaptability, and commitment to excellence. Against the backdrop of a fluctuating global environment marked by geopolitical tensions and economic uncertainties, we continued to deliver remarkable results, demonstrating our capacity for sustained momentum and quality growth.

For the second successive year, the bank achieved record results, posting its best-ever operating and net profit performance on the back of strong balance sheet growth. Net profit before tax grew by a phenomenal 28.9 per cent to reach AED 934.8 million (up from AED 725.1 million in 2023), while net profit after tax stood at AED 850.1 million.

Our performance in 2024 reflects the strength of our strategic approach and the depth of our market insight. By focusing on high-quality business growth and maintaining margins better in a falling interest rate environment, we achieved this sustainable growth. Buoyant market conditions, bolstered by UAE government initiatives, played a key role in supporting our success. At the same time, significant improvement in impairment provisions has further fortified our financial position.

These strategies resulted in another exceptional year marked by an unwavering commitment to our people and customers. Customer experience was integral to the bank's outstanding performance, reinforcing our position as the financial partner of choice in one of the world's most dynamic nations and driving sustainable growth across all sectors. The bank continued to embrace innovation and technology, launching the online trading platform NBF Markets, as well as NBF EDGE, a digital platform for the streamlined onboarding of business accounts. It also rolled out NBF Qollect, a point of sale app designed to deliver seamless, secure, and instant payments.

Looking ahead, 2025 promises to be a pivotal year for NBF as we embark on transformative initiatives that will shape the bank's future. Much of the groundwork for these initiatives was laid in 2024, reflecting our forward-thinking ethos and unwavering commitment to sustainable progress. Foremost among these initiatives is the launch of 'NBF Path-NBF First', a unifying framework that encapsulates the core values and guiding principles that define who we are as an organisation. It will serve as a beacon for our employees, partners, and clients, reinforcing the cultural and operational foundations upon which our success is built. In tandem, we have developed our NBF People Strategy – a compass designed to inspire a performance-driven culture and align our people imperatives with our overarching objectives. This strategy is a commitment to recruit, develop, and retain the right talent, ensuring we remain agile and competitive in a rapidly evolving financial landscape.

As we close the chapter on 2024, I extend my heartfelt gratitude to our stakeholders, including our employees, customers, investors and partners, for their trust and collaboration. Your unwavering support has been instrumental in our success, and I am confident that together, we will continue to achieve great milestones in the years to come.

As always, I would like to thank NBF's Board of Directors, leadership team, and our employees for their continued hard work and dedication. Building on 2024's record-breaking performance, the Board of Directors is pleased to propose a profit distribution of 15 per cent of share capital in the form of cash dividends (2023: cash dividend of 10 per cent and bonus shares of 5 per cent).

We extend our heartfelt gratitude to our visionary leaders: H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi; H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister of the UAE, and Ruler of Dubai; H.H. Sheikh Mansour Bin Zayed Al Nahyan, UAE Vice President, Deputy Prime Minister, Chairman of the Presidential Court; and H.H. Sheikh Hamad Bin Mohammed AlSharqi, Member of the Supreme Council of the UAE and Ruler of Fujairah, for their unwavering support.

In an industry that thrives on dynamism, we remain steadfast in our mission to deliver exceptional value, drive innovation, and uphold the highest standards of integrity. With the launch of our transformative initiatives in 2025, we are not just preparing for the future; we are shaping it.

Thank you for being an integral part of our journey.

Saleh Bin Mohamed Bin Hamad AlSharqi
Chairman
29 January 2025

STATEMENT FROM THE DEPUTY CHAIRPERSON

Another year, another set of stellar results. NBF's impressive performance reflects the bank's relentless execution of key strategies, the resilience of its core business, and its ability to deliver strong results across diverse segments. What makes this performance so rewarding is the fact that it was achieved amidst a volatile global landscape marked by geopolitical tensions and a challenging interest rate environment.

Buoyant market momentum, supported by robust activity in tourism, trade, construction, and financial services, combined with our solid capital position and improving asset quality to deliver sustainable progress throughout 2024. The bank's operating profit for the year ended 31 December 2024 stood at AED 1.62 billion, reflecting a 2.6 per cent rise compared with AED 1.58 billion in 2023. Operating income reached AED 2.43 billion, an increase of 6.7 per cent compared with AED 2.28 billion the previous year, underscoring the bank's focus on key business segment growth and proactive asset and liability management.

NBF made investments in line with the bank's growth strategy, which prioritises the experience of our people and customers, and continued its digital transformation, resulting in a 15.9 per cent increase in operating expenses. The bank's digital initiatives aim to deliver exceptional service, foster innovation, and enhance competitiveness in line with evolving market demands.

During the year, NBF successfully issued convertible Additional Tier 1 capital securities (AT1 capital) of $275 million, privately placed with the Government of Fujairah, to reinforce its capital structure and support its business and operational strategy. This issuance also facilitated the refinancing of existing AT1 capital securities worth $350 million, which were called for settlement on their first call date. The new securities were converted into ordinary shares, at a ratio of AED 2.85:1, on 31 December 2024.

The bank's financial performance underscores the importance of maintaining a well-informed and strategic approach to achieving sustainable growth. With a strong balance sheet, ample liquidity, and exceptional improvements in asset quality, NBF continued to thrive in 2024, despite global challenges such as inflationary pressures, the climate crisis, and ongoing geopolitical conflicts. This success is a testament to the bank's efforts to embrace cutting-edge technology, diversify across non-hydrocarbon sectors, and forge strategic global partnerships to bolster the UAE's position as a global business hub.

Our people, customers, technology, and sustainability remain at the forefront of our agenda, allowing us to capitalise on evolving opportunities while contributing to the UAE's fiscal and social development. By prioritising customer care and experience, earnings sustainability, and operational excellence, we are well-positioned to navigate the future with agility and purpose. To this end, NBF will double down on its commitment to both its people and its customers in the year ahead, enhancing their experience through technology and giving back to the community via a wealth of CSR initiatives. The bank will nurture relationships, promote trust, and foster a culture of partnership, both with our clients and within our team. Passion and commitment, respect and inclusion, integrity, collaboration, and service excellence will act as a guiding light that illuminates our path forward, shaping our identity and driving us toward continued success.

I extend my heartfelt gratitude to our shareholders, customers, employees, and stakeholders for their trust and unwavering support. Together, we will continue to build on our strong foundation, delivering value and driving growth in alignment with the aspirations of the UAE.

I would like to take this opportunity to express my gratitude to our Chairman, His Highness Sheikh Saleh Bin Mohamed Bin Hamad AlSharqi, the Board of Directors and the Management Team, as well as every single one of our staff for their hard work and dedication.

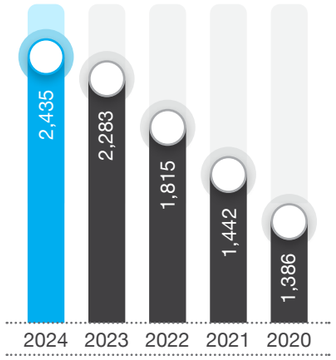
Dr. Raja Easa Al Gurg
Deputy Chairperson
29 January 2025

FINANCIAL PERFORMANCE

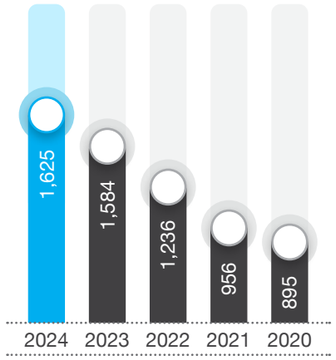
2024 was another record-breaking year for NBF. Its financial performance highlighted the bank's resilience, showcased the effectiveness of its business and operational strategies, and drove sustainable growth and improvement.

FIVE-YEAR PERFORMANCE SCORECARD GRAPHS

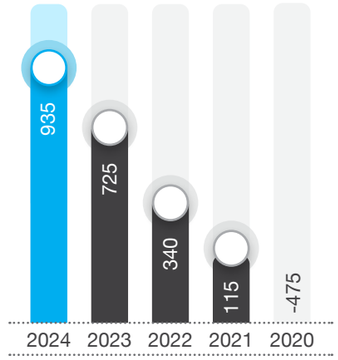
2024 presented its own set of challenges, but NBF achieved remarkable year-on-year growth, reinforcing its position as a trusted financial partner.



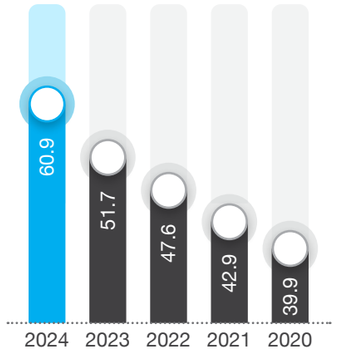
Operating Income (AED Million)



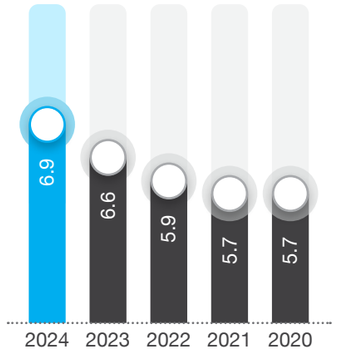
Operating Profit (AED Million)



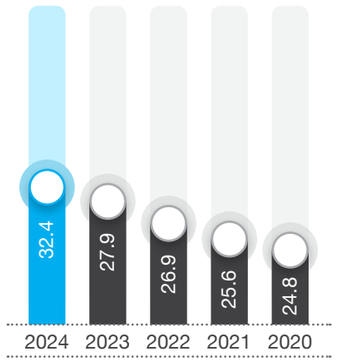
Net profit / (loss before tax) (AED Million)



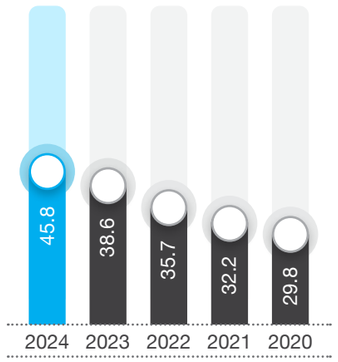
Assets (AED Billion)



Shareholders' Equity (AED Billion)



Loans and Advances and Islamic Financing Receivables (AED Billion)



Customer Deposits and Islamic Customer Deposits (AED Billion)

FINANCIAL PERFORMANCE CHART

NBF's second consecutive year of record results demonstrated the bank's continued focus on quality business growth and effective asset and liability management in a falling interest rate environment.

	2024 (AED Million)	2023 (AED Million)	(%) Change
Operating Profit	1,624.9	1,584.1	2.6%
Operating Income	2,435.2	2,283.0	6.7%
Net interest income and net income from Islamic financing and investment activities	1,787.5	1,704.9	4.8%
Foreign exchange and derivatives income	189.1	164.5	15.0%
Income from investments and Islamic instruments	5.8	(4.2)	240.4%
Net fees and commission income	409.3	366.8	11.6%
Operating expense	(810.4)	(698.9)	15.9%
Net impairment losses	(690.0)	(859.0)	-19.7%
Profit for the year before tax	934.8	725.1	28.9%
Tax	(84.7)	-	-
Profit for the year after tax	850.1	725.1	17.2%
Loans and advances and Islamic financing receivables	32,392.2	27,903.7	16.1%
Customer deposits and Islamic customer deposits	45,757.0	38,572.0	18.6%
Total assets	60,879.1	51,719.8	17.7%
Recoveries	87.5	174.0	-49.7%
Cost-to-income ratio	33.3%	30.6%	2.7%
Total provisions coverage ratio	119.4%	120.2%	-0.7%
Non-performing loans ratio	5.1%	4.9%	0.2%
Stage 2 & 3 mix	10.2%	12.2%	-2.0%
Return on average equity	12.7%	11.7%	1.0%
Return on average assets	1.51%	1.46%	0.05%

NBF'S SECTOR SPECIFIC EXPERTISE DIFFERENTIATES US FROM THE CROWD

	Loans & Advances (Industry) 2024* % of Loans & Advances	Loans & Advances (NBF) 2024 % of Loans & Advances
Agriculture	0.2%	0.1%
Mining and Quarrying	1.6%	1.0%
Manufacturing	5.7%	15.3%
Electricity, Gas and Water	3.4%	1.1%
Construction and Real Estate	13.5%	13.9%
Trade	9.0%	26.2%
Transport, Storage and Communication	6.7%	9.1%
Financial Institutions (Excluding Banks)	13.3%	0.6%
Government	10.1%	2.9%
Personal Loans	26.8%	17.6%
Others	9.7%	12.2%

*Industry numbers are as at 30 September 2024

ECONOMIC OVERVIEW

The global financial and geopolitical environment was marked by resilience amid adversity in 2024, as nations grappled with the repercussions of ongoing conflicts, economic realignments, and humanitarian challenges. The war in Ukraine continued to strain global energy and food supply chains, exacerbating economic uncertainty, particularly in Europe and emerging markets. Meanwhile, escalating tensions in the Middle East posed direct challenges to global security and increased the likelihood of adverse shocks to the world's financial markets.

Economically, the year was expected to witness moderate global GDP growth of 3.2 per cent, according to the International Monetary Fund (IMF), while the rapid growth of sovereign debt – and the magnitude of that debt – remained a pressing concern for policymakers worldwide. By the final quarter of the year, the global battle against inflation had largely been won, although price pressures persisted in some countries and inflation figures remained elevated compared with pre-pandemic levels.

Despite these global and regional challenges, the UAE demonstrated its capacity to navigate turbulent times effectively. The IMF predicted robust GDP growth of four per cent in 2024, underlining the broad-based nature of the UAE's economic growth. That growth was driven by solid domestic activity in sectors such as tourism, construction, and financial services, with the UAE's banking sector showcasing considerable adaptability. Non-oil GDP now accounts for more than 70 per cent of its total GDP.

NBF STRATEGY 2024

Throughout the year, NBF strengthened its franchise with record business growth, leveraging its robust liquidity and capital position, as well as the favourable business environment in the UAE. The strategy focused on expanding the bank's customer base, deepening customer relationships, enhancing the customer experience, and advancing a digitally-enabled operating platform. Key initiatives included refining existing business propositions, expanding niche business areas, and enhancing product solutions and transaction banking capabilities. Sustainability was integral to these efforts, with environmentally conscious practices embedded across operations, products, and decision-making processes. It also focussed on socially important sectors such as education, healthcare, and housing.

Priority was given to the continued development of NBF Islamic through the offering of a comprehensive range of solutions to both retail and corporate clients. The division remained dedicated to customer-centricity and digital transformation, implementing initiatives that streamlined onboarding, enhanced transaction efficiency, and elevated customer satisfaction. It also expanded its Shari'ah-compliant product suite, introducing tailored solutions to deepen customer relationships and increase wallet share. Strategic growth also remained a key focus, with proactive efforts to expand Islamic liabilities, optimising the CASA (Current Account Savings Account) mix and diversifying the deposit base.

Despite navigating a high-interest-rate environment and global uncertainties, NBF continued to focus on quality business opportunities, effective management of margins and liquidity, improved impairment provisions, and cost discipline. The bank maintained a prudent approach to recognising problem accounts, aligning with new credit risk standards introduced by the CBUAE. These efforts underscored NBF's commitment to delivering sustainable returns to shareholders, solidifying its competitive position.

COLLABORATIONS AND PARTNERSHIPS

NBF bolstered its commitment to fostering meaningful partnerships within the corporate and SME sectors, forging alliances that simplify processes, enhance service delivery, and contribute to regional economic growth.

In the final quarter of the year, the bank signed a memorandum of understanding (MoU) with the Dubai Integrated Economic Zones Authority (DIEZA). This partnership aimed to streamline the banking setup and onboarding for clients, offering a seamless experience and reinforcing NBF's dedication to supporting businesses in their growth journeys.

Additionally, NBF partnered with Meydan Free Zone to strengthen support for SMEs. Under the terms of their MoU, both organisations will pool their resources and expertise to deliver customised banking solutions and integrated services tailored to the needs of SMEs. The bank also collaborated with Network International, a leading digital commerce enabler in the Middle East and Africa, to enhance its digital payment solutions for corporate clients. This agreement enabled NBF to provide secure, efficient, and innovative payment services across multiple channels, including online and personal payment platforms.

KEY AREAS OF GROWTH

The bank achieved significant growth across key areas, reinforcing its position as a leading financial institution within the UAE. Loans and advances and Islamic financing receivables expanded to AED 32.4 billion, a rise of 16.1 per cent on the previous year, reflecting strong demand across corporate and retail segments. Customer deposits and Islamic customer deposits grew to AED 45.8 billion, up from AED 38.6 billion in 2023, supported by the bank's focus on deepening client relationships and enhancing its deposit offerings. The bank also continued to make substantial progress in digital banking, with increased adoption of its digital platforms and services, resulting in a 23 per cent growth in digital transactions. These achievements, alongside improvements in asset quality and operational efficiency, underscored NBF's commitment to delivering value to its customers and stakeholders.

OPERATIONAL PERFORMANCE

NBF reaffirmed its commitment to operational excellence in 2024, achieving sustainable growth while earning prestigious ISO certifications for global quality standards in environmental management, occupational health and safety, and facility management. These accomplishments highlighted the bank's dedication to best practices and a sustainable future for customers and employees alike.

BUSINESS SEGMENT PERFORMANCE

CORPORATE AND INSTITUTIONAL BANKING (C&IB)

In 2024, NBF's C&IB banking continued to serve corporate clients – primarily those with a turnover in excess of AED 400 million – and financial institutions. The segment accounted for 37.6 per cent of the group's overall operating income, compared with 39.2 per cent in 2023. Operating income for the segment reached AED 915.4 million, representing a 2.3 per cent increase over 2023. Assets stood at AED 20.7 billion, compared with AED 17.5 billion in 2023, while liabilities totalled AED 30.2 billion, up from AED 25.5 billion in 2023.

OPERATING INCOME

AED 915.4 MILLION

BUSINESS BANKING

NBF's business banking segment continued to support clients with a turnover of up to AED 400 million. The segment contributed 34.2 per cent to the group's overall operating income, compared with 32.0 per cent in 2023. Operating income reached AED 833.2 million, reflecting a 14.2 per cent growth over 2023. Assets totalled AED 8.8 billion, compared with AED 7.7 billion in 2023.

CONTRIBUTION TO THE GROUP'S OPERATING INCOME

34.2%	32.0%
2024	2023

RETAIL BANKING

The retail banking segment achieved significant growth in both assets and liabilities, with assets reaching AED 5.3 billion, up from AED 4.5 billion in 2023, and liabilities totalling AED 5.2 billion, compared with AED 4.6 billion in 2023. Operating income for the segment increased to AED 209.2 million, reflecting a 12.7 per cent rise from AED 185.6 million in 2023.

ASSETS	LIABILITIES
AED 5.3 BILLION 2024	AED 5.2 BILLION 2024
AED 4.5 BILLION 2023	AED 4.6 BILLION 2023

TREASURY, INVESTMENTS, ASSET AND LIABILITY MANAGEMENT (ALM) AND OTHERS

In 2024, Treasury and ALM delivered a net profit before tax of AED 424.7 million, compared with AED 422.4 million in 2023, and net profit after tax of AED 386.3 million. Exchange and derivative income stood at AED 189.1 million, up from AED 164.5 million in 2023.

NBF ISLAMIC

NBF Islamic continued to offer a comprehensive range of Shari'ah-compliant products and services to consumer and corporate clients while maintaining a strong governance framework. NBF Islamic represented 10.9 per cent of overall group assets, compared with 12.2 per cent in 2023, and 10.2 per cent of group deposits, down from 11.7 per cent in 2023. Customer deposits rose to AED 4.7 billion, from AED 4.5 billion in 2023, while Islamic financing facilities increased to AED 4.1 billion, compared with AED 3.8 billion in 2023. Operating income reached AED 167.4 million, reflecting a 6.9 per cent growth over AED 156.6 million in 2023.

10.9% NBF Islamic contribution to group assets

10.2% NBF Islamic contribution to group deposits

ENTERPRISE RISK MANAGEMENT

NBF's enterprise-wide risk management framework continued to guide how the bank identifies, assesses, measures, reports, and treats risks, aligning with a well-defined risk appetite. The bank recognises that risk is inherent in all activities, requiring a structured and systematic approach to its management. To ensure effective risk management, NBF employs a 'three lines of defence' model, comprising business units and associated support functions, control functions, and internal audits. Business units and associated support functions, as the first line of defence, identify and manage risk in their day-to-day activities by ensuring that activities are within the bank's risk appetite and follow all relevant internal policies and processes. Risk management and compliance, as the second line of defence, establish requirements comprised of policies and processes, while also providing oversight and independent challenges to the first line of defence. Internal audits, as the third line of defence, provide assurance to management and the board of the effectiveness of risk management practices employed by the first and second lines of defence. The board provides a clear operational structure for the group to manage risks, ensuring that controls align with the bank's risk appetite, risk profile, and capital strength. As part of its ongoing growth strategy, NBF leveraged a diverse loan book and highly profitable business while maintaining strong control and risk management practices. In 2024, the bank also advanced its commitment to sustainability by implementing a sustainable finance framework, which was approved by the Board.

COMPLIANCE

The bank continued to enforce policies and processes to ensure full compliance with UAE laws, CBUAE regulations, global standards on anti-money laundering (AML), combatting the financing or terrorism (CFT), targeted financial sanctions (TFS), and preventing proliferation financing (PF), as mandated by its board. The bank's AML/CFT and TFS/PF programme includes ongoing customer risk assessments, monitoring of client activities, reacting to changing global and local regulations, and a continuous improvement process to minimise the risk of financial crime. In line with CBUAE expectations and UAE national objectives, the programme underwent several enhancements in 2024, including reacting to changes within the global regulatory environment.

Additionally, NBF remained proactive in managing conduct risk by strengthening compliance policies that complement its code of conduct, ensuring that positive customer outcomes remain central to its client engagement, and remaining proactive and effective in responding to customer feedback.

CYBER SECURITY

NBF remained dedicated to strengthening its information security, making significant investments in cyber assurance and advanced security measures. The bank utilised automation, AI, and machine learning tools to enhance its cyber resilience and control capabilities, leading to a

substantial reduction in the mean time to detect and respond to threats. For the fifth consecutive year, NBF achieved zero security breaches.

AUTOMATION AI AND MACHINE LEARNING WERE USED TO ENHANCE CYBER RESILIENCE

With the rise of digital banking, NBF has embraced the UAE government's push for robust cybersecurity measures. By adopting advanced technologies, the bank focused on securing customer data and maintaining trust in digital banking. Moreover, in response to stricter AML and CTF frameworks, NBF implemented AI and machine learning technologies to enhance its ability to detect and prevent illicit activities, ensuring its compliance with global and national security standards. The bank continued to support the UAE Banks Federation's ongoing fraud awareness campaign, leveraging social media platforms to educate and protect customers from financial threats.

In 2024, NBF maintained a cyber risk score of at least 94 per cent, reflecting the bank's ongoing commitment to cybersecurity and customer trust. The bank upheld its Information Security Management System certification (ISO 27001:2022) and remained fully compliant with NESA, SWIFT CSP, and PCI-DSS standards. Demonstrating its leadership in security innovation, NBF's chief information security officer (CISO) was recognised in the second quarter of the year with a CSO 30 Award by the International Data Corporation for excellence in implementing advanced security practices and delivering significant business value in an evolving threat landscape.

DIGITAL INNOVATION

NBF demonstrated its commitment to digital innovation by launching several cutting-edge initiatives that enhance its service offerings for both corporate and business clients. The introduction of NBF Markets, a margin trading platform, represented a significant leap in the bank's digital evolution. The platform provides 24/5 access to a diverse range of financial instruments, including FX, precious metals, derivatives, and CFDs, all with real-time pricing and advanced risk management tools. By offering seamless onboarding and competitive pricing, NBF Markets allows corporate clients to trade efficiently and manage their investments with greater flexibility.

The bank also made significant strides in leveraging cloud-based technology to transform its data capabilities. The bank's collaboration with Snowflake was a key part of its strategy to become a fully data-driven organisation. With a central data lake and the adoption of Snowflake's platform, NBF has positioned itself to extract valuable insights from its data, thereby enhancing its decision-making and analytics processes. This focus on data governance and management yielded immediate results, with the bank receiving the Best Use Case of Data Analytics award at the 7th Middle East Banking AI & Analytics Summit & Awards in 2024.

NBF MARKETS: 24/5 MARGIN TRADING WITH REAL-TIME ACCESS

Further reinforcing its digital transformation efforts, NBF launched the NBF EDGE platform, a pioneering tool that allows businesses to open company bank accounts digitally and without the need for paperwork. This solution streamlines the traditionally complex process of opening a business account, offering convenience and efficiency that set a new standard in digital banking. The platform ensures a seamless transition for new clients to NBF's online banking services, promoting continuity and ease of use.

In November 2024, NBF rolled out NBF Qollect, a new Point of Sale app designed to deliver seamless, secure, and instant payments. Leading global jewellery retailer Malabar Gold & Diamonds, a key NBF corporate customer, became the first to use NBF Qollect for collecting payments. The application, integrated with Aani's instant payment capabilities, enables retailers to generate dynamic QR codes for real-time customer payments. By leveraging Aani's technology and NBF's payment infrastructure, the app supports cashless and cardless transactions, enhancing payment security and user convenience.

The bank also partnered with Intellect Global Transaction Banking (iGTB) to enhance its digital banking capabilities by adopting the vendor's open finance platform, eMACH.ai. This initiative marked what iGTB described as the first deployment of its cloud-managed service in the region. Through the implementation of the Integrated Global Transaction Banking platform, NBF solidified its leadership in corporate banking innovation and reinforced its competitive position in the industry.

EMPOWERING SEAMLESS PAYMENTS

These innovations reflect NBF's ongoing dedication to enhancing customer experiences through technology, as it seeks to redefine banking in the UAE. From advanced trading platforms to cutting-edge data strategies and seamless digital banking services, NBF continues to set benchmarks for excellence in the digital banking landscape. Through these initiatives, the bank is not only staying ahead of industry trends but also delivering exceptional value to its clients in an increasingly digital world.

CUSTOMER EXPERIENCE AND ENGAGEMENT

Delivering exceptional customer service remained NBF's foundational principle in 2024. The bank enhanced its focus on personalised banking solutions and strengthened partnerships grounded in service, trust, and innovation. The launch of the NBF Emerging Business Unit marked a significant step in offering personalised banking solutions to both new and established SMEs. Customers of the new unit have a dedicated relationship manager who is responsible for building a deep understanding of their business needs. From that understanding, managers are able to craft the optimal banking package to support the growth of their business. The bank also continued its collaboration with Living Business, providing sustainability coaching to businesses and graduating 12 companies in 2024.

The launch of NBF Rewards, a loyalty program designed to reward customers with points for their banking transactions, further strengthened customer engagement. Through the app-based programme, members gained access to unlimited offers across dining, leisure, shopping, and wellness, including two-for-one deals and up to 50 per cent off on dining, discounts on theme parks and activities, exclusive retail offers, and spa experiences. Partnership offers with Dnata, PayRelay, Samsung Galaxy S4, Enfield Royal Clinic, 800Car Guru, X-pression, and the Visa Airport Companion app also continued in 2024.

100% PAPER FREE

NBF EDGE ENABLES BUSINESSES TO OPEN COMPANY BANK ACCOUNTS DIGITALLY

Marketing campaigns supported the launch of the Emerging Business Unit and NBF EDGE and increased awareness of other products, including NBF Al Samy, NBF Priority, and NBF Direct. Elsewhere, digital and social media campaigns actively promoted NBF Islamic, Ajyal, NBF Cards, and other services, leveraging SEO and targeted messaging. The bank also continued to upgrade the NBF Direct mobile banking app, the Retail Loan Origination app, and the Aani Instant Payment Platform.

These initiatives reflected the bank's long-standing commitment to fostering trust-based partnerships with customers and helping businesses navigate a dynamic economic landscape. NBF's commitment to excellence in customer service was rewarded at the MEA Leaders in Payments Awards 2024, where the bank won two awards for 'Best Real-Time Payments Implementation' and 'Best Payment System Implementation'.

TALENT AND CULTURE

People and culture are the heart and soul of NBF. This was as true during 2024 as it has ever been, with the bank's talented, diverse, and empowered team driving continued growth and innovation for NBF's clients and stakeholders.

DIVERSITY AND INCLUSION

NBF remained committed to developing and maintaining a diverse workforce and fostering a working environment built on mutual respect. The bank recognises that diversity and inclusion in the workplace provide numerous benefits, including enhanced business performance, greater innovation, and the ability to attract top talent. With over 35 nationalities represented across its workforce, equal consideration was given to all applicants for positions within the bank, with no discrimination based on race, age, gender, disability, or religion.

EMPLOYEE WELLBEING

The mental and physical wellbeing of the bank's employees continued to be prioritised through a series of initiatives. As part of World Mental Health Day, employees were encouraged to engage in activities that reduce stress and improve mood, reinforcing the bank's long-standing commitment to employee mental health. NBF has partnered with Lyra Wellbeing (formerly ICAS) for the past seven years to provide its Employee Assistance Programme (EAP), a confidential service offered free of charge to all employees. Designed to address emotional and mental stress, the EAP helps individuals stay healthy, focused, and motivated. During the year the bank also hosted a wellbeing webinar and celebrated physical health and team spirit with a series of tournaments, including football, bowling, and cricket.

EMPLOYEE LEARNING

NBF is deeply committed to its employees, fostering a culture that optimises potential, rewards excellence, and drives innovation and accountability. The bank focuses on recruiting, retaining, developing, and rewarding top talent, with a particular emphasis on advancing Emirati careers. Guided by a robust people strategy, NBF prioritises professional growth and recognition while maintaining an employee satisfaction score above 84 per cent. This commitment ensures a supportive and dynamic workplace that empowers individuals to thrive and contribute to the bank's success. By investing in its people, then bank is investing in the future of NBF and in its ability to continue delivering value to all stakeholders. NBF achieved strong employee satisfaction in 2024, with 94 per cent of staff expressing pride in working for the bank and 85 per cent recommending it as a workplace.

LEADERSHIP DEVELOPMENT AND EMIRATISATION

The bank advanced its commitment to leadership development and Emiratisation through key initiatives. Eleven UAE nationals graduated from the final NBF Technology Academy, completing a six-month programme focused on applications development, including AI, data, and cybersecurity. NBF also participated in Ru'ya Careers UAE Redefined, reinforcing its position as a leading employer for Emirati talent. The bank continued to attract and develop UAE nationals through its annual Management Training Programme, now in its 12th year, and other professional development initiatives aimed at preparing Emiratis for leadership roles while contributing to national progress.

FUTURE OUTLOOK

THE YEAR AHEAD

NBF is positioning itself for the next phase of growth, aiming to establish a leadership position in the SME and mid-market segments, as well as specialised industries, while continuing to support a broad spectrum of customers and partners across the market. Underpinning this vision will be four strategic pillars – 'Employee First', 'Customer Centricity', 'Efficiency and Excellence', and 'Governance and Compliance'. These pillars are designed to drive a culture of innovation, operational efficiency, and robust governance, while unlocking the potential of NBF's people and delivering exceptional value to stakeholders. The launch of NBF Path cements the customer at the heart of everything NBF does, with the bank striving to exceed its customers' expectations by offering tailored, high-quality financial solutions that bring real value to lives and businesses. This new strategic framework defines the values, behaviours, and commitments that will guide the bank as it continues to build trusted relationships and scale new heights.

