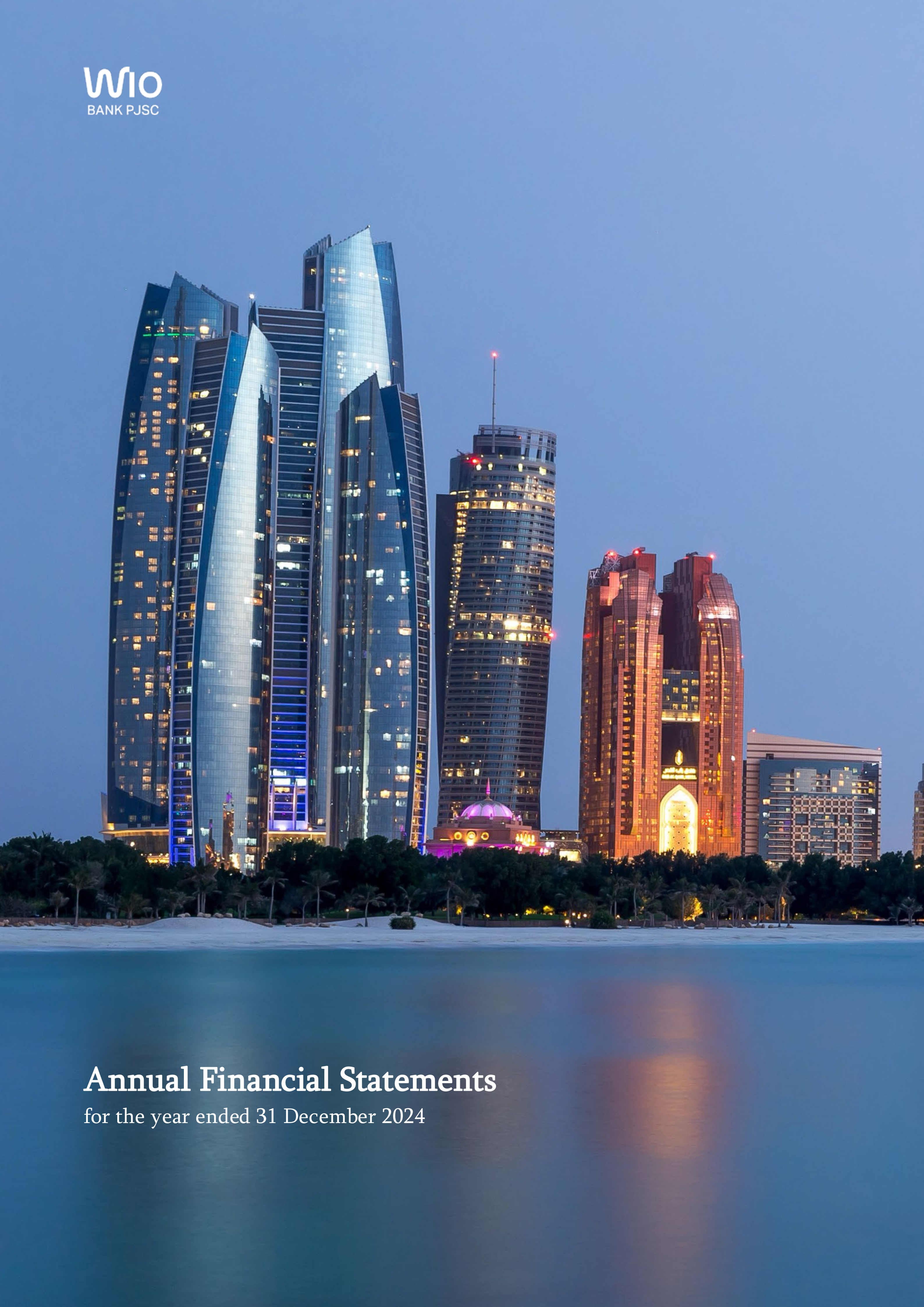
BANK PJSC



# Annual Financial Statements

for the year ended 31 December 2024

WIO BANK PJSC

Annual financial statements
for the year ended 31 December 2024

Contents | Page

WIO BANK PJSC

**Board of Directors' report**
**for the year ended 31 December 2024**

The Directors present their report together with the audited financial statements of Wio Bank PJSC (the "Bank" or "Wio") for the year ended 31 December 2024.

## Principal activities

The principal activities of the Bank are to provide financial services digitally including granting of loans and advances and undertake other commercial banking services.

## Review of financial results and performance

Wio began as the region's first platform bank, dedicated to driving and empowering the UAE's digital economy ambitions through our innovative products. As we move forward, we remain committed to this vision.

Our unwavering commitment to a customer-first approach, innovative thinking, and collaborative spirit made it an extraordinary year for us. We celebrated significant milestones and experienced remarkable growth in our customer base, reflecting the trust and confidence placed in our institution.

Wio Personal has witnessed exponential growth, ending the year with over 140 thousand customers. In 2024, we continued building credit products through our credit cards and easy cash products. We also launched innovative products such as cashback as stocks and the first-of-its-kind Etihad Miles savings program, where customers can earn miles on deposits.

Wio Business continues to power the SME economy emerging as the top choice for new businesses in the UAE with over 90 thousand customers. Wio has significantly enhanced its business proposition during 2024 building on our credit portfolio with SME credit cards, short term cash solutions, POS lending and Supply Chain Finance.

Wio Bank also launched BaaS capabilities with accounting software integrations, payout APIs and embedded lending services.

All of this contributed to a remarkable financial performance for Wio Bank in 2024 with AED 34.6 billion in deposits, AED 803 million in revenue and AED 395 million in Profit after tax. These results reflect our strong market position and effective cost management. Wio Bank continues to be well capitalized with a capital adequacy ratio of over 51%.

Alongside our growth, it is also imperative that we maintain a steadfast focus on a robust risk management framework and good governance. Wio Bank has made significant investments in these areas to safeguard the integrity and stability of our operations and build for the future. This remains a key focus as we navigate challenges and seize opportunities in our evolving environment.

Wio also opened an exciting new chapter for our brand as we launched our new tagline "Born to back you" – a promise that reflects our commitment to propelling our customers' ambitions and dreams.

## Board of Directors' report
## for the year ended 31 December 2024 (continued)

Looking ahead, we are excited about the prospects of expanding our product and service offerings, with a renewed emphasis on enhancing user experience. By leveraging cutting-edge technology and fostering innovation, we aim to deliver unparalleled value to our customers while cementing our position as a trusted financial partner.

In conclusion, we extend gratitude to our dedicated team and esteemed Board Members for their unwavering support and commitment. Together, we will continue to propel Wio Bank towards greater heights of success in the years ahead.

**Directors**

| | |
|---|---|
| H.E. Salem Al Nuaimi | Chairman |
| Mr. Fadel Al Ali | Vice Chairman |
| Mr. Sameh Al Qubaisi | Member |
| H.E. Hisham Khalid Malak | Member |
| Mrs. Futoon Al Mazrouei | Member |
| Mr. Masood M. Sharif Mahmood | Member |
| Mr. Khalifa Al Forah | Member |
| Mr. Faisal Al Hammadi | Member |
| Mr. Anthony Thomson | Member |

**Release**

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2024.

**for the Board of Directors**

Signed by:
Salem Alnuaimi
15A56FF75F36434...

**H.E. Salem Al Nuaimi**
Chairman

Deloitte.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDERS OF WIO BANK PJSC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

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

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

### Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority (ADAA) Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Bank's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

**Key Audit Matters (continued)**

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Interest income recognition</td></tr>
<tr><td>
The Bank generated interest income of AED 1.2 billion for the year ended 31 December 2024. The interest income arises from the following four different major sources:
<ul>
<li>balances with the Central Bank;</li>
<li>balances with other banks;</li>
<li>investment securities; and</li>
<li>loans and advances.</li>
</ul>
The recognition of interest income is considered to be a key audit matter due to the bespoke calculations for each source which increases the risk of error in the determination of the amount to be recognised. In addition, the input data used to determine the interest income recognised needs to be kept current in order to ensure that the correct amount of interest is recognised in accordance with the requirements of IFRS Accounting Standards.
For further information on the accounting policies relating to the recognition of interest income refer to Note 2.4 to the financial statements. For further details relating to interest income recognized, refer to note 14 of the financial statements.
</td><td>
We performed the following procedures, inter alia, in relation to this matter:
<ul>
<li>we obtained understanding of the process used to calculate interest income and identified the relevant controls within this process;</li>
<li>we assessed these controls to determine if they had been appropriately designed and implemented;</li>
<li>we agreed a sample of the rates on the system database to the original agreements; and</li>
<li>we reperformed the calculations for the interest income, on a sample basis, and agreed the results of these recalculations to the accounting records.</li>
</ul>
We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.
</td></tr>
</table>

Deloitte.