This will involve developing the bank's digitally enabled operating platform, product innovation, and strategic partnerships with fintechs and other third-party providers. NBF will enhance existing business propositions to increase market share and align risk appetite with growth opportunities. It will strengthen NBF Islamic by investing in its marketing and sales capabilities and focusing on digitalisation, streamlining customer experiences, and maintaining high governance standards. The bank will prioritise growing ancillary revenue

streams, especially through cross-selling Shari'ah-compliant Global Transaction Banking (GTB) and Treasury solutions. It will also continue to follow established sustainability and ESG principles, further fostering ethical financial growth. With a focus on innovation, governance, and customer partnerships, NBF Islamic aims to solidify its position as a trusted provider of Shari'ah-compliant financial solutions.

EMPLOYEE FIRST

The groundwork for the launch of the first-ever NBF People Strategy took place in 2024, although its affects will be felt in 2025. A roadmap for building a workforce that is diverse, highly skilled, and driven to perform at its best, the strategy fosters a performance-driven culture where excellence, collaboration, and integrity converge. Anchored in four key pillars known as the 'Big Peaks', each of which is symbolised by one of Fujairah's iconic mountains, the strategy seeks to cultivate a culture of growth, open communication, professional development, and inclusivity. These peaks are Jabal Yabsah, which represents the nurturing of a growth mindset, Jabal Masafi-Fujairah (communication, collaboration, digitalisation, and AI), Jabal Safad (accountability and performance excellence), and Jabal Aqqah (Emiratisation, diversity and inclusion, well-being and work-life balance). As 2025 unfolds, the NBF People Strategy will help the bank to manage its talent effectively by identifying and nurturing high-potential employees, providing clear career pathways, and implementing targeted learning programmes.

CUSTOMER-CENTRICITY

A core focus of the bank's strategy in 2025 will be to push towards its goal of becoming the country's most customer-focused bank, leveraging technology and streamlined processes to deliver exceptional service. As NBF accelerates its transformation into an agile, technologically advanced organisation, it will also optimise costs by pursuing low-cost liability-led growth, and embrace sustainability as a central tenet of its operating philosophy. For 2025, the bank has identified opportunities to enhance brand visibility and expand market coverage through targeted marketing, digital engagement, and partnerships. Initiatives will include a holistic digital strategy, seasonal promotions, client success stories, and community-focused initiatives to strengthen loyalty and position NBF as the primary bank for its retail audience.

ALIGNMENT WITH NATIONAL GOALS

As part of the UAE's drive to achieve net-zero emissions by 2050, NBF will adhere to the Federal Decree issued in August 2024, which mandates businesses to measure and report emissions, establish a National Carbon Registry, and integrate climate change considerations with economic imperatives from May 2025 onwards. Additionally, NBF will align with the draft regulations introduced by the CBUAE on climate risks, sustainability reporting, and Islamic sustainable finance, ensuring its compliance with the UAE Sustainable Finance Taxonomy and regulations governing carbon credits trading platforms.

YEAR IN REVIEW

JANUARY

The bank celebrates its sustainability-themed Family Day, bringing employees and their families together for a day of engaging activities. It also hosts staff Town Halls in Fujairah, Dubai, and Abu Dhabi to launch its year-long strategy, as well as a gold and jewellery gala event for clients.

MARCH

The bank approves dividends of 15 per cent, kicks off a new financial literacy campaign aimed at improving financial literacy among 14 to 16-year-olds, hosts a series of Ramadan events, and holds a knowledge-sharing event focussed on corporate taxation.

MAY

A knowledge series event centred on investment management is held for NBF Priority clients, the bank sponsors the ICC Global Trade Facilitation Summit, and participates in the National Service Career Fair. The NBF Staff Function is attended by nearly 800 staff.

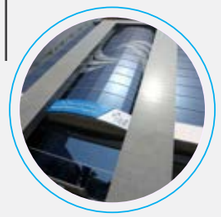
JULY

It is announced that CEO Vince Cook will step down after 14 years in the job and the deputy CEO, Adnan Anwar, will take over as CEO from 1 October.

NBF introduced NBF EDGE, a digital platform designed to streamline account opening for businesses. The bank also launched a new suite of Business Banking Value Accounts tailored to meet the needs of Corporates and SMEs.

SEPTEMBER

The bank issued $275 million in new convertible Additional Tier 1 (AT1) capital instruments and settled the previous $350 million AT1 instruments on their first call date. Additionally, the bank sponsors and participates in ACT.



NOVEMBER

The NBF Fujairah Run sees record participation of nearly 4,000 runners, including some of the UAE's best athletes, fitness enthusiasts, casual runners, and many families.

The bank also sponsors the DMCC Dubai Precious Metals Conference 2024 and hosts the last knowledge series event of the year around commodities, precious metals, and market dynamics.

FEBRUARY

NBF participates in GTR MENA 2024, sponsors Fujairah Innovation Week 2024, launches a Ramadan campaign featuring personal finance and home finance special offers, and celebrates the graduation of 12 customers from the 2023 edition of the Living Business programme.

APRIL

NBF is honoured with two prestigious awards at the International Finance Awards 2024: Best Islamic Banking Window UAE and Most Innovative Commercial Bank UAE. The bank launched a special Ramadan campaign for its retail customers, organized a charity project, and hosted a series of Ramadan events for its clients.

JUNE

The bank hold its third knowledge series event around sustainability. The bank's General Assembly Meeting is held at the Novotel Hotel, Fujairah. The appointment of Easa Farid Al Gurg onto the Board of Directors is ratified, as is the appointment and remuneration for Moosa Tariq Al Khoory as a member of the bank's Internal Shari'a Supervision Committee.

AUGUST

The bank celebrates Emirati Women's Day, recognising the remarkable contributions they have made to the organisation and the nation. Additionally, the bank launched a dedicated business unit focused on supporting Emerging Businesses, further solidifying its commitment to being a key player in the SME sector.

OCTOBER

Adnan Anwar, the bank's deputy CEO, steps into the role of chief executive officer. He is committed to strengthening NBF's position as a leader in the UAE banking sector by expanding digital services, adopting a customer-centric approach, and driving sustainable growth alongside operational excellence and leading people practices.

Elsewhere, the bank earned three ISO certifications, underscoring NBF's commitment to maintaining operational excellence across its business. The organisation also sponsored the 12th Energy Markets Forum in Fujairah, hosted its fourth Knowledge Series event focused on AI and digitalisation, and launched a new CASA campaign targeting the AI Samy and Priority segments.

DECEMBER

The bank completed its conversion of Additional Tier 1 capital securities, amounting to AED 1.01 billion at a ratio of AED 2.85:1.

Judging takes place for the NBF Art Prize 2024 and UAE National Day is celebrated across the bank's main offices in Dubai, Abu Dhabi, and Fujairah.

CORPORATE GOVERNANCE REPORT

Upholding the highest ethical governance standards and investor relations continue to be the utmost priority for NBF.

OUR CORPORATE GOVERNANCE FRAMEWORK

National Bank of Fujairah PJSC ("NBF" or "the bank") is committed to upholding the highest ethical and corporate governance standards. We believe high standards of corporate governance are key contributors to the long-term success of any business, creating trust and engagement between the company and its stakeholders. This belief underpins our business model, our policies and governance structures.

Delivering exceptional business outcomes based on strong risk management and governance is a core aspect of the bank's strategic intent and we have clear and comprehensive governance policies, procedures and practices throughout the Group.

Our approach to corporate governance is intended to ensure the highest levels of transparency and accountability. These practices are under constant review as local and global best practice expectations change.

The Board of Directors' primary responsibility is to provide effective governance and oversight over the bank's affairs and those of its subsidiaries, for the benefit of shareholders, and to balance the interests of diverse stakeholders, including investors, customers, employees, suppliers, regulators, government and local communities.

The Board has also established board committees in line with regulatory requirements and best practice to fulfil its responsibilities effectively. Specifically, the Board has created three sub-committees and delegated specific functions to these sub-committees to ensure that there is specific focus directed towards the critical issues of risk management, sustainability including environmental, societal and governance issues, the adequacy of internal control within the bank, and the appropriate recruitment, succession, performance management and remuneration of the Board and Senior Management.

These sub-committees are the Board Risk and Sustainability Committee, the Board Audit Committee and the Board Nomination and Remuneration Committee.

At an executive level, the Management Committee and Management Risk Committee provide strategic direction and senior management oversight with regards to the operation of management committees in the bank.

The bank's corporate governance system operated effectively during 2024. The Board, Board sub-committees and management committees were convened to perform their obligations in line with the charters and provided the required oversight.

During 2024, NBF continued to review and enhance its corporate governance practices in light of changes to the business strategy, the external business environment and evolving stakeholder expectations.

The critical importance of Sustainability was underlined by the specific inclusion of Sustainability issues and governance into the Charter of the Board Risk Committee to become the Board Risk and Sustainability Committee. The members of this committee have been delegated the role of ensuring that the bank is acting to limit its impact on the environment both directly and through our financing activities and supporting the development of projects and activities that support health, financial literacy and engaged communities.

In 2024, the bank became a member of the United Nations Global Compact as a tangible sign of this commitment.

Risk Management Approach

Risk Exposures

The NBF Group recognises that risks exist in all of our activities and that we need to have a clear and ordered approach to identification, assessment, measurement, reporting and treatment of risks based on a clear statement of Risk Appetite. Our Board of Directors considers the context of our business strategy and internal and external drivers of risk and sets boundaries for acceptable risk taking in our Risk Appetite Statement. Management then seeks to implement the Business Strategy and Operational Plans within those boundaries. To do this effectively, we apply a "Three Lines of Defence" operating model in relation to the management of risk. The key principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

First Line – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.

Second Line – Functionally segregated Risk Management and Compliance functions, reporting into Board Risk and Sustainability Committee, develop risk management frameworks, define the risk management principles in the bank's policies, provide objective review and challenge regarding the effectiveness of risk management within the first line businesses, and execute specific risk management activities where the functional segregation of duties is required, or a specific expertise is required.

Third Line – An independent Internal Audit function, reporting to the Board Audit Committee, monitors the effectiveness of risk management in the first and second lines and compliance with the Enterprise-wide Risk Management Framework and the bank's policies.

We then apply a structured approach to risk measurement and reporting which is assessed against our Risk Appetite and is overseen by specialised risk governance committees to ensure transparency and that any position outside appetite or trending in that direction has appropriate remediation action plans approved and governed to finalisation.

Risk governance is key to successful risk taking. It involves a formal structure used to support risk-based decision making and oversight across all our operations.

The Board has established the Board Risk and Sustainability Committee, to assist it in carrying out its responsibilities that are set out in its Charter. It receives regular reporting from management, and it provides guidance to management where required as well as consideration and approval of specific matters referred to it.

Management has a number of management committees focused on our Material Risk classes or categories tasked with decision making and oversight of remediation where required.

The Material Risks that arise from our activities are defined as:

Credit Risk

Credit Risk arises from our activity of granting credit facilities to our customers in the normal course of our

business. Credit Risk is defined within NBF as: The risk of loss arising from the non-performance by a customer, client or counterparty in any of its financial obligations towards NBF. The definition of Credit Risk includes country risk, concentration risk and related party risks.

NBF's detailed policies in respect of Credit Risk are set out in the NBF Credit Risk Management Framework ("CRMF") and supporting policies.

Treasury Risk

Treasury Risk arises from our activities of raising deposits and lines of credit from capital markets to fund the lending activities of the bank, and from facilitation of risk management techniques at the request of our customers through entry into swaps and foreign currency transactions and from investment activities on our own account. We define Treasury Risk as the risk of loss arising from activities undertaken in, or impacted by, financial markets generally. This includes both Market Price Risk, Liquidity, Funding (liability) and Interest Rate Risk.

NBF's detailed policies in respect of Treasury Risk are set out in the NBF Group Market Risk Management Policy and Liquidity Risk Management Policy as well as the Treasury Risk Process Guidance.

Operational Risk

Operational risk arises in all of our activities, and it is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk.

NBF's detailed policies in respect of Operational Risk are set out in the NBF Operational Risk Management Framework (ORMF). The ORMF aggregates the following additional elements of risk:

- Information Technology Risk
- Disaster Recovery and Business Continuity Management
- Human Resources/Personnel Risk
- Processing Risks
- Insurance Risk
- Risks in new Businesses, Products & Systems.

Regulatory Compliance Risk

Regulatory Compliance risk arises principally from our activities as a bank that is subject to the regulation of the Central Bank of the UAE and also arising from our legal status as a Public Joint Stock Company. This risk is defined as the risk of losses, fines or penalties resulting from the failure of individuals, or the bank to comply with legislation or regulation.

NBF's policies in respect of compliance risk are set out in the bank's Compliance Policy. AML/CTF Risks are documented in the bank's AML Policy, Sanctions Policy and supporting processes.

Information Security Risk

This risk is defined as the possibility that a given threat will exploit vulnerabilities of an asset or group of assets and thereby cause harm to the organisation.

NBF's Information Security Risk Management Framework (ISRMF) ensures that information security risks in the entity are identified, assessed, and evaluated, and that these risks are treated in accordance with the information security requirements and business objectives of NBF.

NBF's detailed policies in respect to Information Security are defined in the Information Security Management System (ISMS) Framework. This ensures:

- NBF's Information resources in whatever form they exist both electronic and non-electronic are appropriately protected from compromise of their confidentiality, integrity and availability.
- Controls and protection requirements are accomplished in a manner consistent with the business and workflow requirements of NBF ISRMF and ISMS supports the general concepts specified in National Electronic Security Authority (NESA), National Cyber Risk Management Framework (NCRMF) and ISO/IEC 27001 and is designed to assist the satisfactory implementation of information security controls at NBF.

Shari'ah Compliance Risk

The bank operates an Islamic window for the provision of Shari'ah compliant banking services. We have an Internal Shari'ah Supervision Committee to provide guidance on and approval for matters pertaining to Islamic Shari'ah.

The approved statement of compliance with Islamic Shari'ah is published in our Annual Report.

Country and Transfer Risk

Country Risk is defined as the risk of loss resulting from events in a foreign country, which may include changes in economic, social, political or regulatory conditions that affect obligors in that country and, potentially, obligations denominated in that country's currency.

Transfer Risk is defined as the risk that a borrower will not be able to convert local currency into foreign exchange and so be unable to make debt service payments in that foreign currency.

Risk Appetite, Enterprise-wide Risk Management and the Internal Control Framework

NBF is committed to the implementation of best practices and governance standards.

The Board of Directors has overall responsibility for the establishment and oversight of enterprise risk management framework. The Board sets the overall risk appetite and strategy in consultation with the senior management and approves all principal governance committee charters, policies and guidelines to manage the above-mentioned risks. The Board has established committees to enhance the oversight mechanism to carry out its responsibilities effectively.

Risk Appetite is the degree of risk that the bank is prepared to accept in pursuit of its strategic objectives and strategic plan, considering NBF's various stakeholders, including depositors, shareholders and other relevant parties. The Risk Appetite Statement (RAS) intends to document the bank's willingness to undertake risk to achieve its strategic plan objectives. The RAS is used as the primary guiding document in the execution of the business strategy and therefore all strategic decisions are also considered in context of the defined RAS.

The RAS articulates the aggregate level and types of risk that the bank will accept or avoid in order to achieve its business objective. For each material risk, the Board has defined the maximum level of risk that the bank is willing to operate within.

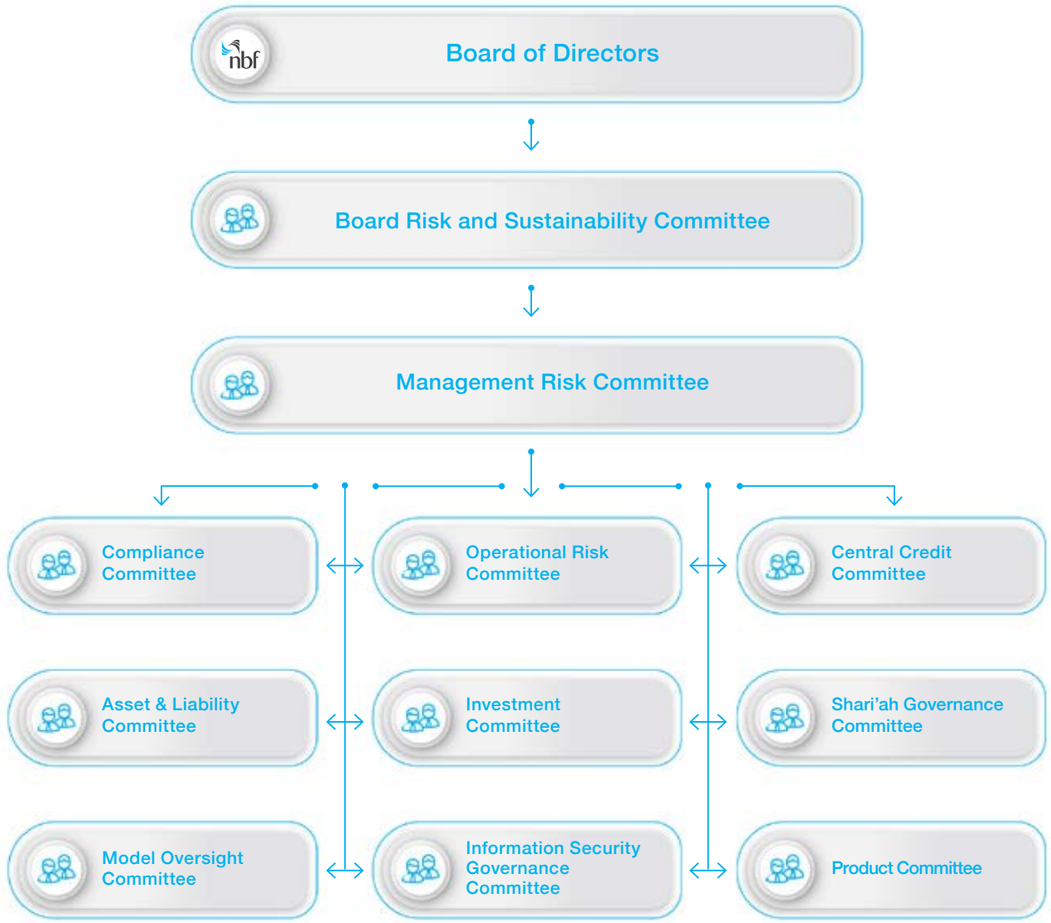
The Board has approved the Enterprise-wide Risk Management Framework document that describes how the bank manages all of its material risks.

NBF has zero tolerance for non-compliance with its Risk Appetite, policies and procedures and strongly promotes a risk-based culture across the bank. The bank reinforces this through various channels that include communication of Risk Appetite and risk policies annually to all staff for mandatory reading, a compulsory training program and quarterly compliance certification process. The bank has also established a robust operational risk program to report any error or process failure and, regular monitoring of Key Risk Indicators.

The bank has a well-established mechanism to set and monitor operating limits, with any deviations from risk thresholds captured in the Breach register with clear delegation of authority for approval of remediation at management and board governance committees.

Responses to Risk Profile being outside our Appetite is based on whether there is a breach of a hard limit. These indicators are measured daily through management information systems and platforms developed by the bank. Responses to risks that arise in our business will depend on the type and level of the risk. Risks can be Accepted, Avoided, Treated or Transferred.

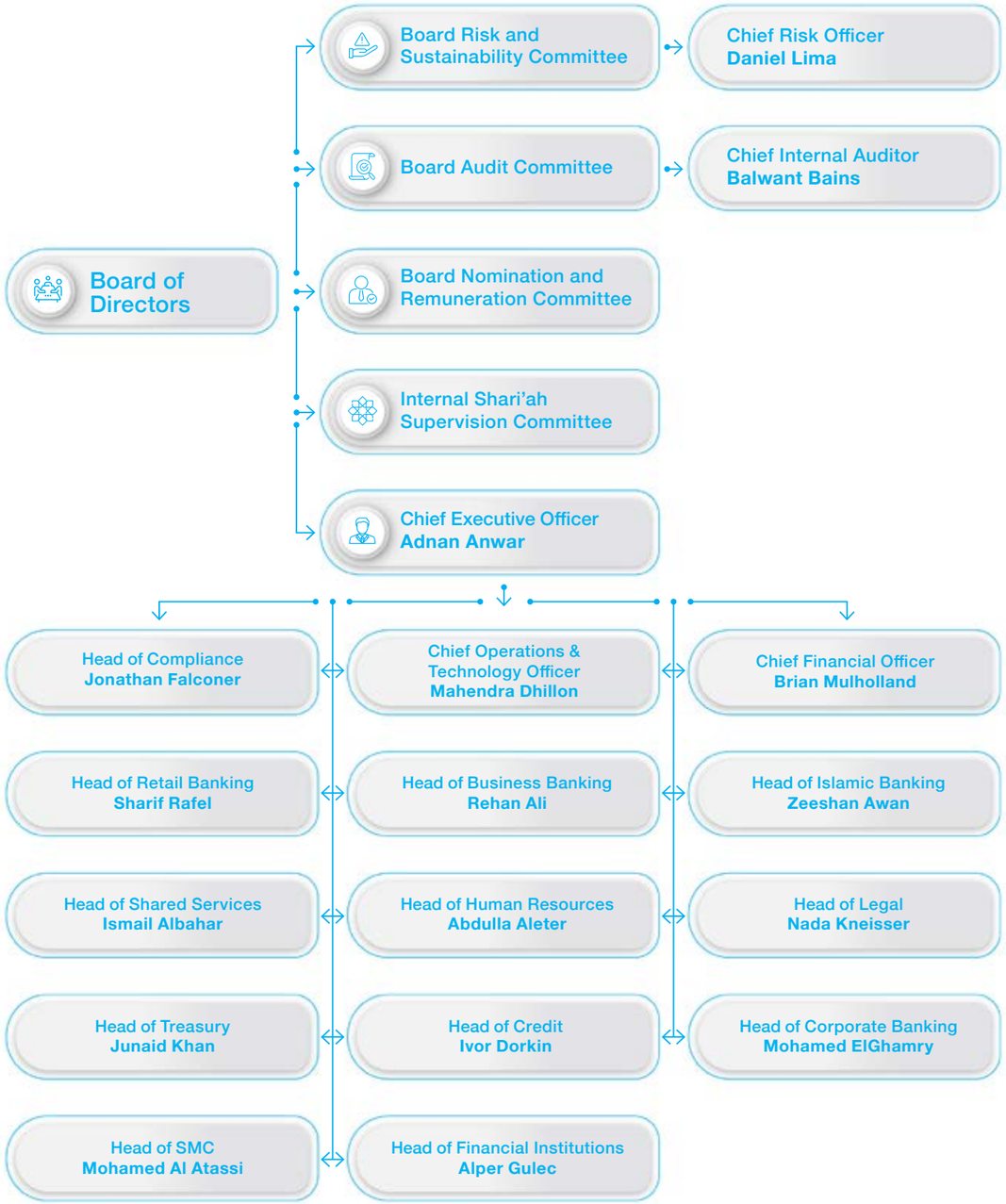
Our Risk Governance Structure is set out below:



In setting the bank's Risk Appetite, the Board considers factors that are relevant to the domestic economy, regional economy and global economy.

The bank has not entered into complex or non-transparent transactions or activities.

Our Organisational Structure



BOARD GOVERNANCE

Roles and Responsibilities

Our Board consists of nine members who are appointed for a three-year term at the Annual General Assembly Meeting.

Our Chairman and Deputy Chair are selected by Members of the Board. The Chair has a pivotal role in ensuring that the Board functions as the principal governance forum for the bank and that all important issues are properly addressed.

The Governance Charter of the Board of Directors sets the roles and responsibilities of the Board as a whole and each of the members of the Board.

The core responsibilities include

- decisions on the vision, mission, long-term objectives and strategy of the bank
- approval of the policies of the bank
- approval of authorities and powers delegated to the CEO, committees and senior management
- approval of the Bank's annual budget including specific approval of capital expenditure, investments and disposals
- reviewing and, where appropriate, approving material related party transactions which are not in the ordinary course of business
- approval of the capital management policy and the basis of allocation of capital within the bank
- decisions on the organization structure of the bank.
- ensuring that the Bank manages risk effectively
- ensuring that there is an appropriate system of internal control in the bank including approval of the structure, powers and processes of Internal Audit
- ensuring that the Board has the appropriate number and quality of directors to fulfil its responsibilities
- appointment of committees of the Board and approval of the committee Charter that contains detail of the mandate, scope, process and accountability of the committee to the Board
- approval of the appointment, dismissal, and remuneration of the CEO and Senior Management
- approval of remuneration policy and bonus pools and salary scales for employees
- approval and review of the corporate governance arrangements of the Bank

Independence

The Board ensures that its composition complies with all regulations including independence which is reviewed annually.

Conflict of Interest

The Board has in place clear policies on Conflict of Interest. No Director may take part in deliberations in respect of a matter in which he or she has a real or perceived conflict of interest, and conflicted Directors do not vote on any such resolution.

MEMBERS OF THE BOARD

Recruitment approach

Nomination to become a Member of the bank's Board of Directors is overseen by the Board Nomination and Remuneration Committee.

The Committee is charged with ensuring that the nominees are skilled in a diverse range of disciplines and have significant experience across key sectors of the UAE economy in order to contribute key insights into the banks strategy and operations to assist management deliver long-term sustainable value for the bank's various stakeholders.

All nominees for appointment to the Board of Directors are assessed against the requirements of the Fit and Proper policy and if successful, are presented to the Central Bank of the UAE for approval. If the 'No Objection' confirmation is received, the nominee is presented to the Annual General Assembly meeting for approval by shareholders.

During the year, one new Member of the Board of Directors was appointed following the resignation of Mr, Abdulla Fareed Al Gurg. After consideration of all relevant matters, Mr. Easa Farid Al Gurg was appointed to fill the vacancy which was confirmed by the General Assembly Meeting held on 26th June 2024.

Our Board Members

Name Category (executive and non-executive, independent)	Experiences and Qualifications	The period spent as a member of the bank's Board of Directors from the date of first election	Memberships and positions in any other joint stock companies	Positions in any other regulatory, government or commercial positions
Sheikh Saleh Bin Mohamed Bin Hamad AlSharqi • Chairman • Non-Executive Member • Non-Independent Member	• Completed standard military course from Royal Military Academy Sandhurst • Served in the UAE Armed Forces as a Colonel	Since 1984 41 years	-	• Chairman of Department of Industry and Economy, Govt. of Fujairah, which controls port of Fujairah, Fujairah customs, Fujairah International Airport, Fujairah Free zone Authority and Government Companies. Department of Industry supervises all investments and industrial projects in the Emirate of Fujairah • Chairman of Fujairah National Group

Dr. Raja Easa Saleh Al Gurg • Deputy Chairperson • Non-Executive Member • Non-Independent Member	• Holds an Honorary Doctorate in Literature from Amity University – India • Holds an Honorary Doctorate from Queen's University Belfast for Economics • Graduated from the University of Kuwait in English Literature	Since 2020 5 years	-	• Chairperson and Managing Director of Easa Saleh Al Gurg Group LLC • Vice Chairperson of University of Dubai • Chairperson of the Board of Directors of Al Jalila Foundation • Board Member of Dubai Chambers of Commerce • Board Member of Dubai Women's Association • Board of Directors of Dubai Health Corporation • Board of Governance Deputy Chair of Mohammed Bin Rashid University of Medicine and Health Sciences • Board of Trustees for Ajman University • Board of Governance Deputy Chair of Hamdan Bin Mohammed Smart University • Honorary Pro-Chancellor at Heriot Watt University • Advisory Board of Coutts Bank, the wealth division of the Royal Bank of Scotland Group
Sheikh Hamad Bin Saleh Bin Mohamed AlSharqi • Board Member • Non-Executive Member • Independent Member	• Bachelor in Business Administration & HR, Higher Colleges of Technology	Since 2014 11 years	-	• Chairman of Al Sharq Health care (The Health care group of Fujairah National Group) • Chairman of Fujairah National Industries (The industries Group of Fujairah National Group) • Vice-Chairman of Fujairah National Group
Hussain Mirza Al Sayegh • Board Member • Non-Executive Member • Non-Independent Member	• Master Degree in International Relations - University of Southern California (UK Programme) London • Bachelor Degree in Business Administration - University of Jordan	Since 1992 33 years	-	• Chairman, Union Cement Co., Ras Al Khaimah • Board of Trustees of Mohammed Bin Rashid Humanities Society • Board of Trustees of Thumbay Group
Saif Sultan Abdulla Al Salami • Board Member • Non-Executive Member • Non-Independent Member	• Master in Computer Engineering – Florida Institute of Technology, USA • Bachelor in Electrical Engineering, – Florida Institute of Technology, USA	Since 1999 26 years	• Board Member of Fujairah National Insurance Company	• Managing Director of Fujairah National Group • Director of GPS Chemoil LLC FZC
Mohamed Obaid Bin Majed Al Aleeli • Board Member • Non-Executive Member • Non-Independent Member	• Master Degree in Management Technology, University of Wisconsin, USA • Bachelor Degree in Industrial Technology, University of Wisconsin, USA	Since 1993 32 years	-	• General Director -Department of Industry and Economy – Government of Fujairah • Member of the Federal Committee for Assortment and Economic Cooperation – Ministry of Economy • Member of Federal Committee of Industrial Development in the UAE • Board Member of the Standards and Specifications Authority, United Arab Emirates • Member of Foreign Trade Committee, Ministry of Economy, UAE • Board Member of Arab Company for Poultry Production in Fujairah
Abdulla Fareed Al Gurg • Board Member • Non-Executive Member • Non-Independent Member	• Master Degree in Management Concepts from Regis University, Denver, Colorado • Bachelor degree in Marketing and Management from the American University of Sharjah	Since 2014 10 years and 4 months (Resigned on 29 April 2024)	-	• Chairman of Abdulla Al Gurg Global Investments OPC LLC • CEO of Easa Saleh Al Gurg Group Private Investment • Vice President of Emirates E-Sports Association, Chairman of the Advisory Board and a Member of its Executive Office • Chairman of VITA Investment in Healthcare Enterprises & Development LLC • Board Member of Easa Saleh Al Gurg Group (ESAG) • Board Member of Al Gurg Fosroc • Board Member of Siemens Energy • Board Member of Siemens Healthineers • Board Member of Siemens Industrial • Board Member of Siemens Mobility • Board Member of Al Gurg Smollan • Board Member of Al Gurg Unilever • Board Member of Akso Nobel Decorative Paints

Ahmed Saeed Al Raqbani • Board Member • Non-Executive Member • Independent Member	• MBA from London Business School (LBS) • B.Eng in Civil Engineering from University College London (UCL)	Since 2016 9 years	Chairman of Fujairah Building Industries PJSC	• Chairman of Fujairah Rock and Aggregate Co • Managing Director of East Coast Group • Board member of Al Taif Investment • Member of the Board of Trustees of University of Fujairah
Khalil Ebraheim Hassan Ahmed • Board Member • Non-Executive Member • Independent Member	• Master of Commerce, Professional Accounting- from University of Queensland, Australia • Master of Commerce, Applied Finance- from University of Queensland, Australia • Bachelor of Business Administration- BBA, Financial Management & Marketing from Arab Academy for Science and Technology and Maritime Transport (AASTMT), Egypt • Executive Development Diploma, Business Leadership & Management from International Institute for Management Development, Switzerland	Since 2023 2 years	• Vice Chairman of Fujairah Building Industries PJSC	• Deputy Managing Director, Port of Fujairah • Board Member of Fujairah Rock and Aggregate Company
Easa Farid Al Gurg • Board Member • Non-Executive Member • Non-Independent Member	• Bachelor of Science in Business Administration with a concentration in Management and Marketing from American University of Sharjah	Since 2024 1year	-	• Group CEO of the Easa Saleh Al Gurg Group (ESAG)

Female Representation

NBF promotes female representation in line with government strategy. Female participation on NBF's Board of Directors is 11%. NBF is proud to have Dr. Raja Easa Saleh Al Gurg as its Deputy Chairperson.