## Other Information

The Board of Directors is responsible for the other information. The other information comprises Board of Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Deloitte.

# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDERS OF WIO BANK PJSC
# (CONTINUED)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements of the Bank have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Bank has maintained proper books of account;
- The financial information included in the Board of Directors' report is consistent with the Bank's books of account;
- Note 21 to the financial statements of the Bank discloses material related party transactions and the terms under which these were conducted and principles of managing conflict of interest; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Law No. No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

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

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the financial statements for the year ended 31 December 2024, that nothing has come to our attention that causes us to believe that the Bank has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2024:

- Articles of Association of the Bank which would materially affect its activities or its financial position as at 31 December 2024; and
- relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Bank's financial statements.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
5 February 2025/
Abu Dhabi
United Arab Emirates

Wio BANK PJSC

## Statement of financial position as at 31 December 2024

| | Notes | 2024 AED '000 | 2023 AED '000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and deposits with Central Bank | 5 | 6,382,330 | 2,810,230 |
| Due from banks | 5 | 1,549,126 | 1,221,523 |
| Investment securities | 6 | 28,507,933 | 9,386,397 |
| Loans and advances | 7 | 766,991 | 15,243 |
| Receivables and other assets | 8 | 131,101 | 55,505 |
| Intangible assets | | 1,103 | 2,053 |
| Property and equipment | | 16,092 | 5,562 |
| **Total assets** | | 37,354,676 | 13,496,513 |
| **LIABILITIES** | | | |
| Customer deposits | 10 | 34,594,870 | 11,412,221 |
| Trade and other payables | 11 | 553,589 | 236,397 |
| **Total liabilities** | | 35,148,459 | 11,648,618 |
| **EQUITY** | | | |
| Share capital | 12 | 2,300,000 | 2,300,000 |
| Other reserves | 13 | 33,368 | 4,618 |
| Fair value reserve | | (36,661) | - |
| Statutory reserves | 14 | 39,698 | 200 |
| Accumulated losses | | (130,188) | (456,923) |
| **Total equity** | | 2,206,217 | 1,847,895 |
| **Total liabilities and equity** | | 37,354,676 | 13,496,513 |

Signed by:
Salem Alnuaimi
15A56FF75F36434...

DocuSigned by:
55480690EF054DF...

DocuSigned by:
Prakash Sunkara
EF7DC654D6534C2...

**H.E. Salem Rashid Al Nuaimi**
Chairman

**Jayesh Patel**
Chief Executive Officer

**Prakash Sunkara**
Chief Financial Officer

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

WIO BANK PJSC

## Statement of profit or loss and other comprehensive income for the year ended 31 December 2024

| | Notes | 2024 AED '000 | 2023 AED '000 |
|---|---|---|---|
| Interest income | 15 | 1,209,253 | 254,514 |
| Interest expense | 15 | (759,101) | (81,364) |
| **Net interest income** | 15 | 450,152 | 173,150 |
| Fee and commission income | 16 | 560,058 | 120,290 |
| Fee and commission expense | 16 | (206,743) | (27,012) |
| **Net fee and commission income** | 16 | 353,315 | 93,278 |
| **Total operating income** | | 803,467 | 266,428 |
| General and administrative expenses | 17 | (352,819) | (263,596) |
| **Operating profit before impairment** | | 450,648 | 2,832 |
| Net impairment loss on financial assets | 18 | (13,792) | (836) |
| **Profit before tax for the year** | | 436,856 | 1,996 |
| Taxation | 19 | (41,873) | - |
| **Profit after tax for the year** | | 394,983 | 1,996 |
| Other comprehensive income - net of deferred tax | 6 | (36,661) | - |
| **Total comprehensive income for the year** | | 358,322 | 1,996 |

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

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

| | Issued capital AED '000 | Other reserves AED '000 | Fair value reserves AED '000 | Statutory reserves AED '000 | Accumulated losses AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | 2,300,000 | - | - | - | (454,101) | 1,845,899 |
| Other reserve movement | - | 4,618 | - | - | (4,618) | - |
| Statutory reserve movement | - | - | - | 200 | (200) | - |
| Profit for the year | - | - | - | - | 1,996 | 1,996 |
| Balance at 1 January 2024 | 2,300,000 | 4,618 | - | 200 | (456,923) | 1,847,895 |
| Other reserve movement | - | 28,750 | - | - | (28,750) | - |
| Statutory reserve movement | - | - | - | 39,498 | (39,498) | - |
| Profit for the year | - | - | - | - | 394,983 | 394,983 |
| Fair value reserve- net of deferred tax | - | - | (36,661) | - | - | (36,661) |
| **Balance at 31 December 2024** | **2,300,000** | **33,368** | **(36,661)** | **39,698** | **(130,188)** | **2,206,217** |

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

WIO BANK PJSC

## Statement of cash flows
## for the year ended 31 December 2024

| | 2024<br>AED' 000 | 2023<br>AED' 000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax for the year | **436,856** | 1,996 |
| *Adjustments for:* | | |
| Discount on investment securities | **(877,602)** | (167,798) |
| Depreciation charge for the year | **8,002** | 4,273 |
| Provision for employee's end of service benefits | **5,078** | 5,170 |
| Net impairment loss on financial assets | **13,792** | 836 |
| Amortisation charge for the year | **630** | 629 |
| Finance cost on lease liability for the year | **246** | 171 |
| | **(412,998)** | (154,723) |
| **Operating cash flows before movements in working capital** | | |
| Increase in customer deposits | **23,182,649** | 10,859,504 |
| Increase in other assets and receivables | **(73,216)** | (28,844) |
| Increase in trade and other payables | **260,920** | 153,500 |
| Increase in loans and advances | **(762,687)** | (10,830) |
| Increase in statutory deposits with Central bank | **(1,469,100)** | (983,130) |
| (Decrease) / increase in amounts due from banks maturing after three months | **(143,642)** | 11,012 |
| **Cash generated from operating activities** | **20,581,926** | 9,846,489 |
| Employees' end of service benefits paid | **(1,658)** | (1,504) |
| **Net cash generated from operating activities** | **20,580,268** | 9,844,985 |
| **Cash flows from investing activities** | | |
| Payments for purchases of property and equipment | **(1,410)** | (992) |
| Increase in investment securities | **(18,285,274)** | (7,243,096) |
| **Net cash used in investing activities** | **(18,286,684)** | (7,244,088) |
| **Cash flows from financing activities** | | |
| Payment of principal lease liability | **(6,082)** | (2,126) |
| Payment of finance cost on lease liability | **(246)** | (171) |
| **Net cash used in from financing activities** | **(6,328)** | (2,297) |
| **Net increase in cash and cash equivalents** | **2,287,256** | 2,598,600 |
| Cash and cash equivalent at the beginning of the year | **2,993,439** | 394,839 |
| **Cash and cash equivalents at the end of the year (note 5)** | **5,280,695** | 2,993,439 |

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

## 1 Corporate Information

Wio Bank PJSC (the "Bank") was incorporated in the Emirate of Abu Dhabi, United Arab Emirates ("UAE") as a Public Joint Stock Company with limited liability, on 23 February 2022 under provisions of the UAE Federal Decree Law No. (32) of 2021. The Bank is licensed as commercial by Central Bank of the UAE.

The Bank's registered office is Etihad Airways Center, 5th Floor Al Muneera Street, P.O. Box 112437, Abu Dhabi, United Arab Emirates.

The principal activities of the Bank are to provide financial services digitally including granting of loans and advances and undertake other commercial banking services.

## 2 Basis of preparation and material accounting policies

### 2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

### 2.2 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB). IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements have been prepared on historical cost basis except for assets held at fair value through other comprehensive income (FVOCI). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2.3 Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in AED has been rounded to the nearest thousand.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies

**Financial instruments**

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

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

<u>Financial assets</u>

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

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

*Classification of financial assets*

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVOCI.

The Bank does not have any financial assets which are measured at FVTPL.