In filling the casual vacancy on the Board during the year, the Nomination and Remuneration Committee considered the appointment of one further female however she did not take up the bank's approach.

Board Assessment

The Board Nomination and Remuneration Committee conducts an annual assessment of the Board's performance. The annual assessment includes Board Organisation, Structure and Objectives, Board Meeting Processes, Board Responsibilities and Performance, Board Interaction with Senior Management. In addition, an independent Board evaluation is conducted periodically in accordance with regulatory requirements. Recommendations are considered and addressed to enhance the governance structure of the Board, and its committees and charters are updated on a yearly basis. The Board evaluation conducted in 2024 was positive with feedback that meetings devoted sufficient time to relevant topics, the Board was focused on the right topics, Board members had sufficient skills and experience to consider the relevant matters and Board materials were well prepared and distributed in a timely manner.

Our newest Director successfully completed the induction program provided by the bank and has contributed positively to the Board's role and proceedings.

Director's Remuneration

Board Remuneration paid during 2024 for year 2023	Directors' fees (AED per annum)
Chairman	1,000,000
Deputy Chairperson	1,000,000
Director	500,000 (per person)

No additional allowances were paid to Members of the Board of Directors for attendance at Committees.

Proposed Board Remuneration details that will be presented at the Annual General Assembly Meeting are as follows:

Board Remuneration will be paid during 2025 for year 2024	Directors' fees (AED per annum)
Chairman	1,500,000
Deputy Chairperson	1,500,000
Director	750,000 (per person)

Board meetings

The Board of Directors held eight meetings throughout the year. Below are the dates and summary of attendance

Date of the meeting	Number of attendees
29 January 2024	8
7 March 2024	8
29 April 2024	6
26 June 2024	8
28 August 2024	7
25 September 2024	8
29 October 2024	9
10 December 2024	9

Board Committees

The Board has delegated specific powers and authority to three sub-committees.

- The Board Audit Committee
- The Board Risk and Sustainability Committee and
- The Board Nomination and Remuneration Committee

Board Audit Committee (BAC)

Board Audit Committee (BAC) provides oversight of Internal Audit and the statutory external auditors. It seeks to provide a reasonable level of assurance on the control environment, and the governance of the bank's operations. As part of these responsibilities, the BAC provides oversight over remediation of audit and regulatory findings. The BAC oversees and considers issues relating to the bank's accounts and financial reporting.

The responsibilities of the Committee include the following:

- Confirming and assuring the independence of internal auditors
- Reviewing with the Chief Internal Auditor and the external auditors the scope, plan, coordination and effectiveness of internal and external audit work

- Overseeing the preparation of financial statements, including a review of the interim and annual financial statements, to monitor that such financial statements have been prepared in accordance with proper accounting rules and practices
- Reviewing the group's internal control systems for effectiveness
- Reviewing key audit reports and ensuring that senior management is taking necessary corrective action in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors and other control functions
- Reviewing all internal audit reports concerning any investigation or significant fraud that occurs within the group

The membership of Board Audit Committee is

Name	Designation
Ahmed Saeed Al Raqbani	Chairman
Sheikh Hamad Bin Saleh Bin Mohamed AlSharqi	Member
Saif Sultan Al Salami	Member
Easa Farid Al Gurg	Member
Khalil Ebraheim Hassan Ahmed	Member
T N Sekhar	Independent Professional Member

The Committee held six meetings in 2024

Date	Attendance
18 January 2024	6
27 February 2024	5
23 April 2024	6
18 July 2024	6
22 October 2024	6
13 December 2024	6

Board Risk and Sustainability Committee (BRSC)

BRSC provides holistic oversight and advice to the Board on the Enterprise-wide Risk Framework and Risk Profile of the NBF Group. The committee considers and recommends the Risk Appetite Framework in line with the business strategy and operating environment and seeks to reinforce a strong risk aware culture.

It reviews the reports on risk profile, stress testing, capital adequacy, liquidity, credit risk, and market risk.

The committee also oversees the framework and risk posture for managing other enterprise risks such as Operational, Fraud, Information security, Technology Risks, Model risk, Legal, ESG and Sustainability, Corporate Governance, Shari'ah compliance, reputation, strategic risks and endorses related Group policies and frameworks.

The responsibilities of the Committee include the following:

- Review of the group's Enterprise Risk Management and Internal Control Framework
- Review of group risk appetite and risk policies
- Review of the credit risk rating system
- Review of policies for asset and liability management
- Review of financial and other risk exposures and the steps management has taken to identify and measure risk
- Review of appropriate transaction or trading limits
- Review of reports and significant findings from the Risk Management Division, Management Risk Committee and from the regulatory agencies relating to risk
- Review of Internal Capital Adequacy Assessment Process (ICAAP) submission to the Central Bank of the UAE
- Review of the quality, structure and adequacy of capital and economic capital allocation
- Review of the Basel III, liquidity and leverage review methodologies
- Monitoring of group compliance with legal and regulatory obligations, including customer complaints
- Review of major disclosure documentation prior to issue to the market

The members of BRSC are:

Name	Designation
Sheikh Hamad Bin Saleh Bin Mohamed AlSharqi	Chairman
Saif Sultan Al Salami	Member
Mohamed Obaid Bin Majed Al Aleeli	Member
Easa Farid Al Gurg	Member
Khalil Ebraheim Hassan Ahmed	Member
T N Sekhar	Independent Professional Committee Member

The Committee held five meetings in 2024

Date	Attendance
7 February 2024	5
20 March 2024	5
15 May 2024	5
4 September 2024	5
4 December 2024	6

Board Nomination and Remuneration Committee (BNRC)

BNRC approves and oversees the bank's Remuneration Scheme design and its implementation. It also supports the Board with recommendations for CEO and Senior Management appointments. It has a key role in assessing the performance of the Board and its Committees and considers issues of Director independence and appointment.

The responsibilities of the Committee include the following:

- Making recommendations to the Board relating to the appointment, reappointment and succession planning of the Directors
- Considering appointment, termination and succession planning for the CEO and other senior management positions
- Reviewing the remuneration policy for the Board, the CEO, senior management and employees of the Bank
- Reviewing the structure, size and composition of the Board
- Evaluating the balance of skills, knowledge and experience on the Board
- Reviewing the performance of the Board

The members of BNRC are:

Name	Designation
H.H. Sheikh Saleh Bin Mohamed Bin Hamad AlSharqi	Chairman
Dr. Raja Easa Saleh Al Gurg	Member
Saif Sultan Al Salami	Member

The Committee held four meetings in 2024

Date	Attendance
7 March 2024	3
25 June 2024	3
25 September 2024	3
10 December 2024	3

EXTERNAL AUDIT

The bank appointed PricewaterhouseCoopers Limited Partnership Dubai Branch ("PwC") as its external auditor for 2024.

PwC is a multinational professional services network and one of the largest audit firms in the world.

PwC were appointed as external auditors for the bank and its subsidiaries by the shareholders at the Annual General Assembly Meeting (AGAM) held on 7 March 2024.

The bank ensures independence of its External Auditors in line with the requirements of the Central Bank of the UAE and international accounting standards. The BAC approved the External Auditor Evaluation and Non-Audit Services Policy to ensure that independence is assessed and maintained throughout the term of the engagement.

The BAC ensures independence through ensuring that non-audit services are limited only to those acceptable under the IESBA Code and must be approved by the BAC prior to any engagement.

Selection criteria for the appointment of the External Auditor include:

- The auditor being properly constituted in accordance with relevant laws and regulations.
- The independence of the Statutory Audit firm from NBF and its ability to maintain independence throughout the engagement.
- The bank having a right to immediately terminate the service of the Statutory Auditor once their independence has been compromised.
- There being no conflict-of-interest situations that could affect the independence of the Auditor.
- Arrangements that enable partner rotation and succession planning.
- Professional competency, experience and integrity of key personnel.
- Compliance with relevant professional Codes of Ethics.
- Thoroughness of the audit approach and methodology; and
- Cost effectiveness.

The fees paid to PwC for audit and related service fees were

Name of the audit office and name of the partner auditor	Audit office - PwC / Partner – Tamsin King
Number of years spent as bank's External Auditors'	Three (3) years
Number of years the partner auditor spent auditing the Bank's accounts	Two (2) years
Auditing fees for the year 2024	AED 728,000 plus value added tax (VAT)
Audit related services fees for the year 2024 [XBRL, review of selected returns of Central Bank of the UAE, annual audit of NBF Financial services FZC (subsidiary of NBF) and procedures in respect of pillar 3 disclosures]	AED 152,175 plus value added tax (VAT)
Total audit and related services fees for the year 2024	AED 880,175 plus value added tax (VAT)
Fees and costs for special services other than auditing the financial statements for the year 2024 if any, and in the absence of any other fees, this is expressly stated	The External Auditor was retained to calculate and prepare a statement of changes in equity attributable to the Additional Tier 1 capital securities issuance and conversion. The fee amounted to AED 0.1 million.
Details and nature of other services provided (if any), and in the absence of other services, this is explicitly stated	None

The Bank's auditor, PwC, has provided unmodified opinions on all interim and annual consolidated financial statements. Excerpts of opinions from Interim and Annual Accounts 2024 are provided below:

Interim:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the period ended 31 March 2024, 30 June 2024 and 30 September 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Annual:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Bank of Fujairah PJSC (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows.

SENIOR MANAGEMENT

All Senior Management are members of the Management Committee (ManCom), which is NBF's most senior management level committee. The ManCom operates under delegated authority from the Board. ManCom and its individual members are accountable to the Board for delivery of the bank's strategic and operational plans and for ensuring that risks are only taken within the bank's Risk Appetite.

The bank's key Senior Management includes:

Name and Role	Date of Appointment	Education and Experience
Adnan Anwar Chief Executive Officer	October 2024	**Education** • Executive MBA - London Business School • Professional –Institute of Chartered Accountants of Pakistan • Professional Association of Chartered Certified Accountants UK • Bachelor of Commerce – University of Karachi **Experience** • Deputy CEO – National Bank of Fujairah (2020 to 2024) • CFO – National Bank of Fujairah (2005 to 2020) • Senior Manager – Consumer Business Finance – Standard Chartered Bank (2005 – 2005) • Manager Finance & Treasury - Saudi Orix Leasing Co. (2002 – 2005) • Assistant Manager – Taseer Hadi Khalid & Co (1997 to 2002)
Brian Mulholland Chief Financial Officer	July 2022	**Education** • Professional, Association Chartered Certified Accountants • Professional, Chartered Insurance Institute level 1 and 2 • Postgraduate diploma, Financial Times Non-Executive Director programme • Sheffield Hallam University, 1997 Degree- BA(Hons) Accounting and Management Control **Experience** • Redwood Bank-Chief Financial Officer (2017 – 2022) • Coutts & Co / Adam & Company - Finance Director (2014 –2016) • Royal Bank of Scotland - Global Head of Capital Planning, Chief Administration Officer (CAO) (2010 – 2014) • Head of Treasury Finance, and Interim Finance Director for Dunfermline Building Society (2004 – 2010)

Daniel Lima Chief Risk Officer	August 2024	**Education** • Institute of Chartered Accountants England and Wales (Fellow) • King's College London, M.Sci. Chemistry (Hons) **Experience** • PricewaterhouseCoopers LLP - Senior Audit Executive • HSBC Group PLC - Deputy Head, Global Audit MENA - Chief Risk Officer, UAE CRO - Chief Risk Officer, Saudi Arabia CRO - Chairman of HBSA Funds Board & Governance and Risk Advisor
Sharif Mohamed Rafei Head of Retail Banking and Senior Executive Fujairah Region	April 2023	**Education** • California State University – (BA – Arts) **Experience** • National Bank of Fujairah (1994 to date) - Head of Retail and SEO - Regional Manager - Branch Manager • ADCB – Branch Manager (1984 -1995) • FCI Fujairah – Personnel and Admin Manager (1983-1994)
Mahendra Dhillon Chief Operations and Technology Officer	January 2024	**Education** • University of Management and Technology Virginia 2003-2004 -Master Business Administration • Masters in Cloud Computing (AWS & AZURE) 2016 – 2018 • Masters in Information Technology Aptech Computer Studies 1997 • Ness Wadia College of Commerce 1994 • Bachelor of Commerce (Economics & Business Adm) **Experience** • The Hudson's Bay Group (The Bay, Saks, Off5th, Zellers) -Chief Information Officer (Global) Toronto, Ontario (Nov 2021 to 2023) • The Nationwide Group Toronto, Ontario --Chief Technology Officer Product & Software Engineering (Global) (Nov 2019 to 2021) • Toronto Dominion Bank Toronto, Ontario- Director Business Banking Technology (Sep 2018 – Nov 2019) • Bank of Nova Scotia Toronto, Ontario -Director Development CRM, CIM, Global Insurance & Sales Tool Technology (Apr 2013– Aug 2018) • Architect Consulting Solutions Inc Toronto, Ontario -Vice President, Financial Professional Services & IT Operations (Mar 2012 – Jan 2013) • Dreamzhitech Inc (Royal Bank of Canada (RBC) & Consulting) Toronto Ontario Program Management Consultant (Jan 2011 – Feb 2012) • Commercial Imperial Bank of Commerce (CIBC)Toronto, Ontario • CIO/Snr. Director Risk and Treasury Technology Group (Mar 2006 – Dec 2010) • Bank of Nova Scotia (International Banking) Toronto, Ontario
Abdulla Mohamed Saif Aleter Head of Human Resources	October 2010	**Education** • EMBA – University of Sharjah • Bachelor in Accounting – UAE University **Experience** • Ministry of Environment and Water – Advisor (2008 – 2010) • Ministry of Environment and Water – Assistant Undersecretary for HR, Finance and IST (2000 – 2008)
Jonathan Falconer Head of Compliance	September 2020	**Education** • University College London, U. of London - LLM, Banking, Corporate, Finance, and Securities Law • Trinity College, Dublin - LLB, Law **Experience** • EFG Private Bank - Interim Head of Compliance (2019 – 2020) • SMBC Nikko Capital Markets Limited - Head of Compliance (2016 - 2019) • Barclays Investment Bank – Compliance Director (2013 - 2016) • Credit Suisse - Director • Regional Head of AML and MLRO (2011 - 2012) • Head of Non-UK EMEA Compliance (2010 - 2011) • Head of Control Room IBD/Research Compliance (2007 - 2010) • Fixed Income Compliance (2002 - 2007) • Standard Bank – Analyst (2000 -2001)
Ivor Dorkin Head of Credit	September 2021	**Education** • University of Natal – B.Com • Institute of Bankers – Associate Diploma **Experience** • Mubadala GE Capital – Managing director UAE SME (Feb 2012 – join date) • Mubadala GE Capital – Risk director UAE SME (April 2010 – Jan 2012) • CIT Group – Chief Credit Officer (2006 – 2010) • General Electric – (2002 -2006) - UK Risk Manager - European Risk Manager - Risk Manager - GE Capital • Hewlett Packard UK – UK and Ireland Credit Manager (Feb 2000 – Sep 2002) • Bank of America - Credit Manager (Jun 1998 – Feb 2002)

Balwant Bains Chief Internal Auditor	May 2022	**Education** • Certified Internal Auditor • London Guildhall University BA Business Studies – 1995 **Experience** • Al Ahli Bank of Kuwait – Group Chief Internal Auditor and Board Member ABK Egypt – 2008 to 2022 • National Bank of Kuwait – Head, Market & Operations Risk Management Division – 2005 to 2008 • Head of Banking Operations Audit -2005

REMUNERATION

The Board Nomination and Remuneration Committee approved the remuneration scheme for staff that recognised the need to balance incentive payments with the time that adverse risk consequences take to become evident. Senior Management and Material Risk Takers variable pay is now subject to a deferred proportion. Incentive payments for most staff are related to delivery of the bank's performance targets and the individual's performance against personal objectives.

For staff in the control functions of Internal Audit, Risk Management and Compliance Department, incentive payments are governed by a separate incentive scheme that is determined by delivery of individual and departmental objectives and are not determined by the profitability of the bank.

Overall, remuneration levels are set in order to remain competitive with our industry and market position with variable elements set to reflect risk management and performance.

Total Remuneration in aggregate for all 20 members of Senior Management (including those that retired or resigned through the year) was:

Position	Appointment Date	Total salaries and allowances paid for 2024 (in AED)	Total Bonuses Paid for 2024 (Bonus) (in AED) *	Any other cash / In kind Bonuses for 2024 or Due in the future
Chief Executive Officer (Retired on 30 September 2024)	6 Dec 2009			
Deputy Chief Executive Officer	17 Dec 2009			
Chief Financial Officer	18 July 2022			
Chief Operations Officer (Resigned November 2024)	12 Aug 2012			
Chief Risk Officer (Acting)	5 Sep 2017			
Chief Risk Officer	5 Aug 2024			
Head of Retail and SEO, Fujairah Region	15 May 1994			
Chief Technology Officer	9 Jan 2024			
Head of Human Resources	10 Oct 2010			
Head of Compliance	27 Sep 2020			
Head of Credit	21 May 2014			
Chief Internal Auditor	30 May 2022			
Head -Business Banking	31 March 2003			
Head of Treasury	7 March 2005			
Head of Legal	28 Feb 2022			
Head - Corporate Banking	28 Sept 2023			
Head - Islamic Banking	2 July 2013			
Head - Financial Institutions	8 Jan 2014			
Head - Property & Services	1 March 2022			
Head of Strategic Marketing & Communications	18 June 2017			
Total		24,430,162	18,720,728	3,205,206

* This reflects bonus for the year 2023 paid in 2024.

The aggregate amount of variable salary (bonus) payments to all staff in 2024, reflecting performance in 2023 was AED 72.5 million which was 10% of the bank's net profit.

Delegation of Authority

The Board sets the strategic objectives and risk appetite of the bank and oversees delivery and implementation by Senior Management. The Board reserves certain powers for itself and delegates certain authority and responsibility for day-to-day management of the bank and the execution of its strategic priorities to the CEO and other management through specific written delegations of authority.

The CEO may in turn delegate further certain authorities and responsibilities to Senior Management through written delegation letters. Irrespective of any delegation by the CEO, the CEO remains accountable to the Board for the exercise of delegated power and management's performance.

Management Committee Structures

The bank uses committees to focus attention on governance over specific topics. Its committee structure centres around the Management Committee (ManCom) and its sub-committees and the Management Risk Committee (MRC) and its sub-committees.

ManCom Committees

Committee	Responsibilities	No. of 2024 meetings
Customer Service Quality Committee	To drive excellence in service quality across the Bank within the broad context of achieving external and internal customer satisfaction and loyalty.	12
Human Resources Committee	To promote internal equity of compensation and evaluation of new jobs or jobs which have evolved and changed.	12
Business Development and Marketing Forum	To spread information regarding the key areas of the UAE economy to drive marketing and promotional activity to maximise sales.	3
Sustainability Steering Committee	To guide the focus of Corporate Social Responsibility (CSR) actions. The Sustainability Committee seeks to develop the Bank's internal capacity to achieve sustainable finance and risk management in line with the best practices in the industry.	4
Data Governance Committee	To facilitate an accelerated and sustainable data capability across the bank by elevating data to a strategic asset, overseeing the people, processes and information technology required to create consistent and proper handling of data across the bank.	9
Eureka Committee	To evaluate and promote innovation driven by staff observation and ingenuity.	10
IT Steering Committee	To provide oversight for the strategy and management of the bank's technology infrastructure. The committee is the guiding body for the prioritization and implementation of integrated, bank-wide information technology and communications projects.	12
Vendor Management Group	To streamline the Vendor Management process and achieve efficiencies and economies for project and non-recurring spend are concerned and to bring transparency into the vendor evaluation and selection process for project spend.	4

MRC Committees

Committee	Responsibilities	No. of 2024 meetings
Central Credit Committee	To independently assess and monitor the credit risks of the Bank against the Bank's credit policies, the Bank's agreed risk appetite and the best credit risk management practices.	15
Operational Risk Committee	To ensure that the Bank's Operational Risks including Information Security Risk and Business Continuity Risk are maintained within risk appetite through providing timely review of incident root cause, and control failure and through oversight and review of control improvement action plans for remediation.	12
Compliance Committee	To assess compliance risks inherent in the businesses of the Bank and its subsidiaries.	12
Asset and Liability Committee	To independently assess and manage the Balance Sheet structure of the Bank, both conventional and Islamic, against the Bank's market risk (Foreign Exchange rate, Equity prices, Interest rate and, Basis Risk), liquidity risk, treasury, investment, capital and dividend policies against the bank's risk appetite.	12
Investment Committee	To independently manage the Bank's Proprietary Investments, and to govern the activities carried out through the Bank's Investment Solution Product Offerings.	12
Information Security Governance Committee	To establish and implement continually improving Information Security, Physical Security and Data Privacy across NBF and its subsidiaries.	12
Shari'ah Governance Committee	The Committee reports to the Internal Shari'ah Supervision Committee and to the Management Risk Committee and independently assesses and manages Shariah compliance risks for the Islamic products of Bank.	4
Model Oversight Committee	To independently assess and monitor all Risks in new and existing Models based on the Bank's policies and the enterprise-wide risk appetite as established by the Board of Directors (Board).	3
Product Committee	To consider the approval of proposals for New Products and Materially Changed Products, consider the approval of Annual Product Reviews, and approve the retirement of existing products that no longer meet customer needs, financial requirements or strategic goals.	4

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the group, related parties, as defined in the International Accounting Standard No. 24. Further, the bank has adopted the definition in the Corporate Governance Regulations and Standards issued by the Central Bank of the UAE which includes major shareholders of the group, directors and officers of the group and companies of which they are principal owners and key management personnel and the first-degree relatives of each. Banking transactions are entered into with related parties on agreed terms and conditions approved by the Board of Directors. The bank is required to enter into transactions with related parties on an 'arm's length basis' The significant transactions and balances included in the consolidated financial statements, are as follows:

	2024 AED'000	2023 AED'000
Statement of financial position items		
Loans and advances and Islamic financing receivables	3,971,914	3,583,682
Customer deposits and Islamic customer deposits	10,589,657	9,948,263
Investments and Islamic instruments	139,261	136,332
Acceptances	208,870	34,780
Tier 1 capital securities	-	293,840
Contingent liabilities		
Letters of credit	130,064	115,179
Financial guarantees and other direct credit substitutes	36,212	36,870
Transaction related contingencies	621,819	596,391
Commitment for capital expenditure	6,369	9,496
Statement of changes in equity items		
Tier 1 capital securities coupon paid	36,621	17,264
Statement of income items		
Interest income and income from Islamic financing and investment activities	205,865	198,287
Interest expense and distribution to Islamic depositors	489,969	427,680
Other income	12,104	14,263
Operating expenses	42,049	31,838
Key management compensation		
Salaries and other short-term benefits	24,430	28,037
Employee end of service benefits	2,043	1,007
Board members' remuneration	8,250	5,500

Stage 3 ECL, amounting to AED 282.6 million, has been recognized pertinent to related parties (31 December 2023: nil). Further, stage 1 and 2 ECL amounted to AED 18.2 million (31 December 2023: 15.9 million).

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 2,430.8 million (2023: AED 2,220.2 million).

During the year, capital expenditure transactions with related parties amounted to AED 3.0 million (2023: AED 3.2 million).

SHAREHOLDINGS

Each share carries one vote for resolutions put to shareholders at a General Assembly Meeting.

The Shareholders who hold 5% or more of the bank's capital at 31st December 2024 were

Name	Number of shares owned	The percentage of shares owned from the bank's capital
Department of Industry & Economy-Government of Fujairah	1,269,198,474	49.19%
Easa Saleh Al Gurg LLC	478,282,553	18.54%
Investment Corporation of Dubai	194,496,108	7.54%

Distribution of Shareholding was as follows

Shares ownership (share)	Number of shareholders	Number of shares owned	The percentage of shares owned in the capital
Less than 50,000	44	655,020	0.03%
50,000 to less than 500,000	64	11,128,430	0.43%
From 500,000 to less than 5,000,000	30	57,527,982	2.23%
More than 5,000,000	27	2,511,100,849	97.31%

The distribution of shareholder ownership on 31st December 2024 was:

	Individuals	Companies	Governments	Total
Local	6.47%	31.72%	61.81%	100%
Gulf	-	-	-	-
Arab	-	-	-	-
Foreign	-	-	-	-
Total	6.47%	31.72%	61.81%	100%

Share Transactions of the Board of Directors and their Spouses and Children in 2024

Name	Position	Shares owned on 31/12/2024	Total sale Transaction	Total Purchase Transaction
Sheikh Saleh Bin Mohamed Bin Hamad AlSharqi	Chairman	-	-	-
Dr. Raja Easa Saleh Al Gurg	Deputy Chairperson	53,680	Nil	Nil
Sheikh Hamad Bin Saleh Bin Mohamed AlSharqi	Member	-	-	-
Hussain Mirza Al Sayegh	Member	-	-	-
Saif Sultan Al Salami	Member	-	-	-
Mohamed Obaid Bin Majed Al Aleeli	Member	484,189	Nil	Nil
Ahmed Saeed Al Raqbani	Member	-	-	-
Khalil Ebraheim Hassan Ahmed	Member	-	-	-
Easa Farid Abdulla Al Gurg	Member	-	-	-

NBF share prices for the year 2024 were as follow

Montth	Closing price	Highest price	Lowest price
January 2024	4.99	4.99	4.99
February 2024	4.99	4.99	4.99
March 2024	5.29	5.29	5.29
April 2024	5.29	5.29	5.29
May 2024	5.29	5.29	5.29
June 2024	5.29	5.29	5.29
July 2024	5.29	5.29	5.29
August 2024	5.29	5.29	5.29
September 2024	5.15	5.15	5.15
October 2024	4.64	4.64	4.64
November 2024	3.99	3.99	3.99
December 2024	3.78	4.69	3.78

The comparative performance of the bank's shares with the general market index and the sector index to which the bank belongs during the year 2024 was

Bank Sector	Price to Book Ratio	Price to Earnings Ratio
NBF (Dec 2024)	1.42	12.94
Industry (Sep 2024)	5.99	6.36

Investor relations and controls

Name of the Investor Relations Officer	Shahrazad Hamroun - Sr. Manager – Financial Control & Investor Relations.
Contact information	Tel: 09-2029210 , 09-2029208 Fax: 09-2029403 e-mail: NBF-investorrelations@nbf.ae, s.hamroun@nbf.ae
Website	https://nbf.ae/en/about-us/investor-relations

The procedures that have been taken regarding investor relations controls:

- Hosting of quarterly and annual consolidated financial statements on the ADX and Group's website and sharing these with SCA
- Establishing a disclosure policy to ensure compliance with all applicable laws and regulations concerning disclosure of material non-public information, including International Financial Reporting Standards (IFRS), the rules of the UAE Central Bank and its Basel II Pillar 3 guidelines and the listing requirements of the Securities and Commodities Authority (SCA) and ADX
- Availability of uncollected dividends information and the mechanism of collecting it by the shareholders
- Publication of the annual report
- Investor presentations

Details of Special Resolutions presented to the General Assembly in 2024

In the Annual General Assembly Meeting held on 26 June 2024, the shareholders considered and approved the special resolution for issuance of Additional Tier 1 capital securities ("AT1 capital") for an amount up to USD 275 million (AED 1.01 billion) for the purpose of supporting the bank's capital. The issuance was a private placement with the Government of Fujairah. The AT1 capital included the right of conversion into ordinary shares, at a conversion ratio of AED 2.85.

At 31st December 2024, the AT1 securities had been successfully converted.

The Board Secretary

Name	Date of appointment
Ms. Raheema Ahmed Al Rayssi	7 June 2021

Material events and important disclosures in 2024

The bank's material events, and important disclosures related to its quarterly and annual earnings were announced in the market in accordance with the requirements of SCA and ADX.

Transactions carried out by the bank during the year 2024 that are equal to 5 per cent or more of the bank's capital

Statement of Financial position line item	AED mn	# of transactions
Loans and advances and Islamic financing receivables	2,056.40	5
Due from banks and financial institutions	35,394.22	79
Customer deposits and Islamic customer deposits	3,450.09	6

Emiratisation in the bank by the end of 2022, 2023 and 2024

The bank is fully committed towards the development and promotion of Emiratisation. NBF was awarded with the NAVIS Gold Award in 2024 for outstanding achievement in Emiratization in the Private Sector.

The bank's Emiratisation rates for the year ending 31 December 2022 was 40.2 per cent, for the year ending 31 December 2023 was 41.1 per cent and for the year ending 31 December 2024 was 42.7 per cent.

SHARI'AH GOVERNANCE

The bank provides Islamic Financial Services through its Islamic window called NBF Islamic which is supervised from the perspective of compliance with the principles of Islamic Shari'ah by our Internal Shari'ah Supervision Committee (ISSC). The appointment of the ISSC members is approved by the Board of Directors after confirmation by the Higher Shari'ah Authority (HSA) of the CBUAE and by the shareholders at the AGAM of the bank.

Our ISSC consists of qualified Shari'ah scholars who are responsible to review and ensure that Islamic banking products, services and operations are in compliance with the principles of Islamic Shari'ah.

NBF Islamic's business is governed from a Shari'ah compliance perspective by the Shari'ah Governance Framework. The Shari'ah Governance Framework outlines the reporting framework, accountability, responsibilities of all relevant stakeholders involved and also depicts a clear segregation between the three lines of defence of Shari'ah compliance in all activities relating to the NBF Islamic's operations and business.

Our ISSC Members are:

Name	Date of Appointment	Education and Experience	Other Positions Held
Moosa Khoory	June 2024	• Master's in International Business Law (LLM) - MBRCLD • Master's in Shari'ah and Islamic Studies University of Sharjah • PhD Candidate Durham University	• Chairman, Fatwa and Sharia Supervisory Board DFM • Member, Consultancy Council, College of Shari'ah and Islamic Studies at University of Sharjah • ISSC Member CBD • ISSC Member UAB • ISSC Member Amlak Finance • ISSC Member Aman Insurance • Member, Dubai Future Council for Humanitarian Affairs
AbdulRahman Al Saadi	March 2024	• Ph. d Mohammed Bin Saud Islamic University	• ISSC Member Sharjah Islamic Bank • ISSC Member CBD • ISSC Member J Equity Partners Bahrain • ISSC Member Muzn Bank • AAOIFI Shari'ah Board Rapporteur
Ashraf MD Hashim	August 2024	• PhD University of Birmingham, United Kingdom	• Chairman of the Central Bank of Malaysia's Shari'ah Advisory Council • Member of the Shari'ah Advisory Council Securities Commission of Malaysia • Member of the Shari'ah Committee for International Islamic Liquidity Management Cooperation • Chairman of Shari'ah Committee of Bursa Malaysia • Member of ISSC Standard Chartered • Member of ISSC ADIB
Trainee Members			
Mohamed El Bedwawi	January 2025	• PhD Mohamed Bin Zayed University for Humanities • PhD Candidate University of Dundee	• Advisor to the Islamic Cultural Centre and the London, Central Mosque in Britain • Preacher at Islamic Affairs and Charitable Activities Department

In 2024, the ISSC held 4 meetings and issued 68 decisions, relating to deal structure approvals and resolutions covering various products and investments. *

ATTESTATION

During 2024, the bank made significant progress in strengthening governance across key areas, including risk management, compliance, sustainability, people and culture, consumer protection, and governance. We are reviewing governance practices and processes to ensure that proper consideration of all relevant matters have been undertaken and that outcomes deliver long-term value to our stakeholders. Updated governance procedures will ensure that regulatory and community expectations are met in the areas of AML, KYC, and financial crime prevention as well as conduct and consumer protection.

All internal policies required to ensure compliance with the Central Bank's Regulations and Standards on corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit and outsourcing have been implemented and reviewed for adequacy by the Board within the last year. We have identified areas for improvement in AML, KYC, and Sanctions, Operational Risk and Resilience. The Board expects that areas of improvement identified in these reviews will be implemented by the end of 2025.

Sheikh Saleh Bin Mohammed AlSharqi
Chairman

*Please refer to pages 47 to 50 for the complete Shari'ah Compliance Statement

SUSTAINABILITY REPORT

NBF is committed to engaging with and helping the community, protecting the environment, and developing local talent.

EMBRACING SUSTAINABILITY

Throughout 2024, the bank reaffirmed its commitment to creating a positive impact on both the environment and the communities it serves. Focused on creating positive outcomes for both the environment and society, the bank's initiatives align with the 'We the UAE 2031' vision and the UAE Energy Strategy 2050, playing a pivotal role in advancing the nation's sustainable development and growth. It is also guided by the UAE Energy Strategy 2050, the UAE Centennial 2071, UAE Net Zero 2050, Fujairah 2040, and the Abu Dhabi Securities Exchange Guidance on Sustainability Reporting.

In August 2024, the bank reached a significant milestone in its sustainability journey, becoming a member of the United Nations Global Compact (UNGC), a voluntary initiative for developing, implementing, and disclosing responsible business practices. By embedding ESG into its core business strategy, NBF has made sustainability a central consideration in all financial decisions. It has introduced various initiatives to minimise the bank's ecological footprint, including investments in renewable energy and sustainable resource management.

SUSTAINABILITY APPROACH AND FRAMEWORK

NBF's ESG Position Statement, approved by its Board of Directors, is derived from the bank's sustainability framework and plays a pivotal role in shaping the bank's ESG strategy. Aligned with the bank's vision, goals, and strategies, it ensures consistency with key national and global sustainability standards. Centred around six key pillars, the framework reflects the bank's corporate mission and values, addresses investor priorities, considers stakeholder interests, and aligns with both national objectives and global benchmarks.

These six core sustainability framework pillars are: prioritising sustainable and inclusive banking; spearheading digital innovation; reducing environmental impact; nurturing local pioneers; maintaining a safe and diverse workplace; and a commitment to governance, integrity and risk management. With sustainability embedded at the heart of its operations, the bank remains dedicated to serving all its stakeholders, including shareholders, customers, suppliers, society, and the planet.

PRIORITISING SUSTAINABLE AND INCLUSIVE BANKING

As a financial services business, the bank aims to use its financial expertise and products to support its clients on their journey towards sustainability, to mitigate climate change, and protect the environment. In 2024, the bank developed its internal Sustainable Finance Framework (SFF), with progress tracked at multiple governance forums. It also continued to be part of the commitment made by the UAE Banks Federation (UBF) during COP28, which pledged to mobilise over AED 1 trillion in sustainable finance by 2030. The bank enhanced its credit platform to support coverage teams in identifying facilities aligned with its SFF, saw its sustainable finance including ESG investments grow to AED 2.8 billion. ESG Investments represent 8.3 per cent of the total portfolio, and continued to maintain no less than five per cent of its bonds as ESG-compliant. An ESG risk assessment has now been embedded into the bank's credit platform, with risk managers carrying out due diligence on a borrower's ESG risk.

Ensuring that all of NBF's clients have access to products and services through various accessible channels is a key priority. It is dedicated to advancing financial inclusion to enhance support for its customers and seeks to achieve this through various means. These include conducting staff training sessions to deepen understanding of customer needs and how to effectively utilise the bank's products and services to meet those needs. It also equips staff with the skills to assist people with special needs, offers payroll cards to those without bank accounts, and rolled out a financial literacy campaign in 2024 to provide students with a solid foundation in personal finance.

TOWARDS NET ZERO

In a year marked by extreme weather conditions, the bank doubled down on its belief that being a responsible business is no longer optional – it is an urgent imperative. As a responsible corporate citizen, NBF instigated several initiatives aimed at reducing its ecological footprint, with a strong focus on investing in renewable energy and sustainable resource management.

With the UAE's Year of Sustainability extended into 2024, the bank partnered with Emirates Nature-WWF to launch 'Leaders of Change'. The programme, which activates volunteers across the UAE to create on-the-ground change through training and development, incubation programmes, and environmental excursions, aims to help the UAE achieve its global sustainability and environmental goals. The bank also organised a 'Planetary Boundaries' workshop for its staff in collaboration with Emirates Nature-WWF and, as part of its series of knowledge-sharing events, shared valuable insights on the global transition to a low-carbon economy.

REDUCING ENVIRONMENTAL IMPACT AND ENERGY CONSUMPTION

NBF tracks the environmental impact of its operations, including power and water consumption in all of its branches. It also tracks paper consumption across all of its branches, encourages paper saving initiatives, and measures its total energy consumption. In addition, it encourages all employees to pay attention to their own consumption habits.

During the year, the bank achieving three key ISO certifications: ISO 14001:2015 in environmental management systems; ISO 45001:2018 in occupational health and safety management systems; and ISO 41001:2018 in facility management systems. These accomplishments demonstrate NBF's unwavering commitment to quality, environmental responsibility, and occupational health and safety.

Scope one and scope two emissions intensity stood at 4.68 tonnes of CO_2 equivalent emissions per employee, down from 5.57 tonnes in 2023, and the bank is in the process of certifying its Dubai head office building in line with LEED standards. Building

on the success of the Jebel Ali branch, NBF has implemented the Chiller Management System (CMS) at the Dubai HQ. Initial analysis shows an estimated energy efficiency saving of 15 per cent in 2024. The bank also installed cooling films on the external glass facades of new premises on a pilot basis, aiming to enhance employee wellbeing through controlled temperature levels and energy savings. Meanwhile, it began installing sensor taps in washrooms, promoting water conservation and hygiene. This resulted in a 70 per cent reduction in water consumption in washrooms. This contributed to a significant 13 per cent decrease in water consumption intensity compared with 2023.

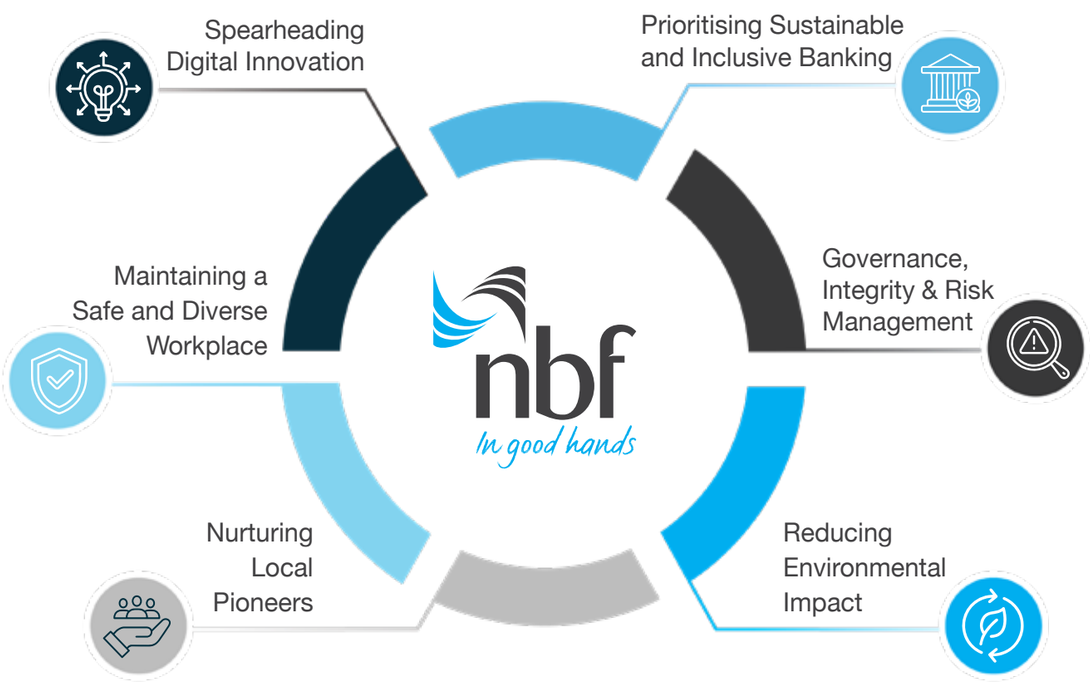
COMMUNITY ENGAGEMENT

2024 saw NBF demonstrate its continued commitment to community wellbeing through a range of impactful initiatives. A cornerstone of these efforts was the annual Fujairah Run, which took place on 23 November 2024 under the patronage of His Highness Sheikh Mohammed bin Hamad bin Mohammed AlSharqi, Crown Prince of Fujairah. Organised in partnership with the UAE Sports Authority to raise awareness of the health benefits of a more active lifestyle, this year's run saw record participation of nearly 4,000 runners and was sponsored by GMS Inc, significantly enhancing the run's profile.

As with previous years, NBF continued to support the Fujairah Welfare Association through initiatives such as Ramadan Drives and Dibba Football Club, while its work with Mission to Seafarers, a charitable institution that aids the welfare of seafarers across the UAE, continued for the 12th consecutive year. The bank also sought to enhance financial inclusion and customer wellbeing through its 2024 Ramadan campaign. Running throughout the Holy Month, the campaign offered exclusive personal finance and home finance benefits to both conventional and Islamic banking customers. These included cashback rewards, competitive profit rates, and flexible payment options designed to turn customers' aspirations into reality. The charity drive and most of the customer campaigns and offers during Ramadan were organised under the umbrella of NBF Islamic.

Additionally, NBF launched a financial literacy campaign targeting young students, aiming to equip the next generation with essential money management skills. The programme, in collaboration with KFI GLOBAL, reached 50 secondary students in Fujairah, and plans to expand nationwide. NBF also hosted a series of knowledge-sharing events, including one focused on the UAE's new corporate tax regime, to support businesses in understanding the implications of the tax changes. Furthermore, the bank's active involvement in the 12th Energy Markets Forum underscored its dedication to the energy sector, showcasing its expertise in supporting the industry's transition and addressing global energy challenges.

NBF'S SIX CORE SUSTAINABILITY FRAMEWORK PILLARS



2024 SUSTAINABILITY HIGHLIGHTS

DIGITAL

81%
digitally active customers

23%
increase in digital transactions

EMPLOYEES

47%
full-time female employees

42.72%
full-time UAE nationals

LENDING

AED 2.8 billion
of Sustainable Finance portfolio

INVESTMENTS

8.3%
of NBF's Investment portfolio is ESG-compliant

ASSETS

26.7%
assets in the SME segment

data breaches **ZERO** employee and contractor recorded injuries

16%
reduction in emission intensity of operations

13%
reduction in water consumption intensity

To know more about our sustainability and CSR efforts, please visit nbf.ae to read the consolidated 'NBF Sustainability Report 2024'.

INTERNAL SHARI'AH SUPERVISION COMMITTEE REPORT

Monitoring and supervision of Shari'ah-compliant banking.

In the name of Allah, The Most Merciful, The All Beneficent

ANNUAL REPORT OF THE INTERNAL SHARI'AH SUPERVISION COMMITTEE

(NBF Islamic, the Islamic window of National Bank of Fujairah PJSC)

Issued on: 29 January 2025

To: Shareholders of National Bank of Fujairah ("the Institution")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of the Institution for the financial year ending on 31 December 2024 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'ah resolutions in this regard, and

b. determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

The senior management is responsible for compliance of the Institution with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those Activities, and monitoring them through the internal Shari'ah control, internal Shari'ah audit in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (4) meetings during the year.

b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.

c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.

d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.

e. Supervision through the internal Shari'ah control, internal Shari'ah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.

f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control, internal Shari'ah audit and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.

g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.

h. Specifying the amount of Zakat due on each share of the Institution.

i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

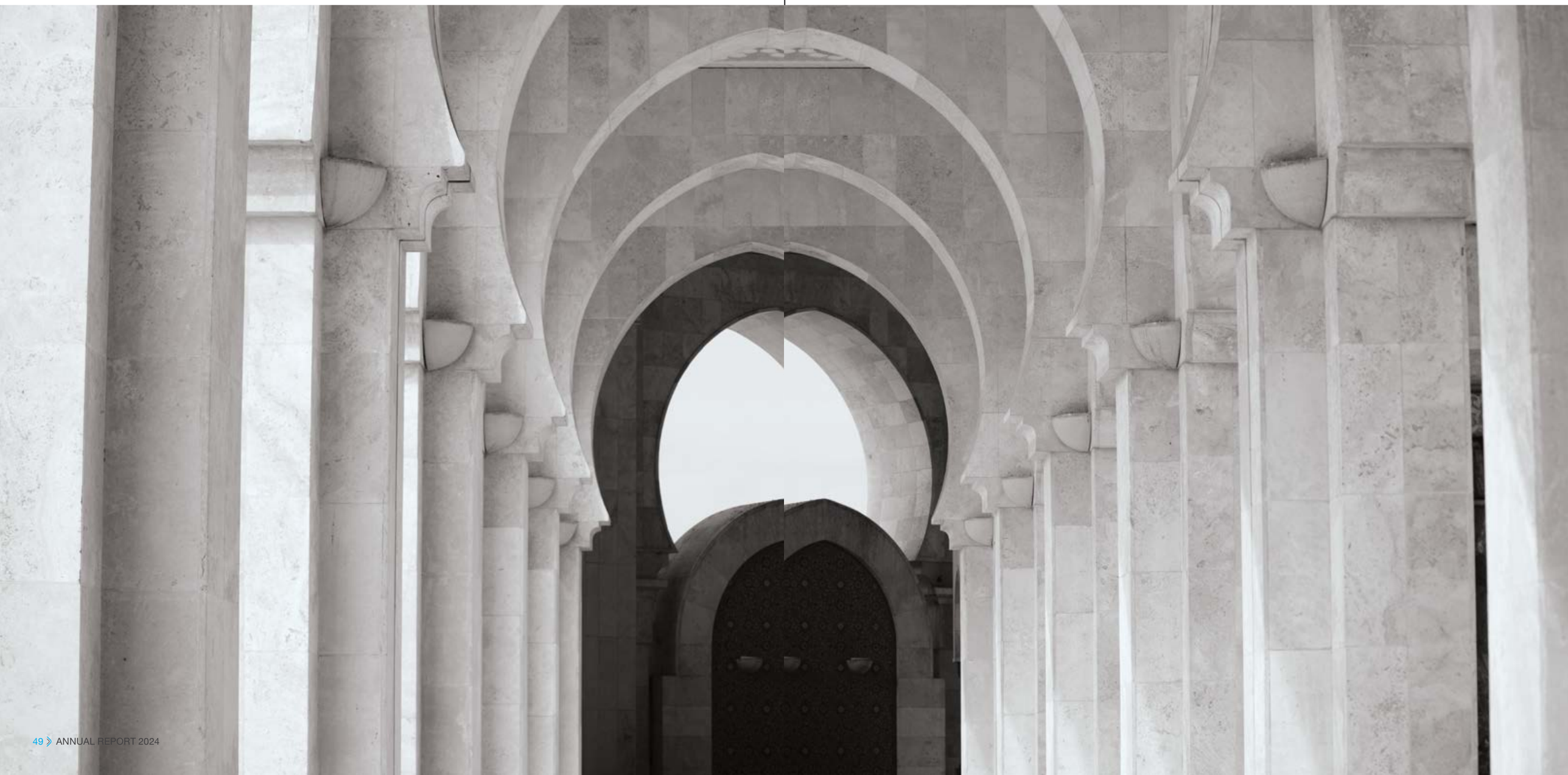
The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shari'ah Supervision Committee of the Institution

Mr. Moosa Khoory (Chairman)

Dr. Abdul Rahman Al Saadi (Executive Member)

Dr. Ashraf bin Md Hashim (Member)



INDEPENDENT AUDITOR'S REPORT

NBF is committed to the highest levels of transparency and governance.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF FUJAIRAH PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Bank of Fujairah PJSC (the "Bank") and its subsidiaries (together 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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters

Measurement of Expected Credit Losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter

Measurement of Expected Credit Losses ("ECL")

The ECL charge for the year ended 31 December 2024 amounted to AED 690 million (net of recoveries) and the allowance for ECL as at that date amounted to AED 2.3 billion.

The Group recognises ECL provisions on all its financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments and performance guarantees.

The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default, forward looking adjustments and staging criteria for both funded and unfunded exposures subject to ECL.

For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of such collateral.

The Group's impairment policy under IFRS 9 Financial Instruments is presented in Note 4 (e) to the consolidated financial statements.

Measurement of ECL is considered as a key audit matter as the Group applies significant judgments, estimates, the use of complex models and this has a material impact on the consolidated financial statements of the Group.

How our audit addressed the key audit matter

We performed the following audit procedures on computation and reasonableness of the ECL provision included in the Group's consolidated financial statements for the year ended 31 December 2024.

We tested the completeness and accuracy of the data used in the calculation of ECL provision.

For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria, including the basis for movement between the stages. We involved our

internal experts for the ECL models developed and implemented by the management to assess the following areas:

- Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9 Financial Instruments.
- Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for the models selected for testing.
- Reasonableness of the key assumptions made in developing the modelling framework including assumptions used for default definition, Significant Increase in Credit Risk (SICR) and for estimating macro economic scenarios.
- For a sample of exposures, we recomputed ECL provisions for selected portfolios across different stages to assess mathematical integrity of the ECL computation.

We performed an independent credit assessment for a sample of exposures, including stage 3 exposures, by assessing quantitative and qualitative factors, including as necessary, assessment of financial performance of the borrower, source of repayments and its history, credit risk mitigation through discounted future cash flows of the borrower including collateral and other relevant risk factors.

We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL provisions as required by IFRS Accounting Standards.

Other information

The Directors are responsible for the other information. The other information comprises the Strategic Report, Directors' Report, Corporate Governance Report, Environmental, Social and Governance Report and Internal Shari'ah Supervision Committee Report as included in the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), and which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above 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.

When we read the other information in the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors and those charged with governance for the consolidated financial statements

The Directors are 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 Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, and for such internal control as Directors determine 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, the Directors are 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 the, Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by the UAE Federal-Decree Law No. (32) of 2021, we report that:

(i) we have obtained all the information 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) as disclosed in note 9.3 to the consolidated financial statements the Group has not purchased or invested in shares during the year ended 31 December 2024;

(v) note 30 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

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

(vii) note 25 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2024.

Further, as required by the 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.

PricewaterhouseCoopers Limited Partnership Dubai Branch

29 January 2025

Rami Sarhan

Registered Auditor Number 1152

Place: Dubai, United Arab Emirates

GROUP FINANCIAL STATEMENTS

NBF has built a strong position by concentrating on its core business and deepening its focus on the customers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 AED'000	2023 AED'000
Assets			
Cash and balances with the Central Bank of the UAE	7	14,391,244	11,456,782
Due from banks and financial institutions	8	2,229,905	2,101,500
Investments and Islamic instruments - fair value	9	3,262,178	3,030,451
Investments and Islamic instruments - amortised cost	9	6,183,631	5,112,153
Loans and advances and Islamic financing receivables	10	32,392,174	27,903,695
Acceptances		1,302,132	1,074,657
Other assets	13	539,992	523,006
Property and equipment	14	378,389	372,859
Intangibles	14	199,423	144,713
Total assets		**60,879,068**	**51,719,816**
Liabilities			
Due to banks	15	1,043,520	1,137,077
Customer deposits and Islamic customer deposits	16	45,757,020	38,572,006
Repurchase agreements	15	3,527,962	2,501,332
Term borrowings	15	808,060	550,950
Acceptances		1,306,664	1,076,470
Other liabilities	17	1,580,167	1,315,375
Total liabilities		**54,023,393**	**45,153,210**
Equity			
Share capital	18.1, 18.4	2,580,412	2,120,000
Statutory reserve	18.3, 18.4	1,709,784	1,054,121
Special reserve	18.3	764,977	679,967
Fair value reserve		32,567	14,408
Cash flow hedge reserve		565	(1,230)
Proposed cash dividends	18.2	387,062	212,000
Proposed bonus issue	18.2	-	106,000
Retained earnings		1,380,308	1,095,790
Tier 1 capital securities	19	-	1,285,550
Total equity attributable to equity and securities holders of the Group		**6,855,675**	**6,566,606**
Total liabilities and equity		**60,879,068**	**51,719,816**

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 January 2025 and are signed on its behalf by:

Saleh Bin Mohamed Bin Hamad AlSharqi
Chairman

Dr. Raja Easa Al Gurg
Deputy Chairperson

The notes on pages 61 to 112 form an integral part of these consolidated financial statements.
The report of the independent auditor is set out on pages 51 to 54.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Interest income and income from Islamic financing and investment activities	20	3,326,786	2,933,596
Interest expense and distribution to Islamic depositors	21	(1,539,247)	(1,228,738)
Net interest income and net income from Islamic financing and investment activities		**1,787,539**	**1,704,858**
Fees and commission income		466,539	425,049
Fees and commission expense		(57,263)	(58,207)
Net fees and commission income	22	**409,276**	**366,842**
Foreign exchange and derivatives income	23	189,130	164,495
Income / (loss) from investments and Islamic instruments		5,836	(4,158)
Other operating income	24	43,450	50,927
Operating income		**2,435,231**	**2,282,964**
Operating expenses			
Employee benefit expense		(449,275)	(404,034)
Depreciation and amortisation	14	(54,552)	(34,134)
Other operating expenses		(306,535)	(260,726)
Total operating expenses		**(810,362)**	**(698,894)**
Operating profit before impairment losses and tax		**1,624,869**	**1,584,070**
Net impairment losses	26	(690,040)	(859,003)
Profit for the year before tax		**934,829**	**725,067**
Tax	35	(84,721)	-
Profit for the year after tax		**850,108**	**725,067**
Earnings per share (basic and diluted)	27	**AED 0.292**	**AED 0.252**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Profit for the year after tax		**850,108**	**725,067**
Other comprehensive (loss) / income:			
Items that will not be reclassified subsequently to consolidated statement of income:			
Movement in fair value reserve (equity instruments):			
Net change in fair value		(2,004)	(552)
Tax		180	-
Other comprehensive loss of the items that will not be reclassified subsequently to the consolidated statement of income		**(1,824)**	**(552)**
Items that may be reclassified subsequently to consolidated statement of income:			
Movement in fair value reserve (debt instruments):			
- Net change in fair value		29,590	66,545
- Net change in allowances for impairment		176	(1,726)
- Net amount transferred to the consolidated statement of income		(6,968)	2,333
Net change in fair value on cash flow hedges		1,795	(1,230)
Deferred tax	35	(2,815)	-
Other comprehensive income of the items that may be reclassified subsequently to consolidated statement of income		**21,778**	**65,922**
Other comprehensive income for the year		**19,954**	**65,370**
Total comprehensive income for the year		**870,062**	**790,437**

The notes on pages 61 to 112 form an integral part of these consolidated financial statements.
The report of the independent auditor is set out on pages 51 to 54.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 AED'000	2023 AED'000
Operating activities			
Profit for the year before tax		**934,829**	**725,067**
Adjustments for:			
Depreciation and amortisation	14	54,552	34,134
Provision for employee end of service and other long term benefits	17.1	24,050	20,819
Gain on disposal of property, equipment and intangibles		(176)	(15)
Net impairment losses	26	690,040	859,003
Tax	35	(84,721)	-
Net fair value (gain) / loss on disposal of investments and Islamic instruments		(7,187)	2,257
Net changes in fair value of investments		1,351	1,901
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits		**1,612,738**	**1,643,166**
Payment of employee end of service and other long term benefits	17.1	(17,662)	(12,882)
Change in due from the Central Bank of the UAE		(1,208,916)	(3,176,569)
Change in due from banks and financial institutions		(157,840)	(55,732)
Change in loans and advances and Islamic financing receivables		(5,158,914)	(1,797,076)
Change in acceptances and other assets		(247,180)	242,613
Change in due to banks		(93,557)	(256,837)
Change in repurchase agreements		1,026,630	507,022
Change in customer deposits and Islamic customer deposits		7,185,014	2,836,072
Change in acceptances and other liabilities		462,356	137,412
Net cash generated from operating activities		**3,402,669**	**67,189**
Investing activities			
Purchase of property, equipment and intangibles		(100,582)	(106,686)
Proceeds from sale of property, equipment and intangibles		176	15
Purchase of investments and Islamic instruments		(2,574,348)	(3,292,430)
Proceeds from sale and maturity of investments and Islamic instruments		1,294,853	1,555,298
Net cash used in investing activities		**(1,379,901)**	**(1,843,803)**
Financing activities			
Cash dividends paid		(212,000)	-
Proceeds from term borrowings		440,760	550,950
Repayment of term borrowings		(183,650)	(440,760)
Tier 1 capital securities coupon paid		(94,668)	(75,526)
Issue of Additional Tier (AT1) capital securities	19	1,010,075	-
Repayment of Additional Tier 1 (AT1) capital securities	19	(1,285,550)	-
Tier 1 capital securities issuance cost		(824)	-
Net cash generated (used in) / from financing activities		**(325,857)**	**34,664**
Net change in cash and cash equivalents		**1,696,911**	**(1,741,950)**
Cash and cash equivalents at beginning of the year		2,532,848	4,274,798
Cash and cash equivalents at end of the year	31	**4,229,759**	**2,532,848**
Principal non-cash transactions during the year	19		
Conversion of AT1 capital securities to paid-up share capital		(1,010,075)	-
Issuance of ordinary shares on conversion of AT1 capital securities		354,412	-
Movement in reserves on conversion of AT1 capital securities		655,663	-
		-	-

The notes on pages 61 to 112 form an integral part of these consolidated financial statements.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Cash flow hedge reserve	Proposed dividends	Impairment reserve	Retained earnings	Tier 1 capital securities	Total
At 1 January 2024	**2,120,000**	**1,054,121**	**679,967**	**14,408**	**(1,230)**	**318,000**	**-**	**1,095,790**	**1,285,550**	**6,566,606**
Profit for the year after tax	-	-	-	-	-	-	-	850,108	-	850,108
Other comprehensive income for the year	-	-	-	18,159	1,795	-	-	1,974	-	21,928
Total comprehensive income for the year	**-**	**-**	**-**	**18,159**	**1,795**	**-**	**-**	**852,082**	**-**	**872,036**
Issuance of AT1 capital securities (note 19)	-	-	-	-	-	-	-	-	1,010,075	**1,010,075**
Repayment of AT1 capital securities (note 19)	-	-	-	-	-	-	-	-	(1,285,550)	**(1,285,550)**
Conversion of AT1 capital securities to paid - up share capital (note 18.4)	354,412	655,663	-	-	-	-	-	-	(1,010,075)	**-**
AT1 capital securities issuance cost	-	-	-	-	-	-	-	(824)	-	**(824)**
Tier 1 capital securities coupon paid	-	-	-	-	-	-	-	(94,668)	-	**(94,668)**
Proposed cash dividends	-	-	-	-	-	387,062	-	(387,062)	-	**-**
2023 bonus shares issued	106,000	-	-	-	-	(106,000)	-	-	-	**-**
2023 cash dividends paid	-	-	-	-	-	(212,000)	-	-	-	**(212,000)**
Transfer to resrves (note 18.3)	-	-	85,010	-	-	-	-	(85,010)	-	**-**
At 31 December 2024	**2,580,412**	**1,709,784**	**764,977**	**32,567**	**565**	**387,062**	**-**	**1,380,308**	**-**	**6,855,675**

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Cash flow hedge reserve	Proposed dividends	Impairment reserve	Retained earnings	Tier 1 capital securities	Total
At 1 January 2023	**2,000,000**	**981,616**	**607,462**	**(52,192)**	**-**	**120,000**	**168,201**	**739,827**	**1,285,550**	**5,850,464**
Profit for the year	-	-	-	-	-	-	-	725,067	-	**725,067**
Other comprehensive income for the year	-	-	-	66,600	(1,230)	-	-	1,231	-	**66,601**
Total comprehensive income for the year	**-**	**-**	**-**	**66,600**	**(1,230)**	**-**	**-**	**726,298**	**-**	**791,668**
Excess provisions under Central Bank of the UAE requirements over IFRS 9	-	-	-	-	-	-	(168,201)	168,201	-	**-**
Tier 1 capital securities coupon paid	-	-	-	-	-	-	-	(75,526)	-	**(75,526)**
Proposed cash dividends	-	-	-	-	-	212,000	-	(212,000)	-	**-**
Proposed bonus issue	-	-	-	-	-	106,000	-	(106,000)	-	**-**
2022 bonus shares issued	120,000	-	-	-	-	(120,000)	-	-	-	**-**
Transfer to reserves	-	72,505	72,505	-	-	-	-	(145,010)	-	**-**
At 31 December 2023	**2,120,000**	**1,054,121**	**679,967**	**14,408**	**(1,230)**	**318,000**	**-**	**1,095,790**	**1,285,550**	**6,566,606**

The notes on pages 61 to 112 form an integral part of these consolidated financial statements. The report of the independent auditor is set out on pages 51 to 54.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. Legal status and activities

National Bank of Fujairah (the Bank) is a Public Joint Stock Company registered under the laws of the United Arab Emirates. The Bank operates under a banking license issued on 29 August 1984 by the Central Bank of the United Arab Emirates (Central Bank of the UAE or CBUAE) and commenced operations on 20 September 1984. The shares of the Bank were listed on Abu Dhabi Securities Exchange (ADX) on 23 October 2005. The Bank's key shareholders include the Department of Industry and Economy – Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai.

The principal activity of the Bank is commercial banking which is carried out from its network of fourteen branches, across the UAE in emirates of Fujairah, Abu Dhabi, Dubai and Sharjah.

The Bank has two fully owned subsidiary companies:

- NBF Financial Services FZC was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide support services to the Bank.
- NBF Markets (Cayman) Limited is registered in the Cayman Islands as an exempted company limited by shares under the Companies Law (revised) of the Cayman Islands and regulated by the Cayman Island Government General Registry. The Company was established on 31 January 2017 to provide support services to the Bank to enter into foreign exchange and derivative transactions with financial institutions / counterparties under the terms and conditions of International Swaps and Derivatives Association (ISDA).

The consolidated financial statements for the year ended 31 December 2024 comprise the Bank and its subsidiaries (together referred to as 'the Group').

The registered address of the Group is Hamad Bin Abdullah Street, P. O. Box 887, Fujairah, United Arab Emirates.

2. Disclosure policy

The Group has established a disclosure policy to ensure compliance with all applicable laws and regulations concerning disclosure of material non-public information, including IFRS Accounting Standards, the rules of the Central Bank of the UAE and applicable requirements of the laws of United Arab Emirates.

3. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates.

4. Material accounting policies

(a) Changes in accounting policies

New and revised IFRS accounting standards adopted in the consolidated financial statements

The following new and revised IFRS accounting standards, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these consolidated financial statements. The application of these revised IFRS accounting standards, except where stated, have not had any material impact on the amounts reported for the current and prior periods. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant that an entity is required to comply with only after the reporting period).