## 2 Basis of preparation and material accounting policies (continued)

## 2.4 Summary of material accounting policies (continued)

**Financial instruments (continued)**

Financial assets (continued)

*Derivative financial instruments*

The Bank enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange swaps. Further details of derivative financial instruments are disclosed in note 9. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Bank has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

*Amortised cost and effective interest rate method*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Financial instruments (continued)**

Financial assets (continued)

*Amortised cost and effective interest rate method (continued)*

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

*Impairment of financial assets*

The Bank recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost such as investments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Bank recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## 2 Basis of preparation and material accounting policies (continued)

## 2.4 Summary of material accounting policies

**Financial instruments (continued)**

Financial liabilities

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

The Bank does not have any financial liabilities which are measured at FVTPL.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Investment securities**

The 'investment securities' caption in the statement of financial position includes:

(a) debt investment securities measured at amortised cost: these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.
(b) Debt securities measured at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

(a) interest revenue using the effective interest method;
(b) ECL charges and reversals; and
(c) foreign exchange gains and losses

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The Bank elects to present in OCI changes in the fair value of certain investments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Loans and advances**

Loans and advances are measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method and are presented net of expected credit losses.

**Contingencies and commitments**

Contingencies are possible obligation or assets that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Further, the obligation arising from past events where the liability cannot be determined with reasonable certainty or probability of outflow of resources cannot be determined are also contingencies.

A commitment is a binding contract for the exchange of a specified quantity of resourced at a specific price on specified future dates or date.

**Cash and cash equivalents**

'Cash and cash equivalents' include unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

**Due from banks**

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

**Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

| | |
|---|---|
| Computer Hardware | 4 years |
| Fixture and fittings | 5 years |
| Leasehold improvements | Over the lease period or useful economic life whichever is shorter |

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Property and equipment (continued)**

The carrying values of properties and equipment are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognised.

**Leases**

Under IFRS 16, the Bank recognizes a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Bank initially measures the right-of-use asset at cost and subsequently measures at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Bank initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

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

The Bank has presented right of use assets within ‘Property and equipment’ and lease liabilities within ‘Other liabilities’ in the statement of financial position.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

**SaaS Arrangements**

The Banks recognises software asset at the contract commencement date if either (a) the contract contains a software lease or (b) the Bank otherwise obtains control of software at the contract commencement date. A contract that conveys to the Bank the right to receive access to the supplier's application software in the future is neither a software lease nor an intangible software asset but rather a service the customer receives over the contract term.

**Impairment of non-financial assets**

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists for non-financial assets then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in statement of comprehensive income if the carrying amount of an asset exceeds its recoverable amount.

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

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Deposits**

Deposits are the main sources of funding for the Bank. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

**Employees' end of service benefits**

Provision for staff end of service benefits for expatriate employees, included under other liabilities, is made in accordance with the UAE Federal Labour Law, and is determined as the liability that would arise if employment of all staff were terminated at the reporting date.

Where UAE nationals are employed by the Bank, these employees are registered in the scheme managed by Abu Dhabi Retirement Pensions and Benefits Fund Law.

An actuarial valuation has not been performed on employees' end of service benefits as the net impact of the discount rate and future salary and benefit levels on the present value of the benefits obligation is not expected to be significant by management.

**Provisions**

Provisions are recognised when the bank has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Taxation**

Income tax expense comprises current and deferred tax.

Current tax is calculated on the taxable profit for the year, which differs from the net profit as reported in statement of profit or loss, as it excludes income or expense items that are taxable or deductible in other years and further excludes items that are non-deductible or non-taxable. The current tax liability is calculated using tax rates enacted or substantively enacted by the end of the reporting period. Provisions are recognized for uncertain tax positions when it is probable that there will be a future outflow of funds to a tax authority, measured at the best estimate of the amount expected to become payable.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Taxation (continued)**

Deferred tax is accounted for using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases. Deferred tax liabilities are recognized for all taxable temporary differences, except for goodwill and temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect taxable or accounting profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled, based on tax laws and rates enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income or directly in equity, respectively. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

**Interest**

*Effective interest rate*

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

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

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

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

*Amortised cost*

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation of the difference between the initial amount and the maturity amount using the effective interest method and, for financial assets, adjusted for any loss allowance.

## 2 Basis of preparation and material accounting policies (continued)

### 2.4 Summary of material accounting policies (continued)

**Interest (continued)**

*Gross carrying amount*
The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting any loss allowance.

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

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

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

*Presentation*
Interest income and expense presented in the statement of profit or loss include the interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

**Fees and commission**

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

Fee income is earned from a diverse range of services provided by the Bank to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15,

fee income is measured by the Bank based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises revenue when it transfers control over a product or service to a customer.

## 2 Basis of preparation and material accounting policies (continued)

## 2.4 Summary of material accounting policies (continued)

**Fees and commission (continued)**

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- other fees and commission income and expense are recognised as the related services are performed or received.

**Foreign currencies**

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. The resulting gain / loss on monetary items is taken to the 'Fee commission and other expense – net' in the statement of profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on translation are generally recognised in the statement of profit or loss.

## 3 Application of new and revised IFRSs as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)

During the current year, the Bank has applied the amendments to IAS 1, IAS 7, IFRS 7 and IFRS 16. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Bank's future transactions or arrangements.

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2024.

| **New standards and significant amendments to standards applicable to the Bank** | **Effective for annual periods beginning on or after** |
|---|---|
| Lack of Exchangeability (amendments to IAS 21) - The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. | 1 January 2025 |
| Amendments to IFRS 9 and IFRS 7 - The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9. | 1 January 2026 |
| IFRS 19 'Subsidiaries without Public Accountability' specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. | 1 January 2027 |
| IFRS 18 'Presentation and disclosures in financial statements' - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. | 1 January 2027 |
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28). | Effective date deferred indefinitely, available for early adoption. |

The Bank has not early adopted any new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management anticipates that these amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

## 4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Critical judgements

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Business model assessment

Classification and measurement of financial assets related to new investment initiatives depend on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank performs assessment of whether the business model continues to be appropriate for financial assets that are held by the Bank; where there is a change in the business model, classification of those assets is changed prospectively.

### Key sources of estimation uncertainty

Calculation of expected credit loss ("ECL")

The Bank assesses the impairment of its financial assets based on the ECL model. Under the expected credit loss model, the Bank accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Bank measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

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

### Critical judgements (continued)

<u>Increase in credit risk (continued)</u>

The Bank has recognised allowance for ECL on its financial instruments at amortised cost including bank balances, investment securities, loans and other assets for the year ended 31 December 2024 amounting to AED 12,302 thousand (period ended 31 Dec 2023: AED 836 thousand) and total allowance for ECL as at 31 December 2024 amounted to AED 15,427 thousand (31 Dec 2023: AED 1,174 thousand).

## 5 Cash and deposits with Central Bank and Due from Banks

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| *Cash and deposits with Central Bank* | | |
| Statutory deposits with Central bank | **2,463,874** | 994,774 |
| Current account and other balances with Central Bank | **3,918,504** | 1,815,464 |
| | **6,382,378** | 2,810,238 |
| Less: Expected credit loss | **(48)** | (8) |
| | **6,382,330** | 2,810,230 |
| *Due from banks* | | |
| Current, call and short notice | **758,441** | 466,063 |
| Term placements with Banks | **791,468** | 755,988 |
| Gross Due from banks | **1,549,909** | 1,222,051 |
| Less: Expected credit loss | **(783)** | (528) |
| | **1,549,126** | 1,221,523 |
| **Total cash and deposits with Central bank and due from banks** | **7,931,456** | 4,031,753 |

Included under balances with the Central Bank of the UAE, a balance pertaining to overnight deposit facility amounting to AED 3,900,000 thousand as at 31 December 2024 (31 December 2023: AED 1,760,000 thousand). During the year, the overnight deposit facility was subject to a base interest rate ranging between 4.4% to 5.4%.

## 5 Cash and deposits with Central Bank and Due from Banks (continued)

Cash and cash equivalents included in the statement of cash flow comprise the following statement of financial position amounts:

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| **Total cash and deposits with Central bank and due from banks** | **7,931,456** | 4,031,753 |
| Less: Restricted bank balances* | **(2,463,874)** | (994,774) |
| Due from banks maturing after 3 months | **(187,718)** | (44,076) |
| Add: Expected credit loss on due from banks and Central bank | **831** | 536 |
| **Cash and bank balances in the statement of cash flows** | **5,280,695** | 2,993,439 |

* The restricted balance comprises of the cash reserves kept with the Central Bank. These balances are not available for use in the Bank's day to day business.