Lease liability in sale and leaseback – Amendments to IFRS 16

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

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

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

Standards, amendments and interpretations issued but not yet effective and not early adopted

Amendments to IAS 21 - Lack of Exchangeability

In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary.

These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. Early application is permitted (subject to any endorsement process).

IFRS 18, 'Presentation and Disclosure in Financial Statements'

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2024 that would be expected to have a material impact on the Group's consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of the following financial assets measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss; and
- Financial instruments at fair value through other comprehensive income.

(c) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented in the United Arab Emirates Dirham ("AED") which is the functional currency of the Bank.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Financial instruments

Classification and measurement

The Group classifies its financial assets into the following measurement categories:

i. those to be measured at fair value (either through other comprehensive income, or through profit or loss); and

ii. those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

Financial assets measured at fair value through other comprehensive income

Debt instruments

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

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

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement. Refer to note 9 for Investments and Islamic instruments at fair value through other comprehensive income.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

4. Material accounting policies (continued)
(e) Financial instruments (continued)

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

- financial assets held for trading; and
- financial assets specifically designated as fair value through profit or loss on initial recognition.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise. Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial instruments held for trading

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship. Trading derivatives and trading securities are classified as held for trading and recognised at fair value through profit or loss.

Financial instruments designated as measured at fair value through profit or loss

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Financial assets measured at amortised cost

Debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in note 4 (e) Impairment of financial assets.

Impairment of financial assets

The Group applies a three-stage approach to measuring expected credit losses (ECL) for the following categories of financial assets that are not measured at fair value through profit or loss:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- due from banks and financial institutions;
- loans and advances and Islamic financing receivables;
- acceptances;
- loan commitments;
- financial guarantee contracts; and
- lines of credit.

No ECL is recognised on equity investments.

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

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk (SICR) since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been an SICR since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired.

The Group assesses, on a forward-looking basis, the ECL associated with the above categories of financial assets. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The assessment of SICR and the calculation of ECL both incorporate all available, reasonable and supportable information; including forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Acceptances:

The ECL related to acceptances is netted from gross acceptances under assets.

Loan commitments and letters of credit:

The ECL related to loan commitments and letters of credit are recognised in other liabilities. When estimating lifetime ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn-down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn-down, based on a probability-weighting of the scenarios.

Guarantee contracts:

The ECL related to guarantee contracts are recognised in other liabilities. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the scenarios.

Measuring ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- Two types of PDs are used for calculating ECL

  (i) 12 month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12 month ECL for Stage 1 exposures.

  (ii) Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECL for Stage 2 and Stage 3 exposures.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. It varies for the types of financial assets defined in the section above.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Weighted average ECL is calculated considering base case, upside and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts.

The most significant year-end assumptions used for ECL estimate as at 31 December 2024 and 31 December 2023 are set out in the following table. The scenarios base case, upside and downside were used for all portfolios keeping in view the following principal macroeconomic variables:

Macroeconomic variables - 2024	Scenario	Assigned probabilities	2025	2026	2027	2028	2029	Subsequent years
Oil Price (USD per barrel)	Base case	40%	75.96	70.31	68.72	69.75	70.48	84.41
	Upside	30%	83.52	80.14	76.33	76.24	76.38	88.52
	Downside	30%	59.90	60.20	65.51	66.48	67.18	80.46
UAE Gross Domestic Product (GDP) (AED billion)	Base case	40%	1,806	1,867	1,939	2,016	2,097	2,742
	Upside	30%	1,841	1,934	2,008	2,086	2,168	2,833
	Downside	30%	1,744	1,729	1,812	1,912	1,996	2,609
Stock market volatility (Delta of points)	Base case	40%	22.60	23.74	23.71	23.14	23.27	23.24
	Upside	30%	19.47	22.09	22.38	22.58	23.10	22.99
	Downside	30%	37.12	24.09	23.46	23.40	23.73	23.66

Macroeconomic variables - 2023	Scenario	Assigned probabilities	2024	2025	2026	2027	2028	Subsequent years
Oil Price (USD per barrel)	Base case	40%	83.56	76.88	73.84	74.23	74.73	85.26
	Upside	30%	86.33	77.74	73.85	74.23	74.33	85.26
	Downside	30%	65.76	59.94	68.99	72.17	72.54	83.50
UAE Gross Domestic Product (GDP) (AED billion)	Base case	40%	1,732	1,805	1,862	1,921	1,984	2,625
	Upside	30%	1,762	1,863	1,922	1,984	2,048	2,710
	Downside	30%	1,669	1,665	1,734	1,818	1,887	2,496
Stock market volatility (Delta of points)	Base case	40%	23.50	23.55	23.06	22.98	23.06	23.30
	Upside	30%	19.69	22.48	22.39	22.51	22.85	23.03
	Downside	30%	37.34	24.48	23.48	23.30	23.54	23.66

4. Material accounting policies (continued)
(e) Financial instruments (continued)

Sensitivity analysis

If the above macroeconomic variables (defined above) were to change using only base case, upside or downside scenarios to analyse the sensitivity, the ECL under stages 1 and 2 will change as follows:

Change in ECL due to change in macroeconomic variables	Base case	Upside	Downside
Stage 1	-12.53%	-29.26%	+49.51%
Stage 2	-0.92%	-9.34%	+9.60%

There has been no significant sensitivity impact on stage 3 ECL.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been an SICR for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information. Further, forward-looking economic information / variables are also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by segments and product type. Further, the assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a periodic basis by the Risk and Credit functions.

An exposure will migrate through the ECL stages as the asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the allowances for impairment reverts from lifetime ECL to 12-month ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's rating downgrade methodology, or which are less than or equal to 30 days past due, are considered to have a low credit risk. The allowances for impairment for these financial assets is based on a 12-month ECL. When an asset is uncollectible, it is written off against the related ECL. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as other operating income in the consolidated statement of income. The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

In the case of debt instruments measured at fair value through other comprehensive income, the measurement of ECL is also based on the three-stage approach as applied to financial assets at amortised cost.

The Group ensures that the risk rating of the obligor correctly reflects its credit risk. NBF has in place a robust early warning signal mechanism to ensure credit risk deterioration is highlighted before the default takes place. This is via close monitoring of key early warning signals such as excesses, past dues, cheque / payment failures, external market feedback and credit ratings, covenant / condition breaches and weak financials. The Bank's credit policy requires the submission of an Early Warning Questionnaire (EWQ), if credit weaknesses are identified.

Significant increase in credit risk (SICR)

The Group assesses SICR since initial recognition for financial instruments in line with IFRS 9 and Central Bank of the UAE guidelines, considering the following qualitative and quantitative factors:

Quantitative factors

Stage	Corporate and Institutional Banking portfolio	Retail portfolio	Due from banks and Investments portfolio
1 » 2	• Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition • Restructured portfolio • Days past due (DPD) 31-89 days	• Restructured portfolio • DPD 31-89 days	Credit rating of Caa1 to Caa3 to be classified as Stage 2
1 » 3 2 » 3	• Credit impaired portfolio • DPD ≥ 90 days		Credit rating of Ca and below to be classified as Stage 3

Qualitative factors

For Corporate and Institutional Banking portfolio, if the borrower and / or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and / or economic conditions in which the borrower operates
- Actual and expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow / liquidity problems such as delay in servicing of trade creditors / loans

For Retail portfolio, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit and Risk teams. The Group has not used the low credit exemption for any financial instruments during the year ended 31 December 2024.

Curing Criteria - upward ECL stage movement

The curing criteria is in line with Central Bank of the UAE IFRS 9 guidelines and is considered based on the combination of the following qualitative factors:

- DPD movement
- Probationary period
- Notches of ratings upward movement

From stage 2 (Lifetime ECL) to stage 1 (12 month ECL)

- Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for a probationary period, in line with the Credit Risk Management Standards (CRMS) issued by the CBUAE, to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 2 to stage 1.
- DPD shall be ≤ 30 days during the probationary period; and / or
- Upward movement of risk ratings is reflected as per internally defined criteria.

From stage 3 (Lifetime ECL – credit impaired) to stage 2 (Lifetime ECL – not credit impaired)

- Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for a probationary period, in line with the CRMS issued by the CBUAE, to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 3 to stage 2.
- DPD shall be < 90 days during the probationary period; and / or
- Upward movement of risk ratings is reflected as per internally defined criteria.

An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially before upgrading to Stage 1 based on the above-mentioned criteria.

Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards or ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecogniton that is created or retained by the Group is recognised as a separate asset or liability.

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

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

Fair value measurement principles

Fair value is defined as 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.

When available, the fair value of a financial instrument is based on quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, comparison to similar instruments for which market observable prices exist. For investments under management with external fund managers, fair value is provided by the external fund managers, and is determined based on the market value of underlying investments of each fund. In all other cases, the instruments are measured at acquisition cost, including transaction cost, less impairment losses, if any.

4. Material accounting policies (continued)
(e) Financial instruments (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the date of the consolidated statement of financial position for an instrument with similar terms and conditions.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the date of the consolidated financial statements - statement of financial position, taking into account current market conditions and the current creditworthiness of the counterparty.

Fair value hierarchy

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Pursuant to disclosure requirements of IFRS 7, Financial Instruments: Disclosures, the Group has disclosed the relevant information under note 6.2.

(f) Derivatives

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

Derivative financial instruments are initially recognised at fair value at trade date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive (unrealized gains) and as liabilities where the fair values are negative (unrealized losses). Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

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

The method of recognizing fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for such embedded derivatives at fair value separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivative are not clearly related to the host contract.

Hedge accounting

Derivatives designated as hedges are classified as either: (i) hedges of the change in the fair value of recognized assets or liabilities or firm commitments ('fair value hedges'); (ii) hedges of the variability in future cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction that could affect future reported net income ('cash flow hedges'); or (iii) a hedge of a net investment in a foreign operation ('net investment hedges'). Hedge accounting is applied to derivatives designated in this way provided certain criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Group documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Group prepares a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the changes in fair value of both the derivative and the hedged item attributable to hedged risk are recognized in the consolidated statement of income and the carrying amount of the hedged item is adjusted accordingly. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset. If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting or the designation is revoked, hedge accounting is discontinued. The replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Group's documented hedging strategy. Any adjustment up to that point to the carrying value of a hedged item, for which the effective interest method is used, is amortized in the consolidated statement of income as part of the recalculated effective interest rate over the period to maturity or derecognition.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective part is recognized immediately in the consolidated statement of income. Amounts accumulated in equity are reclassified from other comprehensive income and transferred to the consolidated statement of income in the periods in which the hedged item affects profit or loss, in the same line of the consolidated statement of income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting. Any cumulative gains or losses recognized in equity remain in equity until the forecast transaction is recognized, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated statement of income. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognized in equity are immediately transferred to the consolidated statement of income from other comprehensive income.

Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and through its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the Group adopts for assessing hedge effectiveness depends on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. Hedge ineffectiveness is recognized in the consolidated statement of income.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of income.

Derivative financial instruments held or issued for trading purposes

The Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates or indices.

Derivative financial instruments held or issued for hedging purposes

As part of its asset and liability management, the Bank uses derivatives for economic hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions, as well as hedging of aggregate financial position exposures. Where possible, the Bank applies hedge accounting.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. Futures contracts, including commodity futures, are transacted at standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risks associated with forwards and futures contracts are credit and liquidity risks. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered very low because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are usually settled gross and are, therefore, considered to bear a higher liquidity risk than the future contracts which, unless chosen to be executed by delivery, are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other counterparties (customers and financial institutions) in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap (included within foreign exchange contracts), the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Irrespective of whether settled through clearing houses or directly with the counterparties, most swaps are fully collateralised and require daily margin settlement. The practice significantly reduces the Bank's credit risk but requires more diligent liquidity management than if the positions were not collateralised.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Bank purchases and sells options through regulated exchanges and in the over–the–counter markets. Options purchased by the Bank provide it with the opportunity to purchase (call options) or sell (put options) the underlying

4. Material accounting policies (continued)
(f) Derivatives (continued)

asset at an agreed value either on or before the expiration of the option. The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written (sold) by the Bank provide the purchaser the opportunity to purchase from, or sell to, the Bank the underlying asset at an agreed value either on or before the expiration of the option. These instruments represent a higher market risk than purchased options.

(g) Key accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. These disclosures supplement the commentary on financial risk management set out in note 5.

In particular, considerable management judgement is required for the following:

- impairment losses on loans and receivables;
- fair value measurement of investments portfolio;
- valuation of derivative financial instruments; and
- classification of Additional Tier 1 (AT1) capital securities as equity. Refer note 19 for details.

Details of fair value measurement principles and fair value hierarchy are covered in note 4 (e) of these consolidated financial statements.

Assessment and calculation of ECL

The calculation of ECL involves significant accounting judgements, estimates and assumptions. This includes significant judgements relating to determination of the impact of the macro-economic scenarios on ECL.

The Group incorporated the latest available macroeconomic inputs into the ECL model to reflect the change in the macroeconomic forecast with details covered in notes 4 (e) and 5 (c) of these consolidated financial statements.

(h) Due from banks and financial institutions

Amounts due from banks and financial institutions are initially recognized at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amounts due from banks and financial institutions is assessed as outlined in the accounting policy on financial instruments in note 4 (e).

(i) Repossessed assets

Real estate and other collateral may be acquired as the result of settlement of certain loans and advances and Islamic financing receivables and are recorded as assets held for sale and reported in 'other assets'. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loans and advances and Islamic financing receivables (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the consolidated statement of income. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the consolidated statement of income. The Group's collateral disposal policy is in line with the respective regulatory requirement of the UAE.

(j) Property and equipment, software, capital work-in-progress, depreciation and amortisation

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing an item of property and equipment is recognised in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Depreciation is charged to the consolidated statement of income on a straight line basis over the estimated useful lives of property and equipment. Freehold land is not depreciated.

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

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 are recognized in the consolidated statement of income.

Software

Software acquired by the Group is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised in the consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date it is available for use.

The estimated useful lives for various types of assets are as follows:

Class of asset	Estimated useful life
Buildings	20 to 40 years
Leasehold improvements	Shorter of the lease term or useful life
Furniture and equipment	5 years
Motor Vehicles	3 years
Software	7 years

Useful life and the depreciation method are re-assessed at each reporting date.

Capital work-in-progress

Capital work-in-progress is stated at cost and is transferred to the appropriate asset category when it is brought into use and is depreciated in accordance with the Group's accounting policy.

(k) Government grants

Land granted by the Government of Fujairah is recorded at nominal value.

(l) Due to banks, term borrowings and customer deposits and Islamic customer deposits

Due to banks, term borrowings and customer deposits and Islamic customer deposits are initially measured at fair value plus directly attributable transaction costs. Subsequently, these are measured at amortised cost using the effective interest method except where the Group chooses to carry the liabilities at fair value through the consolidated statement of income. Amortised cost is calculated by taking into account any discount or premium on settlement.

(m) Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

(n) Provisions

A provision is recognised if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

(o) Guarantees

Guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment or provide agreed service when due in accordance with the terms of a debt.

Financial guarantee contracts are initially measured at fair value and subsequently at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

(p) Employee end of services benefits

Provision is made, in accordance with the provisions of IAS 19, for the end of service benefits due to employees in accordance with the UAE labour law for their periods of service up to the financial position date and the provision arising is disclosed as 'provision for employees' end of service and other long term benefits' in the consolidated statement of financial position. The Group pays its contributions in respect of UAE citizens under the UAE pension and social security law and no further liability exists.

(q) Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised in the consolidated statement of income on an accruals basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently unless re-priced.

When calculating effective interest rates, the Group estimates cash flows considering all contractual terms of the financial instruments excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

The interest income / expense accrual on the assets / liabilities linked to risk-free benchmark reference rate (RFR) indexes will follow the standard market conventions relating to respective RFRs.

(r) Net fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided principally into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time.

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

(ii) Fee income earned from providing transaction services.

Fees and commission income earned and expense incurred from the provision of services are recognised as revenue and expense, as and when the services are rendered.

(s) Foreign exchange and derivatives income and Income from investments and Islamic instruments

Foreign exchange and derivatives income and Income from investments and Islamic instruments includes income from trading. Gains and losses on investments at fair value through profit or loss, are recognized in the consolidated statement of income.

(t) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(u) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and balances with the Central Bank of the UAE (excluding statutory reserve) and other balances due from (excluding bills discounted) and due to banks maturing within three months. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position. Balances with the Central Bank of the UAE include certificates of deposit. In accordance with Central Bank of the UAE regulations on issuance of

4. Material accounting policies (continued)
(u) Cash and cash equivalents (continued)

Central Bank certificates of deposit, the Bank can enter into repurchase agreements in order to obtain short term liquidity.

(v) Foreign currencies

Foreign currency transactions are recorded at the rate of exchange ruling at the value date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rate of exchange ruling at the reporting date. Any resultant gains and losses are recognised in the consolidated statement of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Forward foreign exchange contracts are translated into AED at the mid-market rate of exchange applicable to their maturities ruling at the reporting date. Any resultant gains and losses are recognized in the consolidated statement of income.

(w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of each operating segment are reviewed regularly by the Chief Executive Officer (CEO) (referred to as the "Chief Operating Decision Maker" or "CODM") to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(x) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS accounting standards / IAS, or when gains and losses arise from a group of similar transactions such as in the Group's trading activity.

(y) Earnings / (loss) per share

The Group presents basic and diluted earnings / (loss) per share (EPS / LPS) data for its ordinary shares. Basic EPS / LPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS / LPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(z) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated based on the higher of fair value less costs to sell and value in use. The reduction in carrying amount is recognised in the consolidated statement of income.

(aa) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group has the option, under some of its leases to lease the assets for an additional term. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

(ab) Acceptances

Acceptances arise when the Group is under an irrevocable obligation to make payments against accepted documents drawn under Letters of Credit. Acceptances specify the amount of money, the date and the counterparty person/entity to which the payment is due. After the acceptance, the instruments/documents become an unconditional liability (time draft or deferred payment undertaking) of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognising it as a financial asset. Acceptances have been considered within the scope of IFRS 9–Financial Instruments. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

(ac) Islamic financing receivables, Islamic instruments and Islamic customer deposits

The Group engages in Shari'ah compliant Islamic banking activities through a window called "NBF Islamic." The Islamic operations were launched in 2014 and the various Islamic instruments described below are accounted for, disclosed and presented in accordance with the requirements of the underlying substance of the instruments and IFRS accounting standards / IAS / IFRS IC.

Murabaha

Murabaha receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Murabaha is a sale transaction in which the seller (Group) expressly mentions the actual cost of the asset to be sold to the customer, and sells it to the customer on a cost plus mark-up (profit) basis. It is in fact the sale of an asset for a profit, usually on deferred payment basis. Income on Murabaha financing is recognized on a time apportioned basis over the period of the Murabaha contract, using the effective profit rate method.

Ijara

Ijara involves a contract where the Group buys and then leases an item to a customer for a specified rental over a specific period. The duration of lease, as well as the basis for rental, are set and agreed in advance. The Group acquires the beneficial ownership of the property to lease the usufruct to the customer.

Income on Ijara financing is recognized on a time apportioned basis over the lease term, using the effective profit rate method.

Qard

A Qard is the transfer of ownership in tangible wealth (money), from the customer to the Group, and it is binding on the Group to return equal wealth (money) to the customer on demand or as per the agreed terms, which means that the principal is to be repaid on demand. The Islamic current account offered to customers is based on the concept of Qard, a profit free amount received from the customer to the Group, on which no profit or other form of return is payable.

Sukuk

Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity. It is an asset backed trust certificate evidencing ownership of an asset or its usufruct (earnings or benefits) and complies with the principle of Shari'ah.

Wa'ad – Structured Shari'ah hedging product

Islamic Swaps are based on a Wa'ad (promise) structure between two parties to buy a specified Shari'ah compliant commodity at an agreed price on the relevant date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. Islamic swap structure comprises profit rate swap and currency swap. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments by executing the purchase/sale of commodity under "Murabaha Sale Agreement" in a single currency.

Wakala

Wakala is defined as a contract between the Group and a customer, whereby the customer (principal: Muwakkil) appoints the Group (agent: Wakil) to invest certain funds, according to the terms and conditions of the Wakala. The funds are used to generate profit for the customer by investing in Islamic financing facilities of the Group's other customers or investing in other Shari'ah compliant investment instruments.

Income generated from the Wakala deposits are paid to the customers and the Group recognizes a corresponding expense in the statement of income. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the agent; otherwise, they are borne by the principal.

Istisna' forward ijara

Istisna' with forward Ijara structure involves an agreement which provides the customer with financing for building and construction of a Shari'ah compliant asset; qualifying for an ijara transaction. This broadly includes the condition that the asset should have an identified usufruct and is non-consumable. Although, the asset does not exist in its final form at the signing of the contract, the exact details and specifications of the asset shall be clearly described in both the Istisna' and forward ijara documents.

Income on Istisna' forward Ijara financing is recognized on a time apportioned basis over the lease term, using the effective profit rate method.

Mudaraba

In Mudaraba, the customer enters into a contract with the Group where the customer in the capacity of Rab-al-Maal will give the Group cash as capital for investment purposes. The Group, as Mudarib, shall endeavor to assist the customer in achieving the investment goals. This is the type of an unrestricted Mudaraba investment contract whereby the investment decision will be at the full discretion of the Group. All the shari'ah compliant assets and investments of Islamic window comprise the Mudaraba pool, where no expenses are charged to Mudaraba pool and all expenses are borne by the Group. The customer and the Group will then share the profit (if any) from the shari'ah compliant investments made by the Group based on a pre-agreed Profit Sharing Ratio (PSR) and pre-assigned weightages. The PSR and weightages are disclosed on the website of NBF Islamic.

The owner of the funds (customer) has authorised the group in its capacity as (Mudarib) to mix the Mudaraba Capital with its own funds of the equity rights, balances of the of Current Accounts, other accounts deemed as Current Accounts and others in which the group is authorised to invest.

In case the investment fails to generate income or suffers a loss, the Rab-al-Maal shall bear the loss of investment and whilst the Mudarib shall bear the loss of effort and labour. Mudarib will only be liable for financial losses in case of negligence or misconduct.

4. Material accounting policies (continued)
(ac) Islamic financing receivables, Islamic instruments and Islamic customer deposits (continued)

Rab-al-Maal's share of profit is accrued as an expense in the consolidated statement of income in accordance with agreed terms and conditions.

(ad) Tax

Corporate income tax

Current corporate income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits (if applicable) and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to corporate income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5. Financial risk management

(a) Introduction

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement, mitigation, reporting and monitoring. The Group's exposure can be broadly categorized into the following defined Material Risks:

- Credit risk
- Liquidity risk
- Market risk (includes investment price risk, currency risk and interest rate risk)
- Operational risk (includes risks arising from Group's processes, personnel, technology, legal, regulatory requirements and information security risks)
- Regulatory compliance risk

Reputational and strategic business risks are interrelated to the above defined Material Risks. These risks are considered through the Bank's strategic planning and general risk management activities. NBF's risk management strategy is focused on ensuring awareness, measurement and appropriate oversight to these defined material risks.

The Group remains focused to further develop its enterprise risk management culture, practices and processes proactively on an ongoing basis.

The Bank follows the Basel III Standardized Approach for its risk and capital management. In addition, the Bank is also exposed to other risks that are managed along with the key risks, and are quantified, monitored and reported as part of the NBF's Internal Capital Adequacy Assessment Process (ICAAP) Framework. Such risks include, among others, residual risk, concentration risk, liquidity risk, interest rate risk in banking book, settlement risk, reputational risk, cyber risk, Shari'ah non-compliance risk, money laundering risk, strategic risk, business risk, and legal and compliance risk.

The Board approved ICAAP covers these approaches and a detailed report is submitted to the Central Bank of the UAE on an annual basis.

The Group has complied with the 'Capital Adequacy Regulations' issued by the Central Bank of the UAE, which is in accordance with the revised rules outlined by the Basel Committee on Banking Supervision in 'Basel III: A global regulatory framework for more resilient banks and banking systems'. Relevant information / details have been disclosed in note 5 (g).

(b) Governance and risk management framework

The Group is always committed to the implementation of best practices and governance standards.

This note presents broad information about the Group's objectives, policies and processes for identifying, measuring, reporting and mitigating the above mentioned risks and the Group's management of capital. This note also covers enhanced disclosures relating to Pillar 3 (Market Discipline) of Basel III.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's enterprise risk management framework. The Board sets the overall risk appetite and strategy in consultation with the senior management and approves all principal governance committee charters, policies and guidelines to manage the above mentioned risks. The Board has established committees, as detailed in the Corporate Governance Report, to enhance the oversight mechanism to carry out its responsibilities effectively.

Risk Appetite, Enterprise-wide Risk Management and the Internal Control Framework:

The Group defines Risk Appetite as the degree of risk that it is prepared to accept in pursuit of its strategic objectives and strategic plan, giving considerations to the Bank's various stakeholders, including depositors, shareholders and other relevant parties. The Risk Appetite Statement (RAS) intends to document the Group's willingness to undertake risk to achieve its strategic plan objectives. The RAS is used as the primary guiding document in the execution of the business strategy and therefore all strategic decisions are also considered in context of the defined RAS.

The RAS is a Board approved articulation of the aggregate level and types of risk that the Group will accept or avoid in order to achieve its business objective. For each material risk, the Board has defined the maximum level of risk that the Bank is willing to operate within.

The Board sets the risk appetite, policies and has approved the Enterprise-wide Risk Management Framework. The Bank follows a three lines of defense structure with management control being the first, independent risk management oversight being the second and an independent audit assurance being the third. The principal responsibility for the execution and implementation of policies and procedures and internal controls rests with respective functions and departments in accordance with the approved framework. An independent Risk Management function carries out the oversight through independent challenge, validation and verification of risks taken by the risk taking functions and departments using methods such as review of procedures, spot checks to assess adequacy of internal controls and meeting of compliance requirements, analysis of data and forecasting and modelling. An independent internal and external audit process provides an independent assurance to the Board.

The Bank continued to invest in various regulatory compliance activities. The Group undertook improvements to its Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT) / sanctions control environment and also enhanced its operational risk profile and testing to ensure effectiveness of controls.

The Group follows Board approved whistle blowing policy where staff, customers and other stakeholders of the Bank can independently raise matters to the Head of Internal Audit.

The Group through the Grievance and Disciplinary Committee (GDC) comprising Head of Human Resources, Chief Risk Officer and Head of Retail Banking, and reporting to the CEO promotes transparent and fair dealings among staff.

The role of the Internal Audit Function within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature, and are generally performed at the specific request of the Senior Management. It is led by the Head of Internal Audit who reports to the Chairman of the Board Audit Committee. To perform its role effectively, Internal Audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

The Central Bank of the UAE has issued a number of standards and regulations on the various elements of Risk Management. The Group has taken measures to adhere to all standards and regulations to ensure compliance.

Model risk management

The Group utilises models in many of its financial and business activities such as underwriting a credit facility to reporting ECL under IFRS 9.

To manage the model risks, the Group has implemented the Model Risk Management Policy and Guidelines. This Policy is applicable to models in all entities and subsidiaries of the Group. All risk quantification models that directly affect the financial reporting on ECL require independent validation.

The Policy establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models through their lifecycle. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Policy is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any change to the Policy must be approved by the Board of Directors.

The independent validation provides Fit-for-Purpose (FFP), Conditional Approval (CA) or Not Fit-for-Purpose (NFFP) recommendation for the Board and Management to approve the use of the new risk quantification / valuation models. In addition to new model validation, the Group evaluates the performance of existing models through a regular review and validation process through internal or external partners.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations in full or on time, and arises principally from the Group's loans and advances and Islamic financing receivables to customers and amounts due from banks and investments portfolio.

The Group is mainly engaged in Corporate and Institutional Banking business which comprises the majority of loans and advances and Islamic financing receivables. The Group has also been growing its Retail Banking loans and advances and Islamic financing receivables. The credit is assessed based on specific guidelines which are reviewed and approved by the Board Risk Committee and the Board.

Management of credit risk

The Credit Risk Management framework and policy (CRMF)

5. Financial risk management (continued)
(c) Credit risk (continued)

articulates the credit risk management activities across the key credit lifecycle stages of:

- Origination;
- Evaluation and approval;
- Administration;
- Monitoring and portfolio management;
- Credit Risk Mitigation; and
- Early warning signals followed by Special Assets & Remedial Management.

The CRMF includes elements of:

- Risk policy setting;
- An authorization structure and limits for the approval and renewal of credit facilities;
- Review and assessment of credit applications in line with credit policies and within the authorization and limit structure. Renewals of facilities are subject to the same review process;
- Diversification and limiting concentrations of exposure to counterparties, geographies, industries and asset classes;
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries, countries and products and reviewing limits in accordance with the risk management strategy and market trends;
- Remedial management and recoveries; and
- Stress testing.

Credit limits for individual clients and counterparties are established with direct knowledge of the client's creditworthiness as per the Bank's Credit Policy. An independent Credit Department is responsible for reviewing, recommending and approving underwriting proposals. The Group has developed and implemented comprehensive procedures and information systems to monitor the condition of individual credits across the various portfolios and identify early warning signals.

The Risk Management Department, as the second line of defense, is responsible for oversight of credit risk and formulation of credit policies in line with strategic objectives, risk appetite, business growth, regulatory requirements and risk management standards. Managing credit risk has both qualitative and quantitative aspects. Credit Portfolio Risk is responsible for undertaking a portfolio review of credit risks through various counterparty, industry and portfolio reviews. Independent departments are responsible for documentation, collateral management, custody and limit management. Periodic review of the process is also undertaken.

Concentration risk

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

In order to avoid excessive concentration of risk, the RAS, risk policies and procedures include specific guidelines to ensure maintenance of diversified portfolios through a series of country, counterparty, industry, sector and product limits.

Credit exposures to individual customers or customer groups are controlled through a tiered hierarchy of delegated approval authorities. Approval is required from the Central Bank of the UAE for exposures which are likely to exceed single counterparty / group limit(s), keeping in view the regulatory capital base, in accordance with the regulations of monitoring of large exposure limits issued by the Central Bank of the UAE.

The following tables illustrate the sectoral, geographical and currency wise analysis of loans and advances and Islamic financing receivables. Information about other areas of credit risk is included in the respective notes to the consolidated financial statements.

Sector analysis

An analysis of sector concentrations of credit risk arising from loans and advances and Islamic financing receivables and off-balance sheet exposures is as follows:

2024 AED'000	Funded exposure	Unfunded exposure	Gross exposure	Funded exposure Stage 3	Stage 3 ECL-Funded	Write-off	Past dues	
							Upto 89 days	90 days & above
Trade	13,647,123	2,724,598	16,371,721	335,184	319,583	128,836	38,814	1,836
Construction and real estate	4,539,900	4,604,552	9,144,452	534,999	518,600	25,377	1,071	1,732
Government	941,051	16,263	957,314	-	-	-	-	-
Manufacturing	4,985,828	1,187,161	6,172,989	530,813	457,519	106,038	16,122	18,814
Financial institutions	2,118,605	172,327	2,290,932	-	-	-	-	-
Service industries	2,543,993	439,202	2,983,195	56,186	49,343	32,732	11,342	-
Individuals	5,725,714	1,592	5,727,306	309,291	179,970	465	1,271	-
Gross amount	**34,502,214**	**9,145,695**	**43,647,909**	**1,766,473**	**1,525,015**	**293,448**	**68,620**	**22,382**

2023 AED'000	Funded exposure	Unfunded exposure	Gross exposure	Funded exposure Stage 3	Stage 3 ECL-Funded	Write-off	Past dues	
							Upto 89 days	90 days & above
Trade	12,119,687	2,747,922	14,867,609	395,039	305,632	581,665	110,503	26,856
Construction and real estate	3,030,464	3,083,337	6,113,801	274,440	244,593	216,275	1,062	-
Government	1,157,481	17,155	1,174,636	-	-	-	-	-
Manufacturing	4,843,449	906,237	5,749,686	477,347	343,899	2,938	49,655	682
Financial institutions	1,243,774	156,115	1,399,889	-	-	-	-	-
Service industries	2,412,250	414,338	2,826,588	41,620	42,183	166,015	2,906	-
Individuals	4,829,645	1,667	4,831,312	253,399	149,330	679	1,754	-
Gross amount	**29,636,750**	**7,326,771**	**36,963,521**	**1,441,845**	**1,085,637**	**967,572**	**165,880**	**27,538**

Geographic location analysis

Based on the location of the borrower, an analysis of geographic concentrations of credit risk arising out of loans and advances and Islamic financing receivables and off-balance sheet exposures is as follows:

2024 AED'000	Funded exposure	Unfunded exposure	Gross exposure	Funded exposure Stage 3	Stage 3 ECL-Funded	Write-off	Past dues	
							Upto 89 days	90 days & above
UAE	30,332,202	9,020,665	39,352,867	1,766,473	1,525,015	293,448	52,774	22,382
GCC	1,344,508	12,687	1,357,195	-	-	-	6,063	-
Europe	530,018	81,532	611,550	-	-	-	1,157	-
Americas	435,469	-	435,469	-	-	-	-	-
Others	1,860,017	30,811	1,890,828	-	-	-	8,626	-
Gross amount	**34,502,214**	**9,145,695**	**43,647,909**	**1,766,473**	**1,525,015**	**293,448**	**68,620**	**22,382**

2023 AED'000	Funded exposure	Unfunded exposure	Gross exposure	Funded exposure Stage 3	Stage 3 ECL-Funded	Write-off	Past dues	
							Upto 89 days	90 days & above
UAE	27,821,226	7,214,319	35,035,545	1,437,220	1,082,680	967,572	158,741	27,538
GCC	858,070	16,103	874,173	-	-	-	-	-
Europe	474,767	62,089	536,856	-	-	-	7,139	-
Americas	206,193	-	206,193	-	-	-	-	-
Others	276,494	34,260	310,754	4,625	2,957	-	-	-
Gross amount	**29,636,750**	**7,326,771**	**36,963,521**	**1,441,845**	**1,085,637**	**967,572**	**165,880**	**27,538**

Currency wise analysis

The Group's credit exposure by currency type of loans and advances and Islamic financing receivables and off-balance sheet exposures is as follows:

	2024			2023		
AED'000	Funded exposure	Unfunded exposure	Gross exposure	Funded exposure	Unfunded exposure	Gross exposure
AED	25,026,353	5,958,090	30,984,443	22,226,270	4,651,767	26,878,037
USD	8,333,589	2,869,507	11,203,096	6,600,712	2,386,095	8,986,807
EUR	111,978	110,439	222,417	73,431	122,957	196,388
GBP	108	16,211	16,319	-	3,310	3,310
XAU	816,518	-	816,518	709,527	-	709,527
Others	213,668	191,448	405,116	26,810	162,642	189,452
Gross Amount	**34,502,214**	**9,145,695**	**43,647,909**	**29,636,750**	**7,326,771**	**36,963,521**

5. Financial risk management (continued)
(c) Credit risk (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of the counterparty to honour its obligations to deliver cash, securities or other assets as contractually due. Any delays in settlement are monitored and quantified as part of the Group's Credit Risk Management.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals in accordance with the approved credit framework.

Risk mitigation, collateral and credit enhancements

In line with Basel, IFRS 9 standards and the CRMS issued by the Central Bank of the UAE (CBUAE), the CRMF outlines the basis pertaining to the eligibility, valuation, roles & responsibilities of various departments and overall management of collateral in order to adopt effective credit risk mitigation mechanism and maximize the use of eligible collateral.

The eligible collateral under IFRS 9 helps in arriving at EAD and LGD for Expected Credit Loss (ECL) calculations. As for measuring ECL, the expected cash shortfalls will reflect via LGD, the cash flows expected from collateral realization provided the same are as per contractual terms.

The Group manages credit exposure by obtaining security where appropriate, and the Group may also close out transactions, facilitate a secondary market sale or reduce exposures as appropriate to mitigate credit risk.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, stand-by letter of credit (bank guarantee), pledge over listed shares and mortgage and liens over real estate or movable and immovable assets; vehicles, ships and equipment. Collateral generally is not held against non-trading investments and due from banks and financial institutions.

Management monitors the market value of collateral, and wherever necessary the Group requests additional collateral in accordance with the underlying agreement, and considers collateral obtained during its review of the adequacy of the allowance for impairment losses.

Estimates of fair value are updated and assessed on a periodic basis in accordance with the respective credit policies.

Particulars	Loans and advances and Islamic financing receivables		Collaterals	
AED'000	2024	2023	2024	2023
Stage 3				
Pledged deposits	389,464	241,207	9,073	19,769
Debt / equity securities	132,955	137,641	25,288	25,003
Property	635,860	574,888	482,610	383,327
Others	608,194	488,109	-	-
Gross amount	**1,766,473**	**1,441,845**	**516,971**	**428,099**
Life time ECL (Stage 3)	**(1,525,015)**	**(1,085,637)**	**-**	**-**
Carrying amount	**241,458**	**356,208**	**516,971**	**428,099**
Stage 1 and 2				
Pledged deposits	10,625,634	8,955,698	3,132,240	2,650,484
Debt / equity securities	270,523	240,767	258,534	220,683
Property	11,406,169	10,925,578	9,111,449	8,358,233
Others	10,433,415	8,072,862	-	-
Gross amount	**32,735,741**	**28,194,905**	**12,502,223**	**11,229,400**
12-month ECL (Stage 1) and Life-time ECL (Stage 2)	**(585,025)**	**(647,418)**	**-**	**-**
Carrying amount	**32,150,716**	**27,547,487**	**12,502,223**	**11,229,400**
Total	**32,392,174**	**27,903,695**	**13,019,194**	**11,657,499**

	Contingent liabilities		Collaterals	
AED'000	2024	2023	2024	2023
Pledged deposits	5,960,148	6,582,150	1,255,250	992,332
Others	3,185,547	744,621	551,727	507,020
Total	**9,145,695**	**7,326,771**	**1,806,977**	**1,499,352**

As at 31 December 2024, re-possessed mortgage properties amounted to AED 10.8 million (2023: AED 10.8 million) which have been adjusted against the outstanding receivables. These have been recorded under Other Assets and fully provisioned for the year ended 31 December 2024.

Credit quality

The credit quality of the loans and advances and Islamic financing receivables is managed by the Group using internal credit ratings comprising 22 grades. The risk rating system is used as a credit risk management tool whereby any risks taken on the Group's books are rated against a set of predetermined standards which are in line with the Central Bank of the UAE guidelines.

The Group's Credit Risk Rating Methodology reflects its assessment of the probability of default of individual counterparties mapped to the ratings specified by the External Credit Assessment Institutions (ECAIs). The mapping is based on a statistical model which takes into consideration the industry weights, country specific factors and the sensitivity of the counter party to systematic risk. Risk classification distribution by risk grades is presented below:

2024 Risk grades of gross loans and advances and Islamic financing receivables

AED'000	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1-17: Performing	30,974,093	443,418	-	**31,417,511**
Grade RR 18-19: Watchlist	-	1,318,230	-	**1,318,230**
Total – RR 1-19	**30,974,093**	**1,761,648**	**-**	**32,735,741**
RR 20-22: Non-performing	-	-	1,766,473	**1,766,473**
Total	**30,974,093**	**1,761,648**	**1,766,473**	**34,502,214**

2023 Risk grades of gross loans and advances and Islamic financing receivables

AED'000	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1-17: Performing	26,031,660	287,247	-	**26,318,907**
Grade RR 18-19: Watchlist	-	1,875,998	-	**1,875,998**
Total – RR 1-19	**26,031,660**	**2,163,245**	**-**	**28,194,905**
RR 20-22: Non-performing	-	-	1,441,845	**1,441,845**
Total	**26,031,660**	**2,163,245**	**1,441,845**	**29,636,750**

Loans and advances and Islamic financing receivables with renegotiated terms

Loans and advances and Islamic financing receivables with renegotiated terms are loans and advances and Islamic financing receivables that have been restructured, either 'non-distressed' (rescheduled) or 'distressed' (restructured) and where the Group has made concessions that it would not otherwise consider. Rescheduled / Restructured loans are classified under stage 1, 2 or 3 based on criteria specified under the CRMS issued by the Central Bank of the UAE (CBUAE).

When renegotiation happens, the Group assesses whether or not the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.
- Discounted cash flows (DCF) after renegotiation are equal to or greater than the DCF at the time the facility was granted.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the obligor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset.

5. Financial risk management (continued)
(c) Credit risk (continued)

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 (Lifetime ECL – credit impaired) to Stage 2 (Lifetime ECL – not credit impaired) to Stage 1 (12 month ECL). This is only applicable for assets which have performed as per the new terms in accordance with the curing criteria as defined in note 4(e).

The following table contains an analysis of the credit risk exposure of total restructured loans and advances and Islamic financing receivables and acceptences and relevant off balance sheet exposures:

	2024			
Total restructured portfolio - AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	141,520	855,048	427,203	**1,423,771**
Allowances for impairment (ECL)	(4,207)	(195,069)	(352,685)	**(551,961)**
Carrying amount	**137,313**	**659,979**	**74,518**	**871,810**

	2023			
Total restructured portfolio - AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	71,641	1,061,276	648,141	**1,781,058**
Allowances for impairment (ECL)	(1,590)	(172,644)	(484,352)	**(658,586)**
Carrying amount	**70,051**	**888,632**	**163,789**	**1,122,472**

The following table contains an analysis of the credit risk exposure of newly restructured loans and advances and Islamic financing receivables, including accrued interest / profit, and acceptances and relevant off balance sheet exposures during the year:

Restructured portfolio during the year	2024		2023	
AED'000	Post-modification	Pre-modification	Post-modification	Pre-modification
Outstanding balance				
Stage 1	-	1,622	-	-
Stage 2	-	5,104	14,494	20,213
Stage 3	24,801	16,963	-	-
Allowances for impairment (ECL)	**(21,622)**	**(12,463)**	**(1,803)**	**(930)**
Carrying amount	**3,179**	**11,226**	**12,691**	**19,283**

Allowances for impairment

Monthly, the Group establishes an allowance for impairment losses that represents its expected credit losses in the categories of financial assets defined in section 4(e) above. The general provision on total credit risk weighted assets is maintained in line with the Central Bank of the UAE's requirements. The methods of assessment of allowances for impairment have been summarized in note 4.

As part of the approach, the Bank has designed and implemented separate ratings scales pertaining to corporate banking and business banking, retail banking and low default portfolio covering due from banks and financial institutions that are based on the observed historical defaults in the Bank's credit portfolio through the cycle which has determined the mean probability of default for the credit portfolio and have assigned individual probabilities of default to each credit risk grade.

Together with the Exposure at Default and Loss Given Default, the Bank determines the Expected Loss of each of its corporate, business banking, financial institutions and retail borrowers.

Write-off policy

The Group writes-off loans and advances and Islamic financing receivables balances (and any related allowances for impairment losses) when it has generally exhausted all possible efforts for collection and determines that the loans and advances and Islamic financing receivables are no longer collectible; in line with the CRMS issued by the CBUAE.

The Group may write-off financial assets that are still subject to enforcement activity. However, the Group retains the right and seeks to recover amounts it is legally owed in full, even when partially or fully written-off.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It includes the risk of inability to fund assets at appropriate maturities and rates, and inability to liquidate assets at a reasonable price and in an appropriate time frame, and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

The Group's approach to managing liquidity is to maintain, as far as possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or putting the Group's reputation at risk.

Management of liquidity risk

Treasury is entrusted with the responsibility of ensuring compliance with both statutory liquidity requirements and internal risk limits. All liquidity risk management policies and procedures are subject to review and approval by Asset and Liability Committee (ALCO), Management Risk Committee (MRC), Board Risk and Sustainability Committee (BRSC) and the Board.

The Group maintains a portfolio of short-term liquid assets, largely made up of cash and balances with the Central Bank of the UAE representing 23.6% (2023: 22.2%) of total assets which also include mandatory cash reserve deposits with the Central Bank of the UAE. Short-term liquid assets also include investment grade marketable securities, due from banks and financial institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained both under normal conditions and simulated stress scenarios.

The Group uses lending to stable resource ratio (LSRR) of 1:1 and eligible liquid assets ratio (ELAR) of 10%, which represents high quality liquid assets as stipulated by the Central Bank of the UAE, as key risk indicators and monitors them on a regular basis. The Group uses more prudent internal LSRR measure of 0.925:1 as a trigger point for action planning. During the year, these ratios were prudently managed:

	ELAR		LSRR	
	2024	2023	2024	2023
12 month - Average	29.6%	24.4%	67.5%	72.6%
12 month - Highest	31.1%	28.8%	69.3%	75.6%
12 month - Lowest	27.2%	20.9%	66.2%	67.3%

The Group manages its concentration of deposits by continuing to widen the customer base and sources of liabilities and setting in place caps on individual size and varying maturities.

Liquidity positions, key risk indicators and actions are discussed at ALCO to monitor and review achievement of short and long term liquidity strategies and thresholds.

Liquidity risk appetite is prudently and proactively reviewed taking into consideration the market events and relevant risk management standards. Adherence to the longer stress period is being achieved through reliance on both higher quality and adequate level of liquid assets. The Group monitors 30 days stress test under two scenarios of local market crisis and a two notch downgrade of NBF Issuer Credit Rating in line with its liquidity risk appetite. The Bank has also defined a contingency funding plan to manage any liquidity crisis situation. As part of the ICAAP, the Bank assesses the impact on capital adequacy of liquidity risk including concentrations by carrying out stress tests.

The following table shows the Group's assets and liabilities and commitments on the basis of their earliest possible contractual maturity and / or expected date of settlement or realization. For example, demand deposits (current and savings accounts) from customers are expected to maintain a stable balance and historically have been long-term in nature; and term deposits are often rolled over on maturity. Loans and advances and Islamic financing receivables are partly revolving in nature. Cash and balances with the Central Bank of the UAE include certificates of deposit which are readily convertible into cash under repurchase arrangements with the Central Bank of the UAE. Investments portfolio include FVOCI investments which can be redeemed before their contractual maturity.

5. Financial risk management (continued)
(d) Liquidity risk (continued)

2024 AED'000	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Cash and balances with the Central Bank of the UAE	5,804,408	2,892,498	4,344,472	1,349,866	-	-	**14,391,244**
Due from banks and financial institutions	1,510,285	291,425	412,403	15,792	-	-	**2,229,905**
Investments and Islamic instruments - fair value	51,890	147,996	397,403	283,312	2,367,301	14,276	**3,262,178**
Investments and Islamic Instruments - amortised cost	7,433	244,057	345,620	237,330	3,987,272	1,361,919	**6,183,631**
Loans and advances and Islamic financing receivables	5,914,180	5,113,213	4,119,376	2,423,071	8,872,073	5,950,261	**32,392,174**
Acceptances and other assets	510,544	998,053	287,132	46,395	-	-	**1,842,124**
Property, equipment and intangibles	-	-	-	-	-	577,812	**577,812**
Total assets	**13,798,740**	**9,687,242**	**9,906,406**	**4,355,766**	**15,226,646**	**7,904,268**	**60,879,068**
Due to banks	1,043,520	-	-	-	-	-	**1,043,520**
Customer deposits and Islamic customer deposits	28,875,822	6,007,137	4,307,779	5,008,907	1,557,292	83	**45,757,020**
Repurchase agreements	-	407,641	218,999	296,549	2,604,773	-	**3,527,962**
Term borrowings	-	-	-	-	808,060	-	**808,060**
Acceptances and other liabilities	423,188	2,042,760	287,132	133,751	-	-	**2,886,831**
Total equity	-	-	-	-	-	6,855,675	**6,855,675**
Total liabilities and equity	**30,342,530**	**8,457,538**	**4,813,910**	**5,439,207**	**4,970,125**	**6,855,758**	**60,879,068**
On-Balance Sheet Gap	**(16,543,790)**	**1,229,704**	**5,092,496**	**(1,083,441)**	**10,256,521**	**1,048,510**	**-**
Cumulative Gap	**(16,543,790)**	**(15,314,086)**	**(10,221,590)**	**(11,305,031)**	**(1,048,510)**	**-**	**-**
2023 AED'000							
Total Assets	**11,211,725**	**7,186,246**	**6,176,430**	**7,015,348**	**12,758,722**	**7,371,345**	**51,719,816**
Total liabilities and equity	**23,447,166**	**7,772,841**	**4,544,606**	**5,107,359**	**4,003,784**	**6,844,060**	**51,719,816**
On-Balance Sheet Gap	**(12,235,441)**	**(586,595)**	**1,631,824**	**1,907,989**	**8,754,938**	**527,285**	**-**
Cumulative Gap	**(12,235,441)**	**(12,822,036)**	**(11,190,212)**	**(9,282,223)**	**(527,285)**	**-**	**-**

The following table incorporates guarantees, letters of credit and notional amounts of derivative financial instruments, entered into by the Group, outstanding at the date of consolidated statement of financial position, analyzed by the earliest period these can be called. The notional amount is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicators of either the market risk or the credit risk. The amounts set out below do not represent expected cash flows.

2024 AED'000	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Guarantees	7,362,269	-	-	-	-	-	**7,362,269**
Letters of credit	561,103	973,637	152,128	91,026	5,531	-	**1,783,425**
Forward foreign exchange contracts	11,855,198	3,946,748	3,552,396	2,119,855	117,504	-	**21,591,701**
Currency options	15,096	72,500	264,456	321,776	1,057,824	-	**1,731,652**
Interest rate derivatives	-	-	-	178,575	2,317,585	615,190	**3,111,350**
Commodity derivatives	14,273	416,176	6,790	-	-	-	**437,239**
Total	**19,807,939**	**5,409,061**	**3,975,770**	**2,711,232**	**3,498,444**	**615,190**	**36,017,636**

2023 AED'000	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Guarantees	5,799,059	-	-	-	-	-	**5,799,059**
Letters of credit	406,531	869,147	180,490	70,918	626	-	**1,527,712**
Forward foreign exchange contracts	9,222,104	3,309,673	2,641,753	299,216	51,571	-	**15,524,317**
Currency options	348,973	150,482	716,113	412,900	1,057,823	-	**2,686,291**
Interest rate derivatives	25,000	-	1,507	102,695	1,200,473	1,449,969	**2,779,644**
Commodity derivatives	63,749	749,320	-	45,839	-	-	**858,908**
Total	**15,865,416**	**5,078,622**	**3,539,863**	**931,568**	**2,310,493**	**1,449,969**	**29,175,931**

The positive and negative fair values of derivative financial instruments, entered into by the Group, at the reporting date are as below:

	2024				2023			
Derivatives AED'000	Notional	Positive fair value	Negative fair value	Net	Notional	Positive fair value	Negative fair value	Net
Forward foreign exchange contracts	21,591,701	49,713	44,673	5,040	15,524,317	63,611	33,969	29,642
Currency options	1,731,652	4,913	4,888	25	2,686,291	4,027	4,027	-
Interest rate derivatives	3,111,350	32,975	27,484	5,491	2,779,644	44,385	37,575	6,810
Commodity derivatives	437,239	2,537	2,024	513	858,908	10,014	7,006	3,008
Total	**26,871,942**	**90,138**	**79,069**	**11,069**	**21,849,160**	**122,037**	**82,577**	**39,460**

Liquidity analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2024 based on contractual undiscounted repayment obligations. However, the Group expects that substantial repayment requests will not occur on the earliest date and the amounts set out below do not represent expected cash flows.

2024 AED'000	Carrying amount	Gross notional outflows	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
Financial liabilities								
Due to banks	1,043,520	1,044,821	1,044,606	215	-	-	-	-
Customer deposits and Islamic customer deposits	45,757,020	46,416,514	28,968,809	6,165,223	4,449,661	5.236,614	1,596,111	96
Repurchase agreements	3,527,962	3,934,921	8,733	442,535	255,953	361,509	2,866,191	-
Term borrowings	808,060	911,340	-	10,905	14,298	18,651	867,486	-
Acceptances and other liabilities	2,585,193	2,585,193	423,188	1,741,122	287,132	133,751	-	-
Total	**53,721,755**	**54,892,789**	**30,445,336**	**8,360,000**	**5,007,044**	**5,750,525**	**5,329,788**	**96**

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates, commodity prices and credit spreads will affect the Group's income and/or the value of its holdings of financial instruments.

Management of market risks

The Group distinguishes its exposure to market risk between trading and non-trading portfolios. The trading portfolio includes positions arising from market-making, proprietary positions and other marked-to-market positions so designated. The non-trading portfolio includes positions other than those with the trading intent that arises from interest rate management of the Group's assets and liabilities and available-for-sale and held-to-maturity investments.

5. Financial risk management (continued)
(e) Market risk (continued)

The Group has well-defined policies, procedures and trading limits in place to ensure oversight of Treasury's day-to-day operations, in accordance with the Board's defined risk appetite. These are reviewed periodically to ensure that they remain in line with the Group's overall market risk appetite. The Group manages market risk positions within the risk management limits set out by the Board. Overall responsibility for monitoring market risk is vested with the MRC.

Investment price risk

The risk originates primarily from the investment portfolio of the Group which is managed on a fair value basis. The Group manages the risk through diversification of investments in terms of counterparty, industry and country. The investment portfolio is managed directly by ALM & Investments under Treasury and the portfolio performance and risk limits are closely monitored by Treasury Middle Office and Market Risk and reported to the IC on a monthly basis.

The Investment Committee (IC) reviews sensitivity of investment price volatility on annualized income. The overall stop loss limit is set at 15% of the purchase price or last year end price, whichever is recent for Fixed Income Instrument (FI) and 20% of the purchase price or last year end price, whichever is recent for equities. When the loss reaches 10% in case of FI and 15% in case of Equities, the ALM & Investments team escalates to the IC to decide the strategy of either holding the investment or its disposal. Any loss in excess of 15% for FI and 20% for Equities is escalated to the Board. For Total Investment Portfolio, the Group has set loss referral limits which are monitored regularly and reported to IC.

The table below shows the impact of decline in fair value of investments by 10% on net income and regulatory capital and equity for 2024 and 2023:

Investments classified as FVTPL	Assumed level of change %	Impact on profit and regulatory capital 2024 AED'000	Impact on profit and regulatory capital 2023 AED'000
Reference benchmarks:			
Fair value of managed funds	10%	43	1,921
Investments classified as FVOCI	Assumed level of change %	Impact on equity 2024 AED'000	Impact on equity 2023 AED'000
Reference benchmarks:			
Quoted debt securities / Islamic Sukuks	10%	265,887	241,633
Other investments	10%	61,134	60,242

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Board of Directors has set limits on positions by currencies which are closely monitored. Exceptions, if any, are only allowed by seeking prior approval of ALCO and MRC supported by a business case and ratification by the Board. During the year, the Group complied with the open position limits and the exception approval process.

The Group carries out sensitivity analysis on the basis of 5% shift in exchange rate and analyzes their impact on annualized exchange income. ALCO reviews currency limits based on these sensitivities.

The UAE currency is pegged to the US Dollar and this is considered while setting the limits and analyzing the sensitivity impact.

At 31 December, the Group's open positions [long / (short)] and potential impact of a shift in exchange rate on the statement of income are as follows:

Currency	USD	EUR	Others
Open position			
2024 (AED'000)	**699,855**	**2,230**	**30,045**
2023 (AED'000)	**715,113**	**33,034**	**10,178**
Assumed change in exchange rates	5%	5%	5%
Impact on exchange income from increase in exchange rates:			
2024 (AED'000)	**34,993**	**112**	**1,502**
2023 (AED'000)	**35,756**	**1,652**	**509**
Impact on exchange income from decrease in exchange rates:			
2024 (AED'000)	**(34,993)**	**(112)**	**(1,502)**
2023 (AED'000))	**(35,756)**	**(1,652)**	**(509)**

At 31 December 2024, the impact on exchange income due to change in exchange rate by 5% is ±19.36% (2023: ±23.05%). Excluding the impact of US$ open position, the impact is ±0.85% (2023: ±1.31%).

Interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

The Group's Treasury manages interest rate risk principally through monitoring interest rate gaps and matching the interest re-pricing profile of financial assets and liabilities. The Group's long term financial assets and liabilities are priced generally on a floating rate basis, which tracks the changes in market interest rates. Long term loans and advances and Islamic financing receivables that are priced on a fixed rate basis constitute 8.3% (2023: 5.8%) of the total loans and advances and Islamic financing receivables portfolio.

The Group measures the interest rate sensitive gaps across tenors considering the availability of a contractual ability to re-price all its assets and liabilities. The sensitivity analysis i.e. the impact of a parallel shift in interest rate curves on net interest income (NII) and equity is ascertained and presented to ALCO for review on a monthly basis. Strategies and actions required to mitigate this risk, if any, are approved and monitored by ALCO and executed by Treasury. The Group carries out sensitivity analysis on the net interest income for one year assuming changes (whether increase or decrease) in interest rates. An analysis of the Group's sensitivity to an increase or decrease in market interest rates based on the financial assets and financial liabilities, denominated in various currencies, held at 31 December, assuming no asymmetrical movement in yield curves and a constant consolidated statement of financial position, is as follows:

Currency	AED	USD	EUR	Others	Total
Assumed change in interest / profit rates	±100 bps	±100 bps	±100 bps	±100 bps	±100 bps
Impact on net interest income and net income from Islamic financing and investment activities from increase in interest / profit rates					
2024 (AED'000)	**103,459**	**(4,966)**	**(577)**	**4,594**	**102,510**
2023 (AED'000)	**76,240**	**11,034**	**(157)**	**329**	**87,446**
Impact on net interest income and net income from Islamic financing and investment activities from decrease in interest / profit rates					
2024 (AED'000)	**(103,683)**	**7,237**	**(494)**	**(975)**	**(97,915)**
2023 (AED'000)	**(76,364)**	**(11,405)**	**114**	**(606)**	**(88,261)**

An impact of 5% or higher on regulatory capital is considered as a trigger event based on which an action plan is agreed. At 31 December, the impact of 25 bps, 50 bps and 100 bps shift on net interest income and net income from Islamic financing and investment activities and regulatory capital is as follows:

Impact on net interest income and net income from Islamic financing and investment activities

	2024		2023	
bps	Upward shift	Downward shift	Upward shift	Downward shift
25	1.43%	-1.37%	1.28%	-1.28%
50	2.87%	-2.74%	2.56%	-2.55%
100	5.73%	-5.48%	5.13%	-5.18%

Impact on regulatory capital

	2024		2023	
bps	Upward shift	Downward shift	Upward shift	Downward shift
25	0.38%	-0.36%	0.33%	-0.33%
50	0.76%	-0.73%	0.65%	-0.65%
100	1.52%	-1.45%	1.31%	-1.32%

The Group also conducts interest rate stress testing based on modified duration approach. The results of the shift analysis are reviewed monthly by ALCO, which along with MRC has the overall responsibility for managing pricing policy.

5. Financial risk management (continued)
(e) Market risk (continued)

The Group's interest rate gap position on financial assets and liabilities based on the earlier of contractual re-pricing or maturity date is as follows:

2024 AED'000	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 5 years	Over 5 years	Non-interest bearing items	Total
Cash and balances with the Central Bank of the UAE	2,718,828	2,892,498	4,344,472	1,349,866	-	-	3,085,580	**14,391,244**
Due from banks and financial institutions	765,046	286,125	1,162,538	16,196	-	-	-	**2,229,905**
Investments and Islamic instruments - fair value	287,796	80,287	322,907	283,311	2,272,088	14,277	1,512	**3,262,178**
Investments and Islamic instruments - amortised cost	7,433	229,788	345,620	237,330	4,001,540	1,361,920	-	**6,183,631**
Loans and advances and Islamic financing receivables	13,269,049	11,629,968	3,791,405	1,181,051	2,457,740	404,916	(341,955)	**32,392,174**
Acceptances and other assets	-	-	-	-	-	-	1,814,507	**1,814,507**
Total financial assets	**17,048,152**	**15,118,666**	**9,966,942**	**3,067,754**	**8,731,368**	**1,781,113**	**4,559,644**	**60,273,639**
Due to banks	1,043,520	-	-	-	-	-	-	**1,043,520**
Customer deposits and Islamic customer deposits	11,202,035	6,233,412	4,567,473	5,704,246	1,557,292	-	16,492,562	**45,757,020**
Repurchase agreements	2,853,561	407,641	-	-	266,760	-	-	**3,527,962**
Term borrowings	183,650	532,585	91,825	-	-	-	-	**808,060**
Acceptances and other liabilities	-	-	-	-	-	-	2,585,193	**2,585,193**
Total financial liabilities	**15,282,766**	**7,173,638**	**4,659,298**	**5,704,246**	**1,824,052**	**-**	**19,077,755**	**53,721,755**
Interest rate sensitivity gap								
On-balance sheet	1,765,386	7,945,028	5,307,644	(2,636,492)	6,907,316	1,781,113	(14,518,111)	**6,551,884**
Off-balance sheet	(292,235)	(209,184)	-	80,629	420,790	-	-	**-**
Cumulative	**1,473,151**	**9,208,995**	**14,516,639**	**11,960,776**	**19,288,882**	**21,069,995**	**6,551,884**	-
2023								
Cumulative interest rate sensitivity gap	**4,416,410**	**9,365,048**	**11,847,813**	**12,887,377**	**18,635,998**	**19,804,523**	**6,289,074**	

Interest rate yields (per annum)

The average earning on placements and balances with banks was 5.6% (2023: 5.4%), on loans and advances and Islamic financing receivables was 7.1% (2023: 7.2%) and on the investment portfolio was 4.4% (2023: 4.0%). The average cost of customer deposits and Islamic customer deposits was 3.0% (2023: 2.9%) and of due to banks and term borrowings was 5.1% (2023: 4.5%).

Derivative financial instruments

In the ordinary course of business, the Group enters into various types of derivative transactions that are affected by variables in the underlying instruments.

A derivative is a financial instrument or other contract with all three of the following characteristics:

(i) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

(ii) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(iii) it is settled at a future date.

Derivative financial instruments which the Group enters into includes forward foreign exchange contracts, interest rate derivatives, commodity derivatives and currency options.

The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates.

The Group uses interest rate swaps to hedge interest rate risks. In all such cases, the hedging relationship and objectives including details of the hedged item and hedging instrument are formally documented and the transactions are accounted for based on the type of hedge.

The Group's exposure to interest rate swaps designated in hedge accounting relationships represents an amount of AED 501.4 million (31 December 2023: AED 210.8 million). The objective of the majority of these hedges is to reduce fluctuations from interest rate risk, and is consistent with the overall interest rate risk management strategy of NBF.