## 6 Investment securities

These represents investments in treasury bills issued by the Central Bank of UAE, sovereign bonds issued by UAE and USA Government. Also included are bonds issued by local commercial banks. The entire portfolio is held at amortised cost and fair value through other comprehensive income (FVOCI). Government bonds are maturing between 1 – 3 years while treasury bills are maturing within 1 year.

**At 31 December 2024**

| | Domestic<br>AED '000 | Regional<br>AED '000 | International<br>AED '000 | Total<br>AED '000 |
|---|---|---|---|---|
| **Measured at amortised cost** | | | | |
| Government bonds | 96,149 | 133,619 | 311,924 | 541,692 |
| Treasury bills | 23,638,944 | - | - | 23,638,944 |
| Others | 765,616 | 359,087 | - | 1,124,703 |
| **Gross investments at amortised cost** | **24,500,709** | **492,706** | **311,924** | **25,305,339** |
| Less: ECL | | | | (1,207) |
| **Net investments at amortised cost** | | | | **25,304,132** |

## 6 Investment securities (continued)

| Measured at fair value through other comprehensive income (FVOCI) | Domestic AED '000 | Regional AED '000 | International AED '000 | Total AED '000 |
|---|---|---|---|---|
| Government bonds | 182,465 | 307,942 | 91,597 | 582,004 |
| Others | 1,503,064 | 1,047,349 | 73,335 | 2,623,748 |
| **Gross investment securities measured at FVOCI** | 1,685,529 | 1,355,291 | 164,932 | 3,205,752 |
| Less: Expected credit loss | | | | (1,951) |
| **Net investments at FVOCI** | | | | 3,203,801 |
| **Net Investment Securities** | | | | **28,507,933** |

Net fair value change reported as other comprehensive loss during the year ended 31 December 2024 amounted to AED 36,661 thousand (31 December 2023: Nil) net of deferred tax asset.

As 31 December 2023

| | Domestic AED '000 | Regional AED '000 | International AED '000 | Total AED '000 |
|---|---|---|---|---|
| Measured at amortised cost | | | | |
| Government bonds | 473,573 | - | 366,109 | 839,682 |
| Treasury bills | 8,418,834 | - | - | 8,418,834 |
| Others | 128,003 | - | - | 128,003 |
| Gross investment securities | 9,020,410 | - | 366,109 | 9,386,519 |
| Less: Expected credit loss | | | | (122) |
| Net investment securities | | | | 9,386,397 |

## 6 Investment securities (continued)

The geographical distribution of investments is as follows:

| | 2024 | 2023 |
|---|---|---|
| UAE | **26,184,495** | 9,020,293 |
| KSA | **1,171,557** | - |
| Qatar | **417,140** | - |
| USA | **311,736** | 366,104 |
| Others | **423,005** | |
| | **28,507,933** | 9,386,397 |

## 7 Loans and advances

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Term loan* | **275,475** | - |
| Credit cards receivables | **231,573** | 8,966 |
| Bills discounted | **246,202** | 6,760 |
| Overdrafts | **25,164** | - |
| **Gross loans and advances** | **778,414** | 15,726 |
| Less: Allowance for impairment | **(11,423)** | (483) |
| **Loans and advances, net** | **766,991** | 15,243 |

* Term loan pertains to USD 75 million provided through syndication with other banks with a maturity of 3-year term with bullet repayment at maturity.

## 8 Receivables and other assets

| | 2024 AED '000 | 2023 AED '000 |
|---|---|---|
| Accrued interest | **65,643** | 12,714 |
| Prepaid expenses | **14,621** | 13,695 |
| Due from related parties | **-** | 15,370 |
| Deferred tax | **3,589** | - |
| Others | **47,263** | 13,759 |
| | **131,116** | 55,538 |
| Less: Expected credit loss | **(15)** | (33) |
| **Total** | **131,101** | 55,505 |

## 9 Derivatives held for risk management

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate is the basis upon which changes in the value of derivatives are measured.

Foreign exchange swap transactions are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. This risk is monitored on an ongoing basis through board approved limits on exposures.

As at 31 December 2024, the Bank placed cash collateral of AED 1.98 Million against net negative derivative exposure. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

**Derivative financial statements**

| | Positive Fair Value* | Negative Fair Value** | Notional Value |
|---|---|---|---|
| | AED '000 | AED '000 | AED '000 |
| **Foreign exchange swaps** | **52** | **2,420** | **873,553** |

* The amount is included under 'Receivable and other assets' (Note 8).
** The amount is included under 'Trade and other payables' (Note 11).

## 10 Customer deposits

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| *By type:* | | |
| Current accounts | **11,086,125** | 5,309,065 |
| Saving accounts | **6,251,547** | 5,532,663 |
| Time deposits | **17,257,198** | 570,493 |
| | **34,594,870** | 11,412,221 |
| *By segment:* | | |
| SME banking | **9,290,767** | 5,092,020 |
| Retail banking | **25,057,449** | 6,065,302 |
| Corporate banking | **246,654** | 254,899 |
| | **34,594,870** | 11,412,221 |

## 11 Trade and other payables

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Accrued interest payable | **205,761** | 24,584 |
| Staff related liabilities* | **89,378** | 84,189 |
| Accrued expenses | **78,944** | 31,191 |
| Trade and other payables | **61,165** | 55,652 |
| Provision for corporate tax | **41,873** | - |
| VAT payable | **24,192** | 5,370 |
| Lease liability | **11,666** | 2,274 |
| Deferred income | **5,022** | 48 |
| Others | **35,588** | 33,089 |
| | **553,589** | 236,397 |

* This includes provision for performance bonus and provision for long term incentive, which is estimated based on expected future payout to selected employees. This payout is linked to employee's performance and longer-term contribution towards achieving organisational objectives.

## 12 Share capital

The authorised and issued share capital of the Bank is 2,300,000 thousand shares at a nominal value of AED 1 per share. The capital was paid in cash by the shareholders in February 2022.

On 8 October 2023, the Bank has obtained the approval from the Central Bank of UAE to decrease share capital by AED 50 million.

## 13 Other reserves

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

The computation of non-distributable impairment reserve - general created during the year is as follows:

| | **2024**<br>**AED '000** | 2023<br>AED '000 |
|---|---|---|
| Minimum provision for stage 1 and stage 2 as per CBUAE requirements | **47,275** | 5,792 |
| Less: Stage 1 and Stage 2 impairment provision taken against income | **(13,907)** | (1,174) |
| Shortfall in stage 1 and stage 2 provision to meet minimum CB UAE requirements | **33,368** | 4,618 |
| | | |
| Balance of impairment reserve - general as at 1 January | **4,618** | - |
| Add: Non distributable reserve created during the year | **28,750** | 4,618 |
| **Balance of impairment reserve - general as at 31 December** | **33,368** | 4,618 |

## 14 Statutory reserves

As required by the UAE Federal Law No. (32) of 2021, 10% of the Bank's profit for the year required to be transferred to the legal reserve until this reserve reaches half of the share capital. The reserve is not available for distribution. For the year ended 31 December 2024, the Bank made a profit of AED 394,983 thousand (Profit for the year ended 31 December 2023 was a profit of 1,996 thousand) and has accordingly made provision off AED 39,498 thousand for the reserve during the year (for the year ended 31 December 2023 the provision was 200 thousand).

## 15 Net interest income

| | 2024 AED '000 | 2023 AED '000 |
|---|---|---|
| *Interest income* | | |
| Balances with the Central Bank | **139,174** | 46,323 |
| Placements with banks | **49,931** | 16,161 |
| Investments securities | **1,003,265** | 192,013 |
| Loans and advances | **16,883** | 17 |
| **Total interest income** | **1,209,253** | 254,514 |
| *Interest expense* | | |
| Customer accounts and deposits | **(759,101)** | (81,364) |
| **Net interest income** | **450,152** | 173,150 |

## 16 Net fees and commission income

| | 2024 AED '000 | 2023 AED '000 |
|---|---|---|
| *Fees and commission income* | | |
| Foreign exchange income | **237,595** | 46,338 |
| Cards related fees | **197,420** | 38,332 |
| Account related fees | **125,043** | 35,620 |
| **Total fees and commission income** | **560,058** | 120,290 |
| *Fees and commission expenses* | | |
| Card related charges | **(139,303)** | (17,310) |
| Accounts related charges | **(23,644)** | (3,155) |
| Other charges | **(43,796)** | (6,547) |
| **Total fees and commission expenses** | **(206,743)** | (27,012) |
| **Net fees and commission income** | **353,315** | 93,278 |

## 17 General and administrative expenses

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Staff costs | **158,827** | 152,125 |
| Technology and outsourcing expenses | **112,615** | 69,946 |
| Marketing related expenses | **21,986** | 16,985 |
| Service, legal and professional fees | **27,618** | 9,990 |
| Depreciation | **8,002** | 4,275 |
| Amortization | **630** | 629 |
| Others | **23,141** | 9,646 |
| | **352,819** | 263,596 |

## 18 Net impairment loss on financial assets

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Net impairment of loans and receivables | **10,939** | 483 |
| Net impairment of due from banks | **254** | 190 |
| Net impairment of investment securities | **1,085** | 122 |
| Net impairment of cash and deposits with Central Bank | **40** | 8 |
| Other impairments and provisions | **1,474** | 33 |
| | **13,792** | 836 |

## 19 Corporate Income Tax

On December 9, 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE.