The following table shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments:

Hedging instrument

2024 AED'000	Assets	Liabilities	Notional
Derivatives held as cash flow hedges			
Interest rate swaps	565	-	501,418
Total derivative financial instruments	**565**	**-**	**501,418**

2023 AED'000	Assets	Liabilities	Notional
Derivatives held as cash flow hedges			
Interest rate swaps	-	1,230	210,835
Total derivative financial instruments	**-**	**1,230**	**210,835**

(f) Operational risk

Operational risk is the risk of direct or indirect loss 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 of the Group's operations and are faced by all business entities. Potential loss may be in the form of financial loss or other damages, for example loss of reputation and public confidence that will impact the Group's credibility and ability to do business.

The Group's objective in managing operational risk is to balance avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness.

The Group has defined policies and procedures which are followed to manage operational risk through the Operational Risk Committee (ORC). Compliance with Group standards is supported by a programme of periodic risk and internal control assessments and reviews undertaken by Internal Audit, Operational Risk and Compliance. The results of reviews are discussed with the businesses and functional units to which they relate and regular reports are provided to the Internal Audit, MRC, Board Risk and Sustainability Committee (BRSC) and the Board.

The regulatory risk capital charge allocation with respect to Operational Risk is computed based on the Standardized Approach. However, the Bank, as part of the ICAAP, computes the risk capital charge allocation for Pillar 2 risks related to residual risk, settlement risk, reputational risk, cyber risk, Shari'ah non-compliance risk, money laundering risk, strategic risk, model risk and legal and compliance risk through an internally designed but externally independently validated scorecard approach which encompasses a broad range of best industry practices including the regulatory requirements and guidance issued from time to time, locally and internationally.

(g) Management of capital

The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements. The requirements of capital for subsidiaries, NBF Financial Services FZC and NBF Markets (Cayman) Limited, are determined by the Free Zone Authority of Fujairah and Cayman Island Government General Registry respectively.

5. Financial risk management (continued)
(g) Management of capital (continued)

The Group's objectives and strategy when managing capital are:

- To safeguard the Group's ability to continue as a going concern and to increase returns for shareholders;
- To maintain adequate level and achieve an optimum structure for the Group's capital commensurate to its strategy, risk profile and relative positioning in the market;
- To comply with regulatory capital requirements set by the Central Bank of the UAE;
- To efficiently allocate capital to various businesses leading to enhanced shareholder value and optimal risk reward;
- To ensure effective internal organisation and processes and to assess and manage material risks on an ongoing basis; and
- To provide for any unforeseen losses.

The Group's capital management is carried out centrally and determines the level of risk-weighted asset growth and the optimal amount and mix of capital required to support planned business growth.

The Group and its subsidiaries have complied with all regulatory capital requirements throughout the year.

In implementing capital requirements, the Group calculates its capital adequacy ratio in accordance with the 'Capital Adequacy Regulations' issued by the Central Bank of the UAE. The Central Bank of the UAE introduced the implementation of Basel III reporting which the Group has adopted and has also developed and implemented risk management measurement tools and robust practices to become a Basel III compliant bank. The Central Bank of the UAE places considerable emphasis on the ICAAP and the Group has developed an economic capital model to comply with the Central Bank of the UAE requirements.

Regulatory Capital

The Bank's risk weighted assets (RWA) are weighted on the basis of relative credit, market, and operational risks. Credit risk includes both on and off-balance sheet risks. In accordance with the Basel III Compliance – Standardized Approach, the Bank is following the standardized measurement approach for credit, market and operational risk, under the existing Pillar 1 of Basel III requirements with the addition of the respective changes pertinent to capital supply.

The quantitative requirements, based on the regulations / guidelines, have been detailed below:

(i) Total regulatory capital (net of regulatory adjustments) – at least 10.5% of risk weighted assets (RWA) – comprises of two tiers:

a. Tier 1 capital – at least 8.5% of RWA, composed of:

- Common equity Tier 1 (CET1) – at least 7.0% of RWA; and
- Additional Tier 1 (AT1).

Common equity Tier 1 (CET1) includes ordinary share capital, statutory reserve, special reserve, retained earnings and fair value reserves relating to unrealized gains on investments classified as FVOCI / available-for-sale with a hair-cut of 55%; and Additional Tier 1 (AT1) comprises of Tier 1 capital securities.

b. Tier 2 capital

It includes collective impairment provision and sub-ordinated facilities. Collective impairment provision, including impairment reserve general, shall not exceed 1.25% of total credit risk weighted assets.

(ii) Banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWA in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWA.

Minimum transitional arrangements as per Central Bank of the UAE

Capital element	Basel III 2024	Basel III 2023
Minimum common equity tier 1 ratio	7.0%	7.0%
Minimum tier 1 capital ratio	8.5%	8.5%
Minimum capital adequacy ratio	10.5%	10.5%
Capital conservation buffer	2.5%	2.5%

Capital Stress Testing:

The Group carried out and submitted to the Central Bank of the UAE stress testing exercise in accordance with the macroeconomic and business scenarios prescribed by the Central Bank of the UAE through its related guidelines. The results also included the mitigation plan / management action in response to the impact of the stress scenario on the capital adequacy of the Group. The Group passed the Central Bank of the UAE stress test.

The stress testing exercise achieves the following objectives:

- It provides a forward looking assessment of risk under a stressed scenario;
- It assesses the impact of various Macroeconomic Variables for UAE markets;
- It elaborates the methodologies, and the assumptions undertaken in the process;
- It assists the Group in shaping its strategy, by gauging the capital impact due to stress scenarios;
- It enables the Group to assess extreme risk scenarios, along with contingency plan for such events; and
- It reports results to the senior management and the Board of Directors for their review and approval to facilitate contingency planning.

Capital Allocation:

- The Group also assesses internally its capital requirements taking into consideration its growth requirements and business plans, and quantifies its regulatory and risk/economic capital requirements within its integrated ICAAP Framework. Risks such as residual risk, concentration risk, liquidity risk, interest rate risk in banking book (IRRBB), settlement risk, reputational risk, strategic risk, and cyber risk form part of ICAAP quantification.
- The Group also calculates Risk Adjusted Return on Capital (ROC) for credit applications that are priced on a risk-adjusted basis.

	2024 AED'000	2023 AED'000
CET1 capital		
Share capital	2,580,412	2,120,000
Statutory reserve	1,709,784	1,054,121
Special reserve	764,977	679,967
Retained earnings	1,380,308	1,201,790
IFRS 9 transitional arrangement – ECL (stage 1 and 2) impact	30,114	84,406
Accumulated other comprehensive income	14,909	5,930
Regulatory deductions - intangibles	(199,423)	(144,713)
CET1 total	**6,281,081**	**5,001,501**
Additional Tier 1 (AT1) Capital		
AT1 capital securities (note 19)	-	1,285,550
Total Tier 1	**6,281,081**	**6,287,051**
Tier 2 Capital		
Collective impairment provision	454,807	396,045
Total Tier 2	**454,807**	**396,045**
Total capital base (a)	**6,735,888**	**6,683,096**

Risk weighted assets	2024 Risk-weighted equivalent AED'000	2023 Risk-weighted equivalent AED'000
Credit risk	36,384,556	31,683,618
Market risk	40,002	64,748
Operational risk	4,178,045	3,504,166
Total risk weighted assets (b)	**40,602,603**	**35,252,532**
Capital adequacy ratio (a) / (b)	**16.6%**	**19.0%**
Tier 1 ratio	**15.5%**	**17.8%**
Common equity Tier 1 ratio (CET 1)	**15.5%**	**14.2%**

5. Financial risk management (continued)
(g) Management of capital (continued)

The Group prepares an ICAAP report and submits to the Central Bank of the UAE on an annual basis. The Group's ICAAP report includes assessment and review of the following, keeping in mind a forward-looking approach:

- Risk management framework to assess, measure, monitor and control all the material elements of risks;
- Risk profile and business strategy;
- Capital required to cover all material risks;
- Stress testing risks to assess capital requirement under stressed conditions; and
- Capital planning and budgeting.

Apart from credit, market and operational risk covered in Pillar 1, the ICAAP report covers other material risks such as residual risk, concentration risk, liquidity risk, interest rate risk in banking book (IRRBB), settlement risk, reputational risk, strategic risk, and cyber risk. ICAAP Stress Testing details, assumptions, methodology and results are documented in a separate stress testing manual that covers all aforementioned Pillar 1 and Pillar 2 risks.

Risk weights for credit risk

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the approach mentioned under the Central Bank of the UAE Basel III Capital Adequacy Framework covering the Standardized Approach for credit risk. The descriptions of the counterparty classes along with the risk weights used to derive the risk weighted assets are as follows:

Claims on sovereigns

These pertain to exposures to governments and their central banks. Claims on central banks and sovereigns are risk weighted in accordance with their ratings from acceptable ECAIs, except that, for all GCC sovereigns a 0% weight has been applied.

Claims on public sector entities (PSEs)

Domestic currency claims on GCC non-commercial PSE are treated as claims on GCC sovereigns if their Central Bank or monetary authority treats them as such. Foreign currency claims on GCC PSE are treated one grade less favourable than its sovereign i.e. 20% risk weight are applied.

Claims on other foreign non-commercial PSE are treated one grade less favourable than its sovereign. Claims on commercial PSE are treated as claims on corporate.

Claims on multilateral development banks (MDBs)

All MDBs are risk weighted in accordance with the respective credit rating except for those members listed in the World Bank Group which are risk weighted at 0%.

Claims on banks

Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims denominated in local currency are assigned more favourable risk weighting.

Claims on corporate portfolio

Claims on corporates are risk weighted in accordance with ratings from acceptable ECAIs. Risk weightings for unrated corporate claims are assigned at 100%.

Claims on regulatory retail exposures

Retail claims that are included in the regulatory retail portfolio are assigned risk weights of 75%, if it meets the criteria mentioned in the Central Bank of the UAE guidelines. Claims which do not meet the criteria are assigned risk weights of 100%.

Claims secured by residential property

A preferential risk weight of 35% is applied on claims that do not exceed AED 10 million and are secured by residential property with Loan-to-Value (LTV) of up to 85%. Other claims secured on residential property are risk weighted at 100%.

Claims secured by commercial property

100% risk weight is applied on claims secured by commercial property.

Past due exposures

The unsecured portion of any loan and financing (other than a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions (including partial write-offs), is risk weighted as follows:

- 150% risk weight where specific provisions are less than 20% of the outstanding amount of the loan and financing; and
- 100% risk weight where specific provisions are equal to or greater than 20% of the outstanding amount of the loan and financing.

Equity portfolios

Equity in banking book is risk weighted at 150%.

Other exposures

These are risk weighted at 100%.

Credit risk and risk weights

2024 AED'000	On & off balance sheet gross outstanding	Credit risk mitigation (CRM)		On & off balance sheet net exposure after credit conversion factor (CCF)	Risk-weighted assets
		Exposure before CRM	CRM		
Claims on sovereigns	16,315,777	16,315,777	-	16,315,777	92,495
Claims on PSEs, GREs and Corporates	35,620,132	35,620,132	5,285,755	26,588,063	25,022,454
Claims on Banks and Multi Lateral Development Banks	11,062,112	10,683,749	-	11,009,790	4,984,092
Regulatory retail exposures	1,067,924	873,451	158,176	715,275	536,456
Residential retail portfolio	4,069,885	4,069,885	-	4,069,885	2,278,409
Commercial real estate	2,089,572	2,089,572	-	2,089,572	2,089,572
Past due exposures	2,199,535	341,711	12,446	329,535	409,286
Higher-risk categories	1,511	1,511	-	1,511	2,267
Credit valuation adjustment (CVA) risk	131,095	131,095	-	131,095	131,095
Other exposures	1,165,696	1,154,896	-	1,154,896	838,430
Total	**73,723,239**	**71,281,779**	**5,456,377**	**62,405,399**	**36,384,556**

2023 AED'000	On & off balance sheet gross outstanding	Credit risk mitigation (CRM)		On & off balance sheet net exposure after credit conversion factor (CCF)	Risk-weighted assets
		Exposure before CRM	CRM		
Claims on sovereigns	12,766,311	12,766,311	-	12,766,311	52,669
Claims on PSEs, GREs and Corporates	31,772,451	31,772,451	4,497,999	24,294,766	22,608,635
Claims on Banks and Multi Lateral Development Banks	8,859,187	8,539,648	-	8,820,994	3,874,379
Regulatory retail exposures	899,023	779,508	53,023	725,770	544,524
Residential retail portfolio	3,415,470	3,415,470	-	3,415,470	2,010,716
Commercial real estate	1,063,034	1,063,034	-	1,063,034	1,063,034
Past due exposures	1,914,570	473,271	23,527	450,071	520,350
Higher-risk categories	1,926	1,926	-	1,926	2,889
Credit valuation adjustment (CVA) risk	124,146	124,146	-	124,146	124,146
Other exposures	1,295,471	1,284,671	-	1,284,671	882,276
Total	**62,111,589**	**60,220,436**	**4,574,549**	**52,947,159**	**31,683,618**

Unutilized credit limits which are revocable at the discretion of the Bank amount to AED 17,214.5 million (2023: AED 16,413.8 million).

The external rating of ECAI is mapped to the prescribed credit quality assessment scale that in turn produces standard risk weightings. The Group uses Credit Risk Mitigation techniques (CRM) whereby only cash and bank guarantees are used in the calculation of Pillar 1 Capital requirements.

5. Financial risk management (continued)
(g) Management of capital (continued)

Market risk and risk weights

The Group's capital charge, in respect of market risk in accordance with the Standardized methodology, is as follows:

	2024 AED'000	2023 AED'000
Interest rate risk		
- Specific interest rate risk	-	248
- General interest rate risk	-	-
Equity position risk		
- General equity exposure risk	-	-
Foreign exchange risk	4,167	6,550
Option risk	33	-
Total market risk capital charge	**4,200**	**6,799**
Market risk – risk weighted assets	**40,002**	**64,748**

In line with the Basel Accord, investments designated as fair value through profit or loss form part of the banking book rather than the trading book. Accordingly, the designated investment portfolio has been covered under credit risk.

Operational risk and risk weights

The capital requirement for operational risk is calculated using the Standardized Approach. The total capital charge is calculated by multiplying the specified eight business lines' three (3) – year average net interest income and net income from Islamic financing and investment activities and net non-interest income by a percentage (beta) assigned to each of the business lines. The beta factors range from 12% to 18%, as specified in the Basel Accord.

In line with the CBUAE Directive effective from Q1 2024 reporting, the operational risk weighted assets for the capital calculation shall be updated on a quarterly basis, which was implemented by NBF Group. This has reduced the noticeable year-end capital ratio fluctuation brought on by operational risk weighted assets updating.

6. Assets and liabilities

6.1 Classification and measurement

The fair values and carrying values of the financial assets and liabilities (financial and non-financial) at 31 December 2024 and 2023 are as follows:

2024 AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total
Assets				
Cash and balances with the Central Bank of the UAE	-	-	14,391,244	**14,391,244**
Due from banks and financial institutions	-	-	2,229,905	**2,229,905**
Investments and Islamic instruments	432	3,261,746	6,183,631	**9,445,809**
Loans and advances and islamic financing receivables	-	-	32,392,174	**32,392,174**
Acceptances and other assets	-	-	1,842,124	**1,842,124**
Property and equipment and intangibles	-	-	577,812	**577,812**
Total assets	**432**	**3,261,746**	**57,616,890**	**60,879,068**
Liabilities				
Due to banks	-	-	1,043,520	**1,043,520**
Customer deposits and Islamic customer deposits	-	-	45,757,020	**45,757,020**
Repurchase agreements	-	-	3,527,962	**3,527,962**
Term borrowings	-	-	808,060	**808,060**
Acceptances and other liabilities	-	-	2,886,831	**2,886,831**
Total liabilities	**-**	**-**	**54,023,393**	**54,023,393**

2023 AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total
Assets				
Cash and balances with the Central Bank of the UAE	-	-	11,456,782	**11,456,782**
Due from banks and financial institutions	-	-	2,101,500	**2,101,500**
Investments and Islamic instruments	19,211	3,011,240	5,112,153	**8,142,604**
Loans and advances and islamic financing receivables	-	-	27,903,695	**27,903,695**
Acceptances and other assets	-	-	1,597,663	**1,597,663**
Property and equipment and intangibles	-	-	517,572	**517,572**
Total assets	**19,211**	**3,011,240**	**48,689,365**	**51,719,816**
Liabilities				
Due to banks	-	-	1,137,077	**1,137,077**
Customer deposits and Islamic customer deposits	-	-	38,572,006	**38,572,006**
Repurchase agreements	-	-	2,501,332	**2,501,332**
Term borrowings	-	-	550,950	**550,950**
Acceptances and other liabilities	-	-	2,391,845	**2,391,845**
Total liabilities	**-**	**-**	**45,153,210**	**45,153,210**

Fair value of investments and Islamic instruments measured at amortised cost amounted to AED 6,075.6 million (2023: AED 4,992.4 million). Management considers that the carrying amounts of all other financial assets and financial liabilities measured at amortised cost in these consolidated financial statements approximate their fair values.

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

6.2 Fair value measurement – fair value hierarchy:

2024 AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuks	2,658,865	2,658,865	-	-
Other investments	611,775	610,263	1,512	-
Forward foreign exchange contracts	21,591,701	-	5,040	-
Currency options	1,731,652	-	25	-
Interest rate derivatives	3,111,350	-	5,491	-
Commodity derivatives	437,239	-	513	-

2023 AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuks	2,416,329	2,416,329	-	-
Other investments	621,634	619,708	1,926	-
Forward foreign exchange contracts	15,524,317	-	29,642	-
Currency options	2,686,291	-	-	-
Interest rate derivatives	2,779,644	-	6,810	-
Commodity derivatives	858,908	-	3,008	-

6. Assets and liabilities (continued)

	Fair value (FV) hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to FV
Debt securities / Islamic sukuks and other investments	Level 1	Quoted bid prices in active market	None	Not applicable
Other investments	Level 2	Quoted prices in secondary market	None	Not applicable
Derivatives	Level 2	Observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices)	None	Not applicable

During the year, there were no transfers between Level 1 and Level 2. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments. Please refer note 4 for details.

7. Cash and balances with the Central Bank of the UAE

AED'000	2024	2023
Cash on hand	316,466	341,873
Certificates of Deposit (CDs) with the Central Bank of the UAE	11,307,530	9,034,676
Regulatory cash reserve deposit	2,767,248	2,080,233
	14,391,244	**11,456,782**

8. Due from banks and financial institutions

8.1 By type

AED'000	2024	2023
Placements	606,045	741,235
Current accounts / term deposits	823,596	944,766
Bills discounted	805,565	420,000
	2,235,206	**2,106,001**
Less: Allowances for impairment (ECL) (note 12)	(5,301)	(4,501)
	2,229,905	**2,101,500**

Placements include a Wakala placement amounting to AED nil million (2023: AED 98.5 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

Current accounts / term deposits include cash collateral of AED 8.3 million (2023: AED 36.4 million) in respect of negative fair value of derivatives, in accordance with the agreements with interbank counterparties.

Bills discounted represent bank risk discounting portfolio to support customers' trade business.

8.2 By currency

AED'000	2024	2023
AED	197,590	220,544
USD	1,763,064	1,600,693
EUR	53,517	43,624
GBP	16,975	8,399
XAU	33,389	25,010
Others	170,671	207,731
	2,235,206	**2,106,001**
Less: Allowances for impairment (ECL) (note 12)	(5,301)	(4,501)
	2,229,905	**2,101,500**

8.3 By geographical area

AED'000	2024	2023
UAE	386,913	215,745
GCC	446,194	675,128
Europe	441,413	454,826
Americas	476,246	577,221
Others	484,440	183,081
	2,235,206	**2,106,001**
Less: Allowances for impairment (ECL) (note 12)	(5,301)	(4,501)
	2,229,905	**2,101,500**

The dispersion of due from banks and financial institutions portfolio based on the redistribution of risk is set out below:

AED'000	2024	2023
UAE	444,218	203,893
GCC	409,531	655,792
Europe	701,935	804,553
Americas	274,523	198,443
Others	404,999	243,320
	2,235,206	**2,106,001**
Less: Allowances for impairment (ECL) (note 12)	(5,301)	(4,501)
	2,229,905	**2,101,500**

8.4 Based on external credit ratings:

AED'000	2024	2023
AAA	110,190	-
AA	2,472	627
AA–	31,824	33,578
A+	265,484	35,930
A	876,166	1,197,784
BBB+	396,658	593,770
BBB	10,326	3,981
BBB– and below	542,086	240,331
	2,235,206	**2,106,001**
Less: Allowances for impairment (ECL) (note 12)	(5,301)	(4,501)
	2,229,905	**2,101,500**

8.5 Due from banks and financial institutions Stage-wise analysis

The following table contains an analysis of the credit risk exposure of due from banks and financial institutions. The gross carrying amount of due from banks and financial institutions, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

2024 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,253,905	-	-	**2,253,905**
Allowances for impairment (ECL) (note 12)	(5,301)	-	-	**(5,301)**
Carrying amount	**2,248,604**	**-**	**-**	**2,248,604**

2023 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,130,149	-	-	**2,130,149**
Allowances for impairment (ECL) (note 12)	(4,501)	-	-	**(4,501)**
Carrying amount	**2,125,648**	**-**	**-**	**2,125,648**

8. Due from banks and financial institutions (continued)

Due from banks and financial institutions were in stage 1 throughout the year. Accordingly, there have been no significant movements between stages in respect of these financial assets.

9. Investments and Islamic instruments

AED'000	2024	2023
Investments at fair value through profit or loss (FVTPL) (note 9.1)	**432**	**19,211**
Investments at fair value through other comprehensive income (FVOCI)		
Debt securities / Islamic sukuks (note 9.2)	2,658,865	2,416,329
Other investments / Islamic instruments (note 9.3)	611,343	602,423
	3,270,208	**3,018,752**
Less: Allowances for impairment (ECL) (note 12)	(8,462)	(7,512)
Investments at fair value through other comprehensive income (FVOCI)	**3,261,746**	**3,011,240**
Investments - fair value	**3,262,178**	**3,030,451**
Investments measured at amortised cost		
Debt securities / Islamic sukuks (note 9.2)	6,197,900	5,125,292
Less: Allowances for impairment (ECL) (note 12)	(14,269)	(13,139)
Investments measured at amortised cost	**6,183,631**	**5,112,153**
	9,445,809	**8,142,604**

9.1 Investments at FVTPL include various funds whose fair values are based on the net asset values provided by the fund managers.

9.2 Debt securities aggregating AED 8,621.8 million (2023: AED 7,426.2 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices of which are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions. The debt securities portfolio includes floating rate securities amounting to AED 235.9 million (2023: AED 363.5 million).

Debt securities portfolio include Islamic sukuks amounting to AED 1,076.0 million (2023: AED 802.0 million).

Debt securities portfolio include additional tier 1 perpetual bonds of AED 194.6 million (2023: AED 115.4 million).

9.3 Other investments include various funds whose fair values are based on the net asset values provided by the fund managers, amounting to AED 610.3 million (2023: AED 601.3 million). No shares were purchased by the Bank during the year (2023: nil).

9.4 The dispersion of the investment portfolio is as follows:

AED'000	2024	2023
Government	3,059,622	2,504,677
Banks and financial institutions	5,797,143	5,036,943
Others	611,775	621,635
	9,468,540	**8,163,255**
Less: Allowances for impairment (ECL) (note 12)	(22,731)	(20,651)
	9,445,809	**8,142,604**

9.5 By geographical area:

AED'000	2024	2023
UAE	2,201,665	1,775,655
GCC	726,665	428,432
Europe	2,919,303	2,792,769
Americas	2,552,487	2,155,824
Others	1,068,420	1,010,575
	9,468,540	**8,163,255**
Less: Allowances for impairment (ECL) (note 12)	(22,731)	(20,651)
	9,445,809	**8,142,604**

The dispersion of investment portfolio based on the redistribution of risk is set out below:

AED'000	2024	2023
UAE	2,575,940	2,054,099
GCC	1,092,094	620,675
Europe	2,726,974	2,546,534
Americas	1,652,635	1,523,438
Others	1,420,897	1,418,509
	9,468,540	**8,163,255**
Less: Allowances for impairment (ECL) (note 12)	(22,731)	(20,651)
	9,445,809	**8,142,604**

Others include investments in multilateral development banks amounting to AED 348.2 million (2023: AED 403.4 million).

9.6 By currency:

AED'000	2024	2023
AED	232,185	260,957
USD	9,078,028	7,752,690
EUR	94,537	97,490
SGD	40,390	-
JPY	23,400	52,118
	9,468,540	**8,163,255**
Less: Allowances for impairment (ECL) (note 12)	(22,731)	(20,651)
	9,445,809	**8,142,604**

9.7 Based on external credit rating:

2024 AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	129,133	-	**129,133**
AA	1,612,048	-	**1,612,048**
AA-	657,572	-	**657,572**
A+	684,256	117,887	**802,143**
A	578,512	492,376	**1,070,888**
A-	2,158,700	-	**2,158,700**
BBB+	2,297,044	-	**2,297,044**
BBB	417,471	-	**417,471**
BBB- and below	322,029	1,512	**323,541**
Less: Allowances for impairment (ECL) (note 12)	(19,907)	(2,824)	**(22,731)**
	8,836,858	**608,951**	**9,445,809**

9. Investments and Islamic instruments (continued)

2023 AED'000	Debt securities / Islamic sukuks	Other investments	Total
AAA	70,884	-	**70,884**
AA	1,021,790	-	**1,021,790**
AA-	973,026	-	**973,026**
A+	201,283	113,476	**314,759**
A	637,739	482,374	**1,120,113**
A-	1,880,907	-	**1,880,907**
BBB+	2,080,158	-	**2,080,158**
BBB	416,574	-	**416,574**
BBB- and below	259,260	25,784	**285,044**
Less: Allowances for impairment (ECL) (note 12)	(18,303)	(2,348)	**(20,651)**
	7,523,318	**619,286**	**8,142,604**

BBB- and below rating investments include unrated issuances by Government related entities.

9.8 Debt investments and Islamic instruments stage-wise analysis

The following table contains an analysis of the credit risk exposure of debt investments and Islamic instruments. The gross carrying amount of debt investments and Islamic instruments, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

2024 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	9,467,028	-	-	**9,467,028**
Allowances for impairment (ECL) (note 12)	(22,731)	-	-	**(22,731)**
Carrying amount	**9,444,297**	**-**	**-**	**9,444,297**

2023 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	8,137,470	-	-	**8,137,470**
Allowances for impairment (ECL) (note 12)	(20,651)	-	-	**(20,651)**
Carrying amount	**8,116,819**	**-**	**-**	**8,116,819**

Debt investments and Islamic instruments are in stage 1 throughout the year. Accordingly, there have been no significant movements between stages in respect of these financial assets.

10. Loans and advances and Islamic financing receivables

10.1 By type:

AED'000	2024	2023
Overdrafts	1,758,637	1,988,396
Term loans	26,276,878	21,003,661
Loans against trust receipts	4,309,984	4,039,170
Bills discounted	1,869,600	2,195,592
Bills drawn under letters of credit	287,115	409,931
Gross loans and advances and Islamic financing receivables	**34,502,214**	**29,636,750**
Allowances for impairment losses (ECL) (note 12)	(2,110,040)	(1,733,055)
Net loans and advances and Islamic financing receivables	**32,392,174**	**27,903,695**

10.2 Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to AED 4,474.4 million (2023: AED 3,993.7 million) provided through a Shari'ah compliant Islamic window, NBF Islamic.

10.3 Loans and advances and Islamic financing receivables stage-wise analysis

The following table contains an analysis of the credit risk exposure of loans and advances and Islamic receivables. The gross carrying amount of loans and advances and Islamic receivables, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

2024 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	31,203,824	1,807,164	1,976,030	**34,987,018**
Allowances for impairment (ECL) (note 12)	(248,990)	(336,035)	(1,525,015)	**(2,110,040)**
Carrying amount	**30,954,834**	**1,471,129**	**451,015**	**32,876,978**

2023 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	26,259,891	2,207,549	1,679,876	**30,147,316**
Allowances for impairment (ECL) (note 12)	(188,434)	(458,984)	(1,085,637)	**(1,733,055)**
Carrying amount	**26,071,457**	**1,748,565**	**594,239**	**28,414,261**

10.4 Movement in the gross balance of loans and advances and Islamic financing receivables:

Outstanding Balance AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2023	**26,259,891**	**2,207,549**	**1,679,876**	**30,147,316**
Transferred from Stage 1	(593,516)	477,796	115,720	**-**
Transferred from Stage 2	189,542	(413,249)	223,707	**-**
Transferred from Stage 3	-	981	(981)	**-**
Other changes in underlying portfolios during the year	5,347,907	(465,913)	251,156	**5,133,150**
Written-off during the year	-	-	(293,448)	**(293,448)**
Gross carrying amount – 31 December 2024	**31,203,824**	**1,807,164**	**1,976,030**	**34,987,018**

Outstanding Balance AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2022	**24,863,960**	**2,317,638**	**2,430,987**	**29,612,585**
Transferred from Stage 1	(561,449)	348,752	212,697	**-**
Transferred from Stage 2	176,792	(519,264)	342,472	**-**
Transferred from Stage 3	-	126,212	(126,212)	**-**
Other changes in underlying portfolios during the year	1,780,588	(65,789)	(212,496)	**1,502,303**
Written-off during the year	-	-	(967,572)	**(967,572)**
Gross carrying amount – 31 December 2023	**26,259,891**	**2,207,549**	**1,679,876**	**30,147,316**

10.5 Movement in the provision for impairment of loans and advances and Islamic financing receivables

ECL AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2023	**188,434**	**458,984**	**1,085,637**	**1,733,055**
Transferred from Stage 1	(8,084)	28,336	80,217	**100,469**
Transferred from Stage 2	5,184	(62,952)	138,479	**80,711**
Transferred from Stage 3	-	87	(582)	**(495)**
Originated / (derecognised) during the year including changes in PDs / LGDs / EADs	63,456	(88,420)	514,712	**489,748**
Net allowance for impairment losses	**60,556**	**(122,949)**	**732,826**	**670,433**
Written-off during the year	-	-	(293,448)	**(293,448)**
ECL allowance – 31 December 2024	**248,990**	**336,035**	**1,525,015**	**2,110,040**

ECL AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2022	**233,100**	**440,294**	**1,348,841**	**2,022,235**
Transferred from Stage 1	(13,117)	27,782	123,126	**137,791**
Transferred from Stage 2	2,968	(45,215)	163,678	**121,431**
Transferred from Stage 3	-	480	(18,920)	**(18,440)**
Originated / (derecognised) during the year including changes in PDs / LGDs / EADs	(34,517)	35,643	436,484	**437,610**
Net allowance for impairment losses	**(44,666)**	**18,690**	**704,368**	**678,392**
Written-off during the year	-	-	(967,572)	**(967,572)**
ECL allowance - 31 December 2023	**188,434**	**458,984**	**1,085,637**	**1,733,055**

11. Contingent liabilities and commitments

Contingent liabilities represent credit related commitments under letters of credit and guarantees which are designed to meet the requirements of the Group's customers towards third parties. Commitments represent credit facilities and other capital expenditure commitments of the Group which are undrawn at the date of consolidated statement of financial position. All credit related commitments are unconditionally cancellable / revocable at the discretion of the Group except for the amounts mentioned in the following table:

AED'000	2024	2023
Contingent liabilities:		
Letters of credit covering movement of goods	1,783,426	1,527,712
Financial guarantees and other direct credit substitutes	898,774	928,336
Bid bonds, performance bonds and other transaction related contingencies	6,463,495	4,870,723
	9,145,695	**7,326,771**
Commitments:		
Undrawn irrevocable commitments – credit related	328,770	238,903
Commitments for future capital expenditure	138,014	125,649
	466,784	**364,552**
	9,612,479	**7,691,323**

The total undrawn commitments which are revocable at the discretion of the Bank amount to AED 17,214.5 million (2023: AED 16,413.8 million). Many of the contingent liabilities and commitments will expire without being funded in whole or in part. Therefore, the amounts do not necessarily represent expected future cash flows.