The new CT regime has become effective for accounting periods beginning on or after June 1, 2023. As the Bank's accounting year ends on December 31, the first tax period is from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025.

The charge for the year can be reconciled to the profit before tax as follows:

Below is the summary of total income tax expense recognized in the statement of profit or loss:

| | **2024**<br>**AED '000** |
|---|---|
| Current tax expense | **41,873** |
| Related to prior years | - |
| **Total current tax expense** | **41,873** |
| **Total tax expense recognized in the statement of profit or loss** | **41,873** |

Below is the summary of income tax expense recognized in other comprehensive income:

| | **2024**<br>**AED '000** |
|---|---|
| **Deferred tax expense** | |
| Fair value movement on debt securities measured through other comprehensive | **(3,589)** |
| **Total deferred tax expense** | **(3,589)** |
| Total items that may be reclassified subsequently to the statement of profit or loss | |

Tax expense is the tax payable on the current year's taxable profits based on the applicable tax rate, adjusted for any changes in deferred tax assets or liabilities. Tax expense is recognized in the statement of profit or loss except when the tax relates to items directly recognized in Other Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

The tax rate applicable in the United Arab Emirates is 9% (2023: 0%) for taxable profits exceeding AED 375,000. The overall effective tax rate for the Bank is 9.58% (2023: 0%).

## 19 Corporate Income Tax (continued)

The difference between the applicable tax rate in the UAE of 9% (2023: 0%) and the Bank's effective tax rate of 9.58% (2023: 0%) arises due to various adjustments being made in accordance with the Corporate Tax law.

The reconciliation of tax expense to the accounting profit before tax is as follows:

| | 2024<br>AED '000 |
|---|---|
| **Profit before taxation** | **436,856** |
| Prima facie tax expense at 9% (2023: 0%) | **39,317** |
| **Tax effect of difference:** | |
| Tax effect of non-deductible expenses | **2,556** |
| **Income tax expense** | **41,873** |

### Elements of deferred tax

| **For the year the ended December 31, 2024** | **Opening Balance AED'000** | **Income Statement AED'000** | **OCI AED'000** | **Equity AED'000** | **Closing Balance AED'000** |
|---|---|---|---|---|---|
| Un-realized fair value loss of debt instruments measured through OCI | - | - | (3,589) | - | (3,589) |
| **Total deferred tax** | - | - | (3,589) | - | (3,589) |

## 20 Commitments and contingent liabilities

The Bank has contractual commitments to suppliers amounting to AED 38.83 million (2023: AED 30.64 million).

## 21 Related party balances and transactions

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising associates, directors, major shareholders, key management and their related concerns.

Balances with related parties at the reporting date are shown below:

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Investment securities with related parties | **806,233** | - |
| Due from related parties included in loans and receivables | **25,459** | - |
| Due from related parties included in other assets | **7,692** | 15,370 |
| Deposits placed by related parties | **291,133** | 247,572 |
| Interest payable | **295** | 123 |

Transactions carried out during the year with related parties are shown below:

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Interest income from related parties | **17,343** | - |
| Expenses recharged to a related party | - | 15,370 |
| Interest and other expense | **12,590** | 14,249 |
| Director's remuneration | **4,045** | 10,631 |

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Referral fees* | **16,753** | 1,260 |

* The Bank entered into an agreement with a related party wherein the Bank will pay monthly referral costs for active accounts of customers opened through referrals made by the related party.

### Compensation of key management personnel

The compensation of key management personnel during the year was as follows:

| | 2024<br>AED '000 | 2023<br>AED '000 |
|---|---|---|
| Salaries and benefits – short term | **22,915** | 15,394 |
| Post-employment benefits | **895** | 923 |
| | **23,810** | 16,317 |

## 22 Risk Management

### Financial instruments

### *(a) Classes and categories of financial instruments and their fair values*

The following detail encompasses information about:

- Classes of financial instruments based on their nature and characteristics
- The carrying amounts of financial instruments
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value)
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed

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

Carrying value of financial assets represents fair value given all financial assets are held at amortised cost.

The primary risks to the Bank arise from extending credit to Small and Medium Enterprises (SME) and retail banking customers. The bank is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country, market conduct and legal that drive the direction of its risk management, product range and risk diversification strategies.

### *(b) Risk Management Framework:*

The Risk Management Framework of the Bank sets out the principles, minimum standards, approach and the key roles and responsibilities of the Board of Directors (Board), Management, and other stakeholders in relation to risk management of the Bank. The primary objective of this Framework is to assist the Board in fulfilling its oversight responsibilities in respect of setting Bank's overall risk strategy and appetite, in line with the business strategy, setting risk parameters and limits within which it conducts its activities and development and update of risk policies.

Risk is the uncertainty around current or future events and outcomes that could bring up adverse impacts either in the form of direct loss of earnings and capital or imposition of constraints on the Bank's ability to meet its business objectives, hinder the ability to conduct business or take benefit of opportunities to enhance business. Risk Management involves identification, measurement, monitoring, controlling and reporting risks and ensures that:

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(b) Risk Management Framework: (continued)*

(i) The Board and senior management clearly understand the risks involved;
(ii) Bank's risk exposure is within the limits established by the Board and in line with regulatory requirements;
(iii) Credit and other key decisions are in line with the business strategy and objectives set by the Board;
(iv) Sufficient capital is available at all times; and
(v) Existence of a well-defined risk management framework that permeates all aspects of the business and to which, every employee is sensitive.

The Bank shall adopt an integrated approach to manage risks in order to develop a comprehensive view of risks involved in the operations. Bank's aim will be to ensure that the key risks are identified, assessed, measured, and monitored proactively and duly reported so that the business units adhere to the policies and internal controls which are established to control these risks.

### *(c) Risk governance*

The risk governance structure of the Bank ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting Bank's risk appetite and for the establishment and oversight of the Bank's risk management framework. This is managed through a number of committees; namely Board Risk and Compliance Committee (BRCC) and Board Audit Committee (BAC).

The management level committees also actively manage risk. Key ones include Bank Management Risk Committee (MRC), Credit Risk Committee (CRC ), Management Compliance Committee (MCC ) and Asset Liability Management Committee ( ALCO).

BRCC comprises of members of the Board and is responsible for risk oversight responsibilities of the Board with regards to risk governance, risk appetite and the risk management framework. The BRC receives reports on risk management including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy and is authorised to investigate or seek any information relating to any activity within its terms of reference.

The primary role BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of Bank's 's external and internal auditors. MRC is a management level committee which carries out risk related decisions including but not limited to review and monitoring of portfolio performance in line with the credit risk strategy, decisions on debt settlement and provisioning write off.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(c) Risk governance (continued)*

The CRC carries out lending related decisions including but not limited to approval and renewal of credit facilities review and monitoring of portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing.

The role of the MCC is to support the Board in the management of Compliance related activities. The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate risk. The MRC is responsible for the management of all risks other than those delegated to MCC and ALCO and ensures the effective management of risk throughout the Bank in support of the bank's business strategy and Bank's risk appetite. The committees support Board Committees in the review and approval of policies to ensure effective management of credit, market, operational, business continuity, reputational, compliance, legal, market conduct and other risks confronting the bank.

### *(d) The Risk Function*

The Risk Function is independent second line of defense that ensures that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with bank standards and policies.
The Risk Function assists in controlling and actively managing the Bank's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Bank and is appropriate to the Bank's activities.
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks.
- To ensure that the Bank's business strategies, risk policies, procedures and methodologies are consistent with the Bank's risk appetite.
- To ensure the integrity of the Bank's risk/return decisions guaranteeing their transparency.
- To ensure that appropriate risk management architecture and systems are developed and implemented.

### *(e) Risk appetite*

The risk appetite statement is an articulation of the risk that the Bank would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.
The risk appetite statement is a critical component and extension of the risk management framework. It is used by the Bank to proactively establish and subsequently monitor the Bank's risk profile using a set of pre-defined key risk metrics and respective thresholds.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(f) Credit risk*

Credit risk is the risk of financial loss, should any of the bank's customers, clients or market counterparties fail to fulfil their contractual obligation to the bank. Credit risk arises mainly from retail customers, corporate customers, loans to related parties and SME customers.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ("trading exposures") including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

#### *(i) Credit risk management*

At Wio bank, we prioritize independent and robust credit risk management to serve our retail and SME customers effectively. Our approach rests on a dedicated Risk structure, supported by dedicated Credit committee, management risk committees, and board risk committee. These forums ensure that the bank has comprehensive policies and processes, all designed to create a solid risk management framework.

The bank's credit policy focuses on the core credit principles, lending guidelines and parameters, control and monitoring requirements, problem loan identification, management of high-risk counterparties and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is periodically measured against the risk appetite parameters and breaches if any are actioned by the Bank's Executive Committee.

#### *(ii) SME customers credit risk management*

Wio bank largely focuses on small and medium SME, given the large liability base we have garnered over time. Credit facilities are granted based on the detailed credit risk assessment of the SME. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, banking behaviour with Wio. Given all the lending products at present are unsecured in nature, there is a strong emphasis on cash flow, including quantum, robustness and quality.

The credit assessment process is fully digitized and can store and audit all underwriting variables and parameters. The approve decline rule and limit assessment multipliers are maintained in a business rule engine (BRE). This enables the bank to quickly improve upon the credit policy and carry out policy changes. This sets up the bank to have a robust risk management system.
Wio bank does not plan to focus on corporate segment, in case of any specific exposures (syndication loans/group company loans), specific approvals are taken from the board risk committee as an exception.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(f) Credit risk (continued)*

#### *(ii) SME customers credit risk management (continued)*

Wio bank is also in the process of setting up credit admin/ops function, with an aim to have independent tracking of post approval conditions (e.g., credit conditions, maintenance of documentation and proactive controls over maturities, expiry of limits).

The Bank has a well-defined process for identification of watchlist and NPL accounts and dealing with them effectively. There are policies which govern credit grading watchlist and NPL accounts and impairment, in line with IFRS and regulatory guidelines.

#### *(iii) Retail banking credit risk management:*

Wio bank plans to offer credit card and personal loans to retail banking customers. The sourcing strategy is largely aligned to cross sell credit to banking customers. Presently, all credit products are unsecured in nature.

Given the unsecured nature of loans (credit cards), in the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to lending transactions. In line with central bank regulations, the Bank follows strict debt burden checks, income stability checks and employment type checks.

The bank's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Bank to prudently recognise impairment on its retail portfolios.

#### *(iv) Credit approving authorities*

Our credit approval process is streamlined, with authorities delegated to our Credit Risk Committee and senior management to ensure efficiency. However, significant loans require direct approval from the Board Risk and Credit Committee (BRCC).

#### *(v) Credit risk measurement*

The estimation of credit risk for risk management purposes is complex and is based on probability of default method as defined in ECL under IFRS 9 framework. Each credit program has defined early warning matrices and default measures in line with the risk appetite statement. The bank has developed a framework which measures PD, LGD and EAD at customer level.

#### *(vi) Credit risk grading*

Although we primarily target retail and small SME clients—without extensive rating models—we are developing a robust system for larger loans, such as supply chain financing. This new model will utilize financial and managerial data to establish risk grades that influence lending decisions and ECL calculations.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(f) Credit risk (continued)*

#### *(vi) Credit risk grading (continued)*

The following are additional considerations for non-credit portfolio held by the Bank:

*Treasury:*

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

#### *(vii) ECL measurement*

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

A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the bank.

If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.

If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.

ECL is measured after factoring forward-looking information.

ECL on Purchase or originated credit-impaired financial assets is measured on a lifetime basis.

#### *(viii) Significant increase in credit risk*

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

When the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(f) Credit risk (continued)*

#### *(viii) Significant increase in credit risk (continued)*

Qualitative criteria:

The Bank also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets

The bank defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:

The borrower is more than 90 days past due on its contractual payments.

Qualitative:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances like long-term forbearance, borrower is insolvent, borrower is entering bankruptcy etc.

Curing

The Bank continues to monitor such financial instruments for a minimum probationary period of ranging (6-12 months) to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposure from Stage 3 to 2.

## 22 Risk Management (continued)

### Financial instruments (continued)

### *(f) Credit risk (continued)*

#### *(viii) Significant increase in credit risk (continued)*

Forward-looking information incorporated in the ECL model

Given the bank is 2 years old and the lending booking in less than 1 year old, we don't have historical data to build customer forecasting models. We have engaged with a third party vendor to help build the ECL model, it is based on expert judgement and market benchmarks suitable to Wio's lending book. The expert judgement PD used in the model are already forward looking.

The forward-looking information is incorporated through macro adjusted PD and LGD parameters which thereby affect the stage and ECL. The Bank has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a yearly basis.

Credit risk monitoring

Retail, SME and corporate customers: The bank's exposures are continuously monitored through a system of triggers and early warning signals. Additionally, for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, and other credit and impairment related matters are reviewed and approved by Credit committee.

Write offs

Given the unsecured nature of products, the bank follows the below charge off and write off policy. At month end, an account which is 180+ dpd has a reversal of accrued charges. Thereafter, 52 weeks later, this amount is written off from our books.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (g) Analysis by economic activity for assets:

The Bank monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Loans and receivables AED '000 | Others AED '000 | Loans and receivables AED '000 | Others AED '000 |
| Manufacturing | 57,468 | - | 6,760 | - |
| Construction | 696 | - | - | - |
| Trade | 185,877 | - | - | - |
| Transport and communication | 722 | 35,657 | - | - |
| Utilities and services | - | 1,135,380 | - | - |
| Sovereign | - | 1,198,952 | - | 3,796,162 |
| Personal | 212,884 | - | 8,966 | - |
| Real estate | 528 | - | - | - |
| Hotels and restaurants | 5,308 | - | - | - |
| Management of companies and enterprises | 844 | 683,284 | - | - |
| Financial institutions and investment companies | 300,649 | 26,955,704 | - | 9,622,644 |
| Others | 13,438 | 52,023 | - | 63,156 |
| **Total Assets** | **778,414** | **30,061,000** | **15,726** | **13,481,962** |
| Less: Expected credit loss | (11,423) | (3,941) | (483) | (692) |
| | **766,991** | **30,057,059** | **15,243** | **13,481,270** |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (h) Classification of investment securities as per their external ratings

| **As of 31 December 2024**<br>**Ratings:** | **FVOCI – Debt instruments**<br>**AED '000** | **Amortised cost**<br>**AED '000** | **Total**<br>**AED '000** |
|---|---|---|---|
| AAA | - | - | - |
| AA– to AA+ | 1,651,080 | 24,082,810 | 25,733,890 |
| A– to A+ | 1,411,052 | 1,222,529 | 2,633,581 |
| Lower than A- | 143,620 | - | 143,620 |
| Unrated | - | - | - |
| Less: Expected credit losses | (1,951) | (1,207) | (3,158) |
| | **3,203,801** | **25,304,132** | **28,507,933** |

| As of 31 December 2023<br>Ratings: | FVOCI – Debt instruments<br>AED '000 | Amortised cost<br>AED '000 | Total<br>AED '000 |
|---|---|---|---|
| AAA | - | - | - |
| AA– to AA+ | - | 9,258,515 | 9,258,515 |
| A– to A+ | - | 128,004 | 128,004 |
| Lower than A- | - | - | - |
| Unrated | - | - | - |
| Less: Expected credit losses | - | (122) | (122) |
| | - | 9,386,397 | 9,386,397 |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (h) Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