11.1 Off balance sheet exposures stage-wise analysis:

The following table contains an analysis of the credit risk of relevant off balance sheet exposures and the related ECL. The gross carrying amount of off balance sheet exposures below represents the Group's maximum exposure to credit risk on these assets:

2024 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	8,506,912	173,075	167,799	**8,847,786**
Allowances for impairment (ECL) (note 12)	(28,118)	(5,281)	(121,166)	**(154,565)**
Carrying amount	**8,478,794**	**167,794**	**46,633**	**8,693,221**

2023 AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	6,690,731	226,462	163,555	**7,080,748**
Allowances for impairment (ECL) (note 12)	(19,986)	(2,943)	(117,630)	**(140,559)**
Carrying amount	**6,670,745**	**223,519**	**45,925**	**6,940,189**

11.2 Movement in the gross balance of off–balance sheet exposures

Outstanding balance AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2023	**6,690,731**	**226,462**	**163,555**	**7,080,748**
Transferred from Stage 1	(30,985)	29,428	1,557	**-**
Transferred from Stage 2	12,852	(26,489)	13,637	**-**
Transferred from Stage 3	-	-	-	**-**
Originated / (expired) during the year	1,834,314	(56,326)	(10,950)	**1,767,038**
Written-off during the year	-	-	-	**-**
Gross carrying amount - 31 December 2024	**8,506,912**	**173,075**	**167,799**	**8,847,786**

Outstanding balance AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2022	**5,820,222**	**186,595**	**154,197**	**6,161,014**
Transferred from Stage 1	(137,818)	119,756	18,062	**-**
Transferred from Stage 2	6,929	(53,317)	46,388	**-**
Transferred from Stage 3	-	-	-	**-**
Originated / (expired) during the year	1,001,398	(26,572)	(55,092)	**919,734**
Written-off during the year	-	-	-	**-**
Gross carrying amount - 31 December 2023	**6,690,731**	**226,462**	**163,555**	**7,080,748**

11. Contingent liabilities and commitments (continued)

11.3 Movement in the provision for impairment of off–balance sheet exposures

ECL AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowances - 31 December 2023	**19,986**	**2,943**	**117,630**	**140,559**
Transferred from Stage 1	(200)	312	1,172	**1,284**
Transferred from Stage 2	90	(238)	11,493	**11,345**
Transferred from Stage 3	-	-	-	**-**
Originated / expired during the year including changes in PDs / LGDs / EADs	8,242	2,264	(9,129)	**1,377**
Net allowance for impairment losses	**8,132**	**2,338**	**3,536**	**14,006**
Written-off during the year	-	-	-	**-**
ECL allowance – 31 December 2024	**28,118**	**5,281**	**121,166**	**154,565**

ECL AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2022	**19,364**	**5,684**	**75,561**	**100,609**
Transferred from Stage 1	(673)	1,079	14,753	**15,159**
Transferred from Stage 2	47	(402)	29,534	**29,179**
Transferred from Stage 3	-	-	-	**-**
Originated / expired during the year including changes in PDs / LGDs / EADs	1,248	(3,418)	(2,218)	**(4,388)**
Net allowance for impairment losses	**622**	**(2,741)**	**42,069**	**39,950**
Written-off during the year	-	-	-	**-**
ECL allowances – 31 December 2023	**19,986**	**2,943**	**117,630**	**140,559**

The provision for ECL against the off-balance sheet exposures disclosed above is classified under other liabilities.

12. Stage-wise ECL

The analysis of ECL by stage for loans and advances and Islamic financing receivables, due from banks and financial institutions, debt investments and Islamic instruments, acceptances and other assets and off-balance sheet items is as follows:

2024 AED'000	Loans and advances and Islamic financing receivables	Due from banks and financial institutions	Investments and Islamic instruments	Acceptances and other assets	Off-balance sheet exposures	Total	ECL rate
Stage 3	**1,525,015**	**-**	**-**	**12,832**	**121,166**	**1,659,013**	**76.9%**
Stage 2	336,035	-	-	59	5,281	**341,375**	**17.2%**
Stage 1	248,990	5,301	22,731	2,442	28,118	**307,582**	**0.6%**
	585,025	**5,301**	**22,731**	**2,501**	**33,399**	**648,957**	
Total ECL	**2,110,040**	**5,301**	**22,731**	**15,333**	**154,565**	**2,307,970**	**4.1%**
ECL rate	**6.0%**	**0.2%**	**0.2%**	**1.2%**	**1.7%**		

2023 AED'000	Loans and advances and Islamic financing receivables	Due from banks and financial institutions	Investments and Islamic instruments	Acceptances and other assets	Off-balance sheet exposures	Total	ECL rate
Stage 3	**1,085,637**	**-**	**-**	**10,800**	**117,630**	**1,214,067**	**65.5%**
Stage 2	458,984	-	-	39	2,943	**461,966**	**18.9%**
Stage 1	188,434	4,501	20,651	1,774	19,986	**235,346**	**0.5%**
	647,418	**4,501**	**20,651**	**1,813**	**22,929**	**697,312**	
Total ECL	**1,733,055**	**4,501**	**20,651**	**12,613**	**140,559**	**1,911,379**	**3.9%**
ECL rate	**5.7%**	**0.2%**	**0.3%**	**1.2%**	**2.0%**		

13. Other assets

AED'000	2024	2023
Accrued interest / profit	317,835	319,604
Prepayments and deposits	13,909	17,311
Fair value of derivatives	90,138	122,037
Others (note 13.1)	128,910	74,854
Allowances for impairment (ECL) (note 12)	(10,800)	(10,800)
	539,992	**523,006**

13.1 Includes margin balances of AED 67.8 million maintained for foreign exchange and commodities trading purposes; and re-possessed mortgage properties amounting to AED 10.8 million (2023: AED 10.8 million) which have been adjusted against the outstanding receivables. These have been fully provisioned for the year ended 31 December 2024.

14. Property, equipment and intangibles

AED'000	Freehold land	Buildngs & leasehold improvements	Motor vehicles, furniture & equipment	Total	Intangibles
Cost					
At 1 January 2023	**113,666**	**188,386**	**145,505**	**447,557**	**183,152**
Additions	10,000	3,372	9,587	**22,959**	62,100
Disposals / others	-	1,738	(1,016)	**722**	**-**
At 31 December 2023	**123,666**	**193,496**	**154,076**	**471,238**	**245,252**
At 1 January 2024	**123,666**	**193,496**	**154,076**	**471,238**	**245,252**
Additions	-	6,517	27,504	**34,021**	38,965
Disposals / others	-	(9,064)	(666)	**(9,730)**	-
At 31 December 2024	**123,666**	**190,949**	**180,914**	**495,529**	**284,217**
Accumulated depreciation and amortisation					
At 1 January 2023	**-**	**127,495**	**121,208**	**248,703**	**133,419**
Charge for the year	-	9,667	10,403	**20,070**	14,064
On disposals / others	-	-	(1,016)	**(1.016)**	**-**
At 31 December 2023	**-**	**137,162**	**130,595**	**267,757**	**147,483**
At 1 January 2024	**-**	**137,162**	**130,595**	**267,757**	**147,483**
Charge for the year	-	21,714	11,733	**33,447**	21,105
On disposals / others	-	(23,221)	(512)	**(23,733)**	-
At 31 December 2024	**-**	**135,655**	**141,816**	**277,471**	**168,588**
Net book value					
At 31 December 2024	**123,666**	**55,294**	**39,098**	**218,058**	**115,629**
Capital work-in-progress	-	20,697	139,634	**160,331**	**83,794**
Property, equipment and intangibles	**123,666**	**75,991**	**178,732**	**378,389**	**199,423**
At 31 December 2023	**123,666**	**56,334**	**23,481**	**203,481**	**97,769**
Capital work-in-progress	-	58,663	110,715	**169,378**	**46,944**
Property, equipment and intangibles	**123,666**	**114,997**	**134,196**	**372,859**	**144,713**

Aforementioned disclosure relating to building and leasehold improvements includes right-of-use (ROU) assets amounting to AED 17.0 million (2023: AED 11.5 million).

NBF's Fujairah registered office building has been written-off during the year with an one-off impact of depreciation charge amounting to AED 8.4 million as the bank has demolished the old building and started construction of new Fujairah head office building.

The buildings in Fujairah and Dibba are constructed on land granted to the Group by the Government of Fujairah. The land is shown at a nominal value of AED 1 each (2023: AED 1 each).

14.1 Capital work-in-progress

AED'000	2024	2023
Property and equipment	160,331	169,378
Intangibles	83,794	46,944
	244,125	**216,322**

Capital work in progress includes costs incurred in respect of the Group's branches, software and directly attributable costs relating to digitalisation initiatives, software and equipment purchases.

15. Due to banks, repurchase agreements and term borrowings

AED'000	2024	2023
By type:		
Due to banks (note 15.1)	1,043,520	1,137,077
Repurchase agreements	3,527,962	2,501,332
Term borrowings (note 15.2)	808,060	550,950
	5,379,542	**4,189,359**
By geographical area:		
UAE	2,023,232	1,575,064
GCC	-	276,999
Europe	2,609,383	1,863,795
Americas	1,065	18,832
Others	745,862	454,669
	5,379,542	**4,189,359**

As at 31 December 2024, due to banks include cash collateral of AED 97.8 million (2023: AED 60.9 million), in respect of positive fair value of derivatives, in accordance with the agreements with the interbank counterparties.

Due to banks include a Wakala borrowing amounting to AED 548.7 million (2023: AED 100.0 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

The investment securities under repurchase agreements amounted to AED 3,905.8 million (2023: AED 2,752.1 million).

15.1 Due to banks include gold related borrowings amounting to AED 191.8 million (2023: AED 378.8 million) utilized to finance gold loans extended to customers on a matched basis.

15.2 Term borrowings comprise of several bilateral borrowings obtained from other banks and financial institutions as follows:

Loan no.	Year obtained	Maturity	Interest rate	2024 AED'000	2023 AED'000
1	2023	Aug-27	SOFR + Margin	-	183,650
2	2023	Sep-26	SOFR + Margin	183,650	183,650
3	2023	Dec-28	SOFR + Margin	183,650	183,650
4	2024	May-26	SOFR + Margin	183,650	-
5	2024	May-26	SOFR + Margin	91,825	-
6	2024	Sep-26	SOFR + Margin	73,460	-
7	2024	Dec-27	SOFR + Margin	91,825	-
				808,060	**550,950**

Bilateral loan no. 1 amounting to AED 183.7 million was settled during May 2024.

16. Customer deposits and Islamic customer deposits

AED'000	2024	2023
By type:		
Demand and margin deposits	19,200,555	15,190,315
Saving deposits	588,958	711,494
Fixed term and notice deposits	25,967,507	22,670,197
	45,757,020	**38,572,006**
By geographical area:		
UAE	41,946,028	36,593,397
GCC	1,224,892	696,037
Europe	1,333,426	1,098,081
Americas	1,054,238	100,945
Others	198,436	83,546
	45,757,020	**38,572,006**

16.1 Included above, Islamic customer deposits undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

AED'000	2024	2023
By type:		
Qard Islamic current accounts	728,394	574,066
Murabaha deposits	682,549	509,363
Wakala deposits	3,212,977	3,364,384
Mudaraba deposits	56,440	47,667
	4,680,360	**4,495,480**

17. Other liabilities

AED'000	2024	2023
Accrued interest / profit	393,706	409,055
Employee end of service and other long term benefits (note 17.1)	81,623	75,235
Accrued expenses	350,672	230,590
Board members' remuneration	8,250	5,500
Fair value of derivatives	79,069	82,577
Current corporate income tax liability	84,541	-
Deferred tax liability	2,815	-
Allowances for impairment for off-balance sheet items (note 12)	154,565	140,559
Others	424,926	371,859
	1,580,167	**1,315,375**

Accrued expenses include employee bonus amounting to AED 85.0 million (2023: AED 72.5 million) pertinent to the current year ended 31 December 2024. Further, details of number of employees are covered in note 28 of these consolidated financial statements.

17.1 Employee end of service and other long term benefits

AED'000	2024	2023
At 1 January	75,235	67,298
Charge for the year	24,050	20,819
Payments during the year	(17,662)	(12,882)
At 31 December	**81,623**	**75,235**

Provision for employees' end of service benefits

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2024, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of employees' expected service life with the Group and the expected basic salary at the date of leaving the service. The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.5% (2023: 3.5%).

18. Shareholders' equity

18.1 Share capital

AED'000	2024	2023
Authorised, issued and fully paid:		
2,580,412,281 shares of AED 1 each (2023: 2,120,000,000 shares of AED 1 each)	**2,580,412**	**2,120,000**

18.2 Proposed cash dividends and bonus issue

The Board of Directors proposed a distribution of profits of 15% (2023: 15%) of share capital in the form of cash dividends of 15% (2023: 10%) and bonus shares of nil (2023: 5%) for the year ended 31 December 2024. Accordingly, cash dividend per share amounted to AED 0.15 (2023: AED 0.1). This distribution will be executed on approval by the shareholders at the Annual General Assembly Meeting (AGAM).

18.3 Statutory and special reserve

In accordance with the Bank's Articles of Association, the provisions of Article 239 of Federal Law No. 2 of 2015, 10% of the Bank's profit for the year shall be transferred to a statutory reserve which is not distributable until such time as this reserve equals 50% of the issued share capital. Additionally, in accordance with the Bank's Articles of Association, another 10% of the Bank's profit for the year shall be transferred to a special reserve which is to be used for purposes to be determined by the AGAM upon the proposal of the Board of Directors.

18.4 Conversion of AT1 capital securities to paid-up share capital

In line with the below-mentioned approval of the General Assembly Meeting (GAM), regulatory authorities and the Board of Directors, the AT1 capital securities, amounting to US$ 275 million (AED 1.01 billion), were converted on 31 December 2024 into paid-up share capital represented by 354,412,281 shares of AED 1 each issued at AED 2.85 for each note, resulting in the recognition of AED 655,662,719 in share premium within statutory reserve.

19. Tier 1 capital securities

In October 2019, the Bank issued US$ 350 million (AED 1.286 billion) regulatory Additional Tier 1 (AT1) capital securities which were classified as equity in accordance with IAS 32: Financial Instruments – Classification. These securities are perpetual, sub-ordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in addition to allowing the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the CBUAE. The transaction costs relating to the issuance were accounted for as a deduction from equity.

The US$ 350 million (AED 1.286 billion) AT1 capital securities were called on 16 September 2024 and settled on the first call date i.e., October 2024.

On 16 September 2024, following the approval of NBF's shareholders, through a special resolution at the GAM held on 26 June 2024, and the necessary regulatory approvals, NBF successfully issued AT1 capital securities, amounting to US$ 275 million (AED 1.01 billion) as part of the strengthening of its capital structure supporting its business and operational strategy and refinancing of the afore-mentioned existing AT1 capital securities of US$ 350 million (AED 1.286 billion). These securities have been classified as equity in accordance with IAS 32: Financial Instruments – Classification and are perpetual, sub-ordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in addition to allowing the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the CBUAE. The transaction costs relating to the issuance were accounted for as a deduction from equity. This new issuance was privately placed with the Government of Fujairah. The capital instruments allowed for the mandatory conversion into ordinary shares, at a ratio of AED 2.85:1, within two years of this issuance. These capital securities have been converted to paid-up share capital on 31 December 2024 (refer note 18.4).

20. Interest income and income from Islamic financing and investment activities

AED'000	2024	2023
Loans and advances and Islamic financing receivables (note 20.1)	1,745,069	2,012,175
Due from banks including the Central Bank of the UAE CDs (note 20.1)	770,014	386,211
Investments and Islamic instruments (note 20.2)	811,703	535,210
	3,326,786	**2,933,596**

20. Interest income and income from Islamic financing and investment activities (continued)

20.1 Includes income from Islamic financing activities amounting to AED 420.7 million (2023: AED 349.5 million) for the year ended 31 December 2024.

20.2 Includes income from Islamic investment activities amounting to AED 32.9 million (2023: AED 22.2 million) for the year ended 31 December 2024.

21. Interest expense and distribution to Islamic depositors

AED'000	2024	2023
Due to banks including term borrowings	338,520	263,041
Customer deposits and Islamic customer deposits	1,200,727	965,697
	1,539,247	**1,228,738**

Includes distribution to Islamic depositors amounting to AED 287.3 million (2023: AED 221.2 million) for the year ended 31 December 2024.

22. Net fees and commission income

AED'000	2024	2023
Fees and commission income		
Letters of credit	95,571	92,081
Letters of guarantee	83,737	67,628
Lending fees	180,106	196,212
Asset management and investment services	1,977	850
Commission on transfers	83,700	52,017
Others	21,448	16,261
Total fees and commission income	**466,539**	**425,049**
Fees and commission expense		
Brokerage expense	14,897	12,374
Card related charges	33,745	40,206
Other charges	8,621	5,627
Total fees and commission expense	**57,263**	**58,207**
Net fees and commission income	**409,276**	**366,842**

23. Foreign exchange and derivatives income

AED'000	2024	2023
Foreign exchange income	182,472	155,722
Derivatives income	6,658	8,773
	189,130	**164,495**

24. Other operating income

AED'000	2024	2023
Rental income	199	87
Rebates	10,243	10,656
Other miscellaneous income (note 24.1)	33,008	40,184
	43,450	**50,927**

24.1 Other miscellaneous income includes recovery against bad debts amounting to AED 27.9 million (2023: AED 18.0 million) for the year ended 31 December 2024.

25. Social contributions

The social contributions made during the year to various beneficiaries amount to AED 4.0 million (2023: AED 5.4 million).

26. Net impairment losses

AED'000	2024	2023
Loans and advances and Islamic financing receivables, acceptances, other assets and off-balance sheet items	687,160	854,378
Due from banks and financial institutions	800	(1,033)
Investments and Islamic instruments	2,080	5,658
	690,040	**859,003**

27. Earnings per share

The calculation of earnings per share is based on net profit of AED 754.6 million (2023: AED 649.5 million), after deduction of AED 95.5 million (2023: AED 75.5 million of additional Tier 1 capital securities coupon payment) of additional Tier 1 capital securities coupon payment and issuance cost, divided by the weighted average number of shares of 2,580.4 million (2023: 2,580.4 million shares after adjusting for bonus shares and the conversion of additional Tier 1 capital securities) outstanding during the year.

28. Employee details and other operating expenses

The number of employees at 31 December 2024 were 855 including 734 employed by the Bank of which 364 were UAE nationals (2023: 802 including 660 employed by the Bank of which 330 were UAE nationals).

Other operating expenses principally include software maintenance and technology / customer experience related costs, consultancy, marketing and advertising costs as NBF increases digital adoption and aims for better customer experience alongside regulatory expenses, legal costs, outsourced costs, occupancy costs, audit and non-audit fees and Board members' remuneration.

29. Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the International Accounting Standard No. 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions approved by the Board of Directors. The significant transactions and balances included in the consolidated financial statements, which predominantly relate to directors and shareholders of the group, are as follows:

AED'000	2024	2023
Statement of financial position items		
Loans and advances and Islamic financing receivables	3,971,914	3,583,682
Customer deposits and Islamic customer deposits	10,589,657	9,948,263
Investments and Islamic instruments	139,261	136,332
Acceptances	208,870	34,780
Tier 1 capital securities	-	293,840
Contingent liabilities		
Letters of credit	130,064	115,179
Financial guarantees and other direct credit substitutes	36,212	36,870
Transaction related contingencies	621,819	596,391
Commitments for future capital expenditure	6,369	9,496

30. Related parties (continued)

AED'000	2024	2023
Statement of changes in equity items		
Tier 1 capital securities coupon paid	36,621	17,264
Statement of income items		
Interest income and income from Islamic financing and investment activities	205,865	198,287
Interest expense and distribution to Islamic depositors	489,969	427,680
Other income	12,104	14,263
Operating expenses	42,049	31,838
Key management compensation		
Salaries and other short-term benefits	30,466	28,037
Employee end of service benefits	2,043	1,007
Board members' remuneration	8,250	5,500

Stage 3 ECL, amounting to AED 282.6 million, has been recognized pertinent to related parties (31 December 2023: nil). Further, stage 1 and 2 ECL amounted to AED 18.2 million (31 December 2023: 15.9 million).

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 2,430.8 million (2023: AED 2,220.2 million).

During the year, capital expenditure transactions with related parties amounted to AED 3.0 million (2023: AED 3.2 million).

31. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances from the date of acquisition:

AED'000	2024	2023
Cash on hand	316,466	341,873
Balances with the Central Bank of the UAE	2,850,953	1,100,000
Due from banks with less than three months maturity	1,062,340	1,090,975
	4,229,759	**2,532,848**

Balances with the Central Bank of the UAE include certificates of deposit with less than three month maturity.

Based on residual maturities, cash on hand, balances with the Central Bank of the UAE and due from banks amounting to AED 7,285.8 million are maturing within three months from 31 December 2024 (AED 2,632.8 million maturity within three months from 31 December 2023).

32. Segmental reporting

The Group uses business segments for presenting its segment information in line with the Group's management and internal reporting structure. The Group's operations are confined mainly in the UAE.

Business segments pay and receive interest, to and from Treasury on an arm's length basis to reflect allocation of capital and funding costs.

Business segments

The Group conducts its activity through the following clearly defined business segments:

Corporate and Institutional banking

Corporate and Institutional segments

The segment offers a range of products and services including credit and trade finance products, and services to large and medium sized corporate customers through separate units and to financial institutions, and accepts deposits.

Business banking segment

The segment offers a range of products and services including credit and trade finance products, and services to small and medium sized customers through separate units, and accepts deposits. The segment also offers transactional services to small and medium sized businesses.

Retail banking

The segment offers a range of products and services to individuals and high net worth individuals including personal and mortgage loans, credit cards, other transactions and balances, and accepts their deposits.

Treasury, Asset and Liability Management (ALM) and others

The segment undertakes the Group's asset and liability management centrally and is responsible for optimum utilization of resources in productive assets and management of exchange and interest positions within the limits and guidelines set by management and approved by the Board.

Treasury also offers various foreign exchange and derivative products to customers and is entrusted with the responsibility of managing the Group's investment portfolio together with the Investment Management Unit under the guidance from the Investment Committee and Asset and Liability Committee. The Group's capital and investment in subsidiaries is recognised under this segment.

The Group has central shared services which include Operations, Risk Management, Human Resources, Finance, Information systems and Technology, Product Development, Legal, Credit and Internal Audit. The shared services costs are allocated to business segments based on transaction and relevant drivers.

The segment analysis based on business segments is as follows:

2024 AED'000	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Net interest income and net income from Islamic financing and investment activities	713,202	604,427	187,090	282,820	**1,787,539**
Non-interest income	202,203	228,726	22,101	194,662	**647,692**
Operating income	**915,405**	**833,153**	**209,191**	**477,482**	**2,435,231**
Operating expenses	(272,940)	(345,432)	(141,674)	(50,316)	**(810,362)**
Operating profit before impairment losses and tax	**642,465**	**487,721**	**67,517**	**427,166**	**1,624,869**
Net impairment losses	(520,862)	(132,749)	(34,008)	(2,421)	**(690,040)**
Profit for the year before tax	**121,603**	**354,972**	**33,509**	**424,745**	**934,829**
Tax	(11,021)	(32,170)	(3,037)	(38,493)	**(84,721)**
Profit for the year after tax	**110,582**	**322,802**	**30,472**	**386,252**	**850,108**
Segment assets	20,744,018	8,790,425	5,284,643	26,059,982	**60,879,068**
Segment liabilities	30,202,652	13,315,129	5,244,784	5,260,828	**54,023,393**
Capital expenditure	-	-	-	100,582	**100,582**

2023 AED'000	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Net interest income and net income from Islamic financing and investment activities	696,514	539,969	167,431	300,944	**1,704,858**
Non-interest income	198,062	189,629	18,152	172,263	**578,106**
Operating income	**894,576**	**729,598**	**185,583**	**473,207**	**2,282,964**
Operating expenses	(246,125)	(293,872)	(111,835)	(47,062)	**(698,894)**
Operating profit before impairment losses and tax	**648,451**	**435,726**	**73,748**	**426,145**	**1,584,070**
Net impairment losses	(742,270)	(77,392)	(35,575)	(3,766)	**(859,003)**
Profit / (loss) for the year before tax	**(93,819)**	**358,334**	**38,173**	**422,379**	**725,067**
Tax	-	-	-	-	-
Profit / (loss) for the year after tax	**(93,819)**	**358,334**	**38,173**	**422,379**	**725,067**
Segment assets	17,536,343	7,719,715	4,472,140	21,991,618	**51,719,816**
Segment liabilities	25,485,993	11,141,104	4,611,928	3,914,185	**45,153,210**
Capital expenditure	-	-	-	106,686	**106,686**

33. Zakat payable

Zakat payable by shareholders amounting to AED 0.0020 per share (2023: AED 0.0025) is computed based on "Net Invested Funds Method" in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards and the advice of Internal Shari'ah Supervision Committee (ISSC). The Articles of Association of the bank do not require the bank to pay Zakat on behalf of shareholders. Consequently, distribution of Zakat is the responsibility of the shareholders.

34. Audit and non-audit fees

The fees pertinent to audit and non-audit related services provided by PricewaterhouseCoopers (PwC), reflected in the statement of income, have been presented as follows:

AED'000	2024	2023
Audit fees	880	690
Non-audit fees	-	1,502
Total	**880**	**2,192**

31 December 2024: The non-audit fees, reflected through the statement of changes in equity, amounted to AED 0.1 million, attributable to the AT1 capital securities issuance and conversion.

31 December 2023: The non-audit fees include AED 1.46 million attributable to PwC Technology Academy, effective from 2021, as part of the bank's corporate social responsibility initiatives.

35. Tax

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 09 December 2022, UAE Federal Decree Law No. 47 of 2022 was published setting in place a general corporate income tax for the first time. The taxable income threshold, of upto AED 375,000 will be taxed at 0% and beyond AED 375,000 will be taxed at 9%, will apply as clarified via Cabinet Decision No. 116 of 2022 published on 16 January 2023; and at this point the tax law was considered enacted and substantively enacted for the purpose of IAS 12, the objective of which is to prescribe the basis for accounting for Income Taxes. The UAE Tax Law has confirmed the application of the Corporate Tax ('CT') to tax periods commencing on or after 01 June 2023. Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the reporting period. Since the Group is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 January 2024, current taxes have been accounted for in the consolidated financial statements for the period beginning from 1 January 2024. NBF Group's CT registration was concluded and the Group's CT registration certificate was issued by the Federal Tax Authority ("FTA") in November 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law is considered 'substantively enacted' as at 1 June 2023 for the purposes of IAS 12, the Group considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes for the year ended 31 December 2024.

Based on the review and assessment, a deferred tax liability has been recognized, amounting to AED 2.8 million as at 31 December 2024, arising from items that may be reclassified subsequently to the statement of income, from other comprehensive income perspective. Further, the current tax impact has been calculated considering the potential adjustments which has resulted in an effective tax rate of 9.06% per annum: the details of which have been presented below.

Amount recognised in the consolidated statement of income

The components of corporate income tax expense for the year ended 31 December 2024:

	2024 AED'000
Current corporate income tax	
Current corporate income tax charge	84,721
Adjustments in respect of current corporate income tax of previous year	-
Corporate income tax expense reported in the consolidated statement of income	**84,721**

Amount recognized in the consolidated statement of other comprehensive income

	2024 AED'000
Tax related to items that will not be reclassified subsequently to the statement of income	180
Deferred tax related to items that may be reclassified subsequently to the statement of income	(2,815)
Tax reflected in the consolidated statement of other comprehensive income	**(2,635)**

Tax reconciliation

	2024 AED'000
Accounting profit for the year before tax	**934,829**
At United Arab Emirates' statutory corporate income tax rate of 9%	84,135
Tax amount of the adjustments related to non-deductible expenses	620
Effect of standard tax exemptions	(34)
Corporate income tax expense	**84,721**
Corporate income tax expense reported in the consolidated statement of income	**84,721**
Effective tax rate	**9.06%**

Movement in current and deferred tax liability

	2024 AED'000
Deferred tax liability	
Balance at the beginning of the year	-
Movement during the year	2,815
Balance at the end of the year	**2,815**

	2024 AED'000
Current tax liability	
Balance at the beginning of the year	-
Current tax charge during the year	84,721
Adjustments in respect of items that will not be reclassified subsequently to the statement of income	(180)
Tax paid	-
Balance at the end of the year	**84,541**

36. Subsequent events

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

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FUJAIRAH COURT BRANCH
Main Entrance, Fujairah Court House
Sheikh Khalifa Bin Zayed Road
PO Box 887, Fujairah
Tel: 600 565551
Fax: +971 9 202 9427

DUBAI

BUR DUBAI BRANCH
NBF Building
Khalid Bin Waleed Street
PO Box 2979, Dubai
Tel: 600 565551
Fax: +971 9 202 9466

JEBEL ALI BRANCH
NBF Building
Next to Etisalat, Jebel Ali
PO Box 17676, Dubai
Tel: 600 565551
Fax: +971 9 202 9467

AL RAS BRANCH
Mohammad Ahmad Al Sakit Building
Ground Floor, Al Khor Street, Al Ras
PO Box 2979, Dubai
Tel: 600 565551
Fax: +971 9 202 9426

ABU DHABI

ABU DHABI BRANCH
Al Danat Square Mall
Ground Floor
Al Sa'adah, Zone 1
PO Box 786, Abu Dhabi
Tel: 600 565551
Fax: +971 2 672 8362 / 676 8503

MUSSAFAH BRANCH
Al Bustan Guardian Building
Ground Floor, Musaffah, Sector 1, M1
PO Box 786, Abu Dhabi
Tel: 600 565551
Fax: +971 9 202 9460

AL AIN BRANCH
Al Mandhour St.
Opposite Al Ain Mall
PO Box 88108, Al Ain
Tel: 600 565551
Fax: +971 9 202 9459

SHARJAH

SHARJAH BRANCH
Faya Business Building, Ground Floor
(opposite Al Majaz Park and
Khalid Lake), Al Majaz 2
PO Box 1416, Sharjah
Tel: 600 565551
Fax: +971 9 202 9411

Corporate Representative Offices

NBF DIAMOND FINANCING OFFICE
Almas Tower, Jumeirah Lake Towers
Office 48A, Floor 48
PO Box 340550, Dubai
Tel: +971 4 507 8362
Fax: +971 9 202 9468

NBF CORPORATE BANKING OFFICE
Faya Business Building, 5th Floor
(opp. Al Majaz Park and Khalid Lake)
Al Majaz 2, PO Box 1416, Sharjah
Tel: 600 565551
Fax: +971 6 525 5887

ANTWERP REPRESENTATIVE OFFICE
Schupstraat 15, 2018 Antwerp
Belgium
Tel: +32 3 202 8680
Fax: +971 9 202 9468

NBF Subsidiaries

FUJAIRAH
NBF Financial Services FZC
Fujairah Free Zone
PO Box 887, Fujairah
Tel: +971 9 202 9231
Fax: +971 9 228 2979

CAYMAN ISLANDS
NBF Markets, (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman KY1-1002
Cayman Islands