| | 12-month ECL AED '000 | Lifetime ECL not credit-impaired AED '000 | Lifetime ECL credit-impaired AED '000 | Total AED '000 |
|---|---|---|---|---|
| *31 December 2024* | | | | |
| Balance at 1 January | 15,726 | - | - | 15,726 |
| Transfers from stage 1 | (4) | 4 | - | - |
| Transfers from stage 2 | - | - | - | - |
| Transfers from stage 3 | - | - | - | - |
| New financial assets, net of repayments | 759,343 | 1,825 | 1,520 | 762,688 |
| Amounts written off during the year | - | - | - | - |
| **Total gross loans and receivables** | **775,065** | **1,829** | **1,520** | **778,414** |
| Expected credit losses | (8,320) | (1,583) | (1,520) | (11,423) |
| **Carrying amount** | **766,745** | **246** | **-** | **766,991** |
| *31 December 2023* | | | | |
| Balance at 1 January | - | - | - | - |
| Transfers from stage 1 | - | - | - | - |
| Transfers from stage 2 | - | - | - | - |
| Transfers from stage 3 | - | - | - | - |
| New financial assets, net of repayments | 15,726 | - | - | - |
| Amounts written off during the year | - | - | - | - |
| **Total gross loans and receivables** | **15,726** | **-** | **-** | **15,726** |
| Expected credit losses | (483) | - | - | (483) |
| **Carrying amount** | **15,243** | **-** | **-** | **15,243** |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (i) Amounts arising from ECL

| | 12-month ECL AED '000 | Lifetime ECL not credit-impaired AED '000 | Lifetime ECL credit-impaired AED '000 | Total AED '000 |
|---|---|---|---|---|
| *31 December 2024* | | | | |
| Balance at 1 January | 483 | - | - | 483 |
| Transfers from stage 1 | - | - | - | - |
| Transfers from stage 2 | - | - | - | - |
| Transfers from stage 3 | - | - | - | - |
| Allowances for impairment made during the year | 7,837 | 1,583 | 1,520 | 10,940 |
| Write back / recoveries made during the year | - | - | - | - |
| Amounts written off during the year | - | - | - | - |
| Exchange and other adjustments | - | - | - | - |
| **Closing balance** | **8,320** | **1,583** | **1,520** | **11,423** |
| | | | | |
| *31 December 2023* | | | | |
| Balance at 1 January | - | - | - | - |
| Transfers from stage 1 | - | - | - | - |
| Transfers from stage 2 | - | - | - | - |
| Transfers from stage 3 | - | - | - | - |
| Allowances for impairment made during the year | 483 | - | - | 483 |
| Write back / recoveries made during the year | - | - | - | - |
| Closing balance | 483 | - | - | 483 |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (j) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Market Risk affects the Bank due to its:

- FVOCI; and
- Amortised Cost portfolios

The Bank predominantly pursues opportunities in the market that exposes itself to the following categories of market risk – which are actively managed and monitored:

- Interest Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of interest rates and changes in credit spreads;
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates;

Treasury Department is accountable for managing market risk within the approved limits. The Banking Book includes financial instruments not held with trading intent that arise from the management of Interest Rate risk and FX risk from the Bank's assets and liabilities, and other financial investments designated as either FVOCI or Amortised Cost.

### (k) Market risk oversight and management process

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

- Approval by the Board Risk and Compliance Committee and Asset-Liability Committee of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures;
- A comprehensive set of policies, procedures and limits; and the bank is not significantly exposed to structural FX Risk – which is a component of market risk – since the majority of the assets and liabilities of the Bank are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (k) Market risk oversight and management process (continued)

Major currency-wise open positions of the Bank are as follows:

| | **2024 Long/ (Short) AED '000** | 2023 Long/ (Short) AED '000 |
|---|---|---|
| U.S. Dollar (USD) | 1,861,705 | (384,500) |
| Euro (EUR) | (75,351) | (38) |
| British Pound (GBP) | (64,501) | 4,376 |
| Saudi Riyal (SAR) | 16,574 | 9,324 |
| Indian Rupee (INR) | 6,868 | 2,498 |

### (l) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

#### (i) Operational Risk Governance Framework

The Bank applies a three line of defence model for operational risk management. The business and support units form the first line of defence. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

Operational Risk management as the second line of defence, provide consistent and standardised methods and tools to business and support functions for managing operational risk. The function monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the Bank's mitigating strategies.

The Bank's Internal Audit department as the third line of defence, provides independent assurance to the Board of Directors.

#### (ii) Operational Risk Management Process

The Bank has set up the operational risk management department within the risk management Function to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements,

- Risk Identification and Assessment
- Risk mitigation/Treatment
- Risk Monitoring and Review
- Risk Reporting

## 22 Risk Management (continued)

### Financial instruments (continued)

### (l) Operational risk (continued)

#### (ii) Operational Risk Management Process (continued)

This department develops and implements the methods for the identification, assessment, measurement and monitoring of operational risk throughout the Bank and provides regular and comprehensive reporting on operational risks to senior management. The department supports business and other support units to monitor and manage their individual operational risks.

#### (iii) Insurance Management

The Bank obtains tailored insurance cover to protect the Bank against unexpected losses. Insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed periodically and the insurance cover is aligned to changes of the Bank's risk exposure.

#### (iv) Fraud Management

The Board and Management are determined to build and maintain a credible defence to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the bank. As such the bank invests in advanced systems and controls for the prevention of frauds perpetrated against the bank and its customers. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The bankhas a specialised team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks.

The bank has policies and procedures in place to ensure compliance with prevailing legislation and to mitigate risk, including the risk of fraud.

#### (v) Whistleblowing

The Bank is committed to the highest standards of openness, integrity and accountability in the delivery of its services. The Bank has instituted a wide range of rules, procedures and codes of conduct to deliver on its commitments against, fraud, malpractice and other wrongdoings.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (l) Operational risk (continued)

#### (v) Whistleblowing (continued)

As such, the 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

#### (vi) Cyber Security Management

The Bank considers information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Bank has established a comprehensive cyber security framework based on three lines of defense model. The framework ensures the Bank is resilient to cyber security threats in an evolving and increasingly complex digital environment.

#### (vii) Business Continuity Management

Business Continuity Management (BCM) is defined as a management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, BCM provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

The Board Risk and Compliance Committee is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible for ensuring appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by relevant risk teams.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (m) Liquidity risk

Liquidity risk is the inability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. This also includes the inability of the Bank to liquidate its assets at the required time and price to meet the payout of liabilities or investment commitments in assets.

*Sources of Liquidity Risks:*

- Mismatch or structural liquidity risk;
- Contingent liquidity risk; and
- Market Liquidity risk.

#### (i) Objectives and Governance structure

The objective of the Bank's liquidity Risk Management is to ensure the maintenance of sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring material losses or risking damage to its reputation.

#### (ii) Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames.
- monitoring balance sheet liquidity and advances to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of debt maturities;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (m) Liquidity risk (continued)

#### (iii) Maturity analysis of assets and liabilities

The table below summaries the maturity profile of the Bank's assets and liabilities based on their carrying value:

| 31 December 2024 | Within 3 months AED '000 | Over 3 months to 1 year AED '000 | Over 1 year to 3 years AED '000 | Over 3 years to 5 years AED '000 | Undated and Over 5 years AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Cash and deposits with Central banks | 6,382,330 | - | - | - | - | 6,382,330 |
| Due from banks | 1,059,646 | 489,480 | - | - | - | 1,549,126 |
| Investment securities | 10,600,815 | 13,392,138 | 897,564 | 1,898,105 | 1,719,311 | 28,507,933 |
| Loans and receivables | 324,586 | 170,173 | 272,232 | - | - | 766,991 |
| Property and equipment | - | 856 | 5,413 | 7,245 | 2,578 | 16,092 |
| Intangibles | - | - | 1,103 | - | - | 1,103 |
| Other assets | 131,101 | - | - | - | - | 131,101 |
| **TOTAL ASSETS** | **18,498,478** | **14,052,647** | **1,176,312** | **1,905,350** | **1,721,889** | **37,354,676** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Customer deposits | 29,636,359 | 4,958,511 | - | - | - | 34,594,870 |
| Other liabilities | 553,589 | - | - | - | - | 553,589 |
| Total equity | - | - | - | - | 2,206,217 | 2,206,217 |
| **TOTAL LIABILITIES AND EQUITY** | **30,189,948** | **4,958,511** | **-** | **-** | **2,206,217** | **37,354,676** |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (m) Liquidity risk (continued)

#### (iii) Maturity analysis of assets and liabilities (Continued)

| 31 December 2023 | Within 3 months AED '000 | Over 3 months to 1 year AED '000 | Over 1 year to 3 years AED '000 | Over 3 years to 5 years AED '000 | Undated and Over 5 years AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Cash and deposits with Central banks | 2,810,230 | - | - | - | - | 2,810,230 |
| Due from banks | 1,177,466 | 44,057 | - | - | - | 1,221,523 |
| Investment securities | 3,633,624 | 5,270,769 | 354,002 | 128,002 | - | 9,386,397 |
| Loans and receivables | 6,760 | 8,483 | - | - | - | 15,243 |
| Property and equipment | - | - | 5,562 | - | - | 5,562 |
| Intangibles | - | - | 2,053 | - | - | 2,053 |
| Other assets | 55,505 | - | - | - | - | 55,505 |
| TOTAL ASSETS | 7,683,585 | 5,323,309 | 361,617 | 128,002 | - | 13,496,513 |
| | | | | | | |
| LIABILITIES | | | | | | |
| Customer deposits | 11,228,757 | 183,464 | - | - | - | 11,412,221 |
| Other liabilities | 236,397 | - | - | - | - | 236,397 |
| Total equity | - | - | - | - | 1,847,895 | 1,847,895 |
| TOTAL LIABILITIES AND EQUITY | 11,465,154 | 183,464 | - | - | 1,847,895 | 13,496,513 |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (m) Liquidity risk (continued)

#### (iv) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations.

| | Carrying amount AED '000 | Gross nominal outflows AED '000 | Within 3 months AED '000 | Over 3 months to 1 year AED '000 | Over 1 year to 3 years AED '000 | Over 3 years to 5 years AED '000 | Over 5 years AED '000 |
|---|---|---|---|---|---|---|---|
| ***As at 31 December 2024*** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Customer deposits | 34,594,870 | 35,000,747 | 29,797,686 | 5,203,061 | - | - | - |
| *As at 31 December 2023* | | | | | | | |
| Financial liabilities | | | | | | | |
| Customer deposits | 11,412,221 | 11,421,285 | 11,231,689 | 189,596 | - | - | - |

## 22 Risk Management (continued)

**Financial instruments (continued)**

### (m) Liquidity risk (continued)

#### (v) Interest rate risk in the banking book

Interest Rate Risk in the Banking Book (IRRBB) is defined as the exposure of the non-trading products of the Bank to interest rates. Non-trading portfolios include all banking book positions that arise from the interest rate on the Bank's retail and corporate and institutional banking assets and liabilities, and financial investments designated as FVOCI and amortised cost. IRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of interest rate changes.

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to Bank Treasury under the supervision of the ALCO For measuring overall interest sensitivity in the banking book, the Bank conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points and assessing the corresponding impact on its net interest income.

| | 31 December 2024 | 31 December 2023 |
|---|---|---|
| | Impact AED '000 | Impact AED '000 |
| Rates Up 200 bps | (57,944) | 107,137 |
| Rates Down 200 bps | 57,944 | (107,137) |

The interest rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net interest income of some rates changing while others remain unchanged. The projections are based on constant balance scenario, consider behavioral assumptions on non-maturity products and also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Bank Treasury or in the business units to mitigate the impact of this interest rate risk. In practice, Bank Treasury seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues.

## 22 Risk Management (continued)

## Financial instruments (continued)

## (m) Liquidity risk (continued)

### (vi) Interest rate repricing analysis

| | Less than 1 month AED '000 | Over 1 month to 3 months AED '000 | Over 3 months to 6 months AED '000 | Over 6 months to 1 year AED '000 | Over 1 year AED '000 | Non-interest bearing AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|---|
| *31 December 2024* | | | | | | | |
| **Assets** | | | | | | | |
| Cash and deposits with Central Banks | 3,918,456 | - | - | - | - | 2,463,874 | 6,382,330 |
| Due from banks | 1,059,646 | 489,480 | - | - | - | - | 1,549,126 |
| Investment securities | 4,032,897 | 6,567,917 | 8,453,326 | 4,938,813 | 4,514,980 | - | 28,507,933 |
| Loans and receivables | 491,730 | 275,261 | - | - | - | - | 766,991 |
| Property and equipment | - | - | - | - | - | 16,092 | 16,092 |
| Intangibles | - | - | - | - | - | 1,103 | 1,103 |
| Other assets | - | - | - | - | - | 131,101 | 131,101 |
| **Total Assets** | **9,502,729** | **7,332,658** | **8,453,326** | **4,938,813** | **4,514,980** | **2,612,170** | **37,354,676** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Customer Deposits | 14,938,924 | 3,611,310 | 1,180,773 | 3,777,738 | - | 11,086,125 | 34,594,870 |
| Trade and other payables | - | - | - | - | - | 553,589 | 553,589 |
| **Total equity** | - | - | - | - | - | 2,206,217 | 2,206,217 |
| **Total Liabilities and Equity** | **14,938,924** | **3,611,310** | **1,180,773** | **3,777,738** | **-** | **13,845,931** | **37,354,676** |
| | | | | | | | |
| *31 December 2023* | | | | | | | |
| Assets | | | | | | | |
| Cash and deposits with Central Banks | 1,815,464 | - | - | - | - | 994,766 | 2,810,230 |
| Due from banks | 1,177,466 | - | - | 44,057 | - | - | 1,221,523 |
| Investment securities | 2,052,106 | 1,581,518 | 1,565,018 | 3,705,749 | 482,006 | - | 9,386,397 |
| Loans and receivables | 4,251 | 10,992 | - | - | - | - | 15,243 |
| Property and equipment | - | - | - | - | - | 5,562 | 5,562 |
| Intangibles | - | - | - | - | - | 2,053 | 2,053 |
| Other assets | - | - | 12,707 | - | - | 42,798 | 55,505 |
| Total Assets | 5,049,287 | 1,592,510 | 1,577,725 | 3,749,806 | 482,006 | 1,045,179 | 13,496,513 |

## 22 Risk Management (continued)

### Financial instruments (continued)

### (m) Liquidity risk (continued)

#### (vii) Reputational risk

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Bank has measures to ensure a positive perception of the Bank and that overall risk management ensures appropriate management of reputational risk.

#### (viii) ICAAP and Stress Testing:

ICAAP and stress testing is an integral part of the Bank's risk management process. It includes scenario analysis and is conducted regularly. Every stress test is documented, and the results are discussed and approved by the Management Risk Committee and the Board Risk and Compliance Committee.

### (n) Regulatory/compliance risk

Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Bank has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Bank wide basis. Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Bank wide and are supplemented screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements.

Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

### (o) Environmental, social and governance (ESG) risk

The rapidly changing global landscape, marked by challenges such as climate change, the evolving expectations of our stakeholders, as well as a continuous evolution of international standards, particularly in the areas of sustainability accounting, audit and ethics necessitates a proactive approach to ESG. The Bank continues to develop its approach to ESG in line with progressing standards.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (p) Climate related risk

Climate risks relate to the financial and non-financial impacts that may arise because of climate change. There are two categories of climate risks: physical risks, which can arise from changes in weather and climate and transition risks which can arise from the shift to a low-carbon economy.

The Bank considers climate risk as part of the broader environmental and social risks. The Bank's Board of Directors bears the final responsibility for all aspects concerning ESG and climate related risks. The Board actively participates in shaping our ESG strategy and is briefed on the progress of this strategy by the Executive Committee.

### (q) Internal Audit's role in overall risk management

Bank Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Bank including all aspects of Risk Management. The department is organizationally independent of all other functions in the bank. The unit is headed by the Head of Internal Audit, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Internal Audit is to provide assurance on risks to which the Bank's businesses are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

### (r) Internal Audit's role in overall risk management

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Internal Audit's plans and resources and evaluates the effectiveness of the Internal Audit function. External advisers also may periodically assess the function.

### (s) Capital adequacy ratio and capital management

CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve and retained earnings adjusted for intangibles and any other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.

T2 capital comprises eligible general reserves.

## 22 Risk Management (continued)

### Financial instruments (continued)

### (s) Capital adequacy ratio and capital management (continued)

The Bank's capital adequacy ratio calculated in accordance with guidelines issued by the CBUAE is as below:

| | **2024** | 2023 |
|---|---|---|
| | **AED '000** | AED '000 |
| **Available capital** | | |
| Common equity tier I capital before regulatory deductions | **2,138,473** | 1,850,717 |
| Less: regulatory deductions | (1,103) | (2,053) |
| **Tier I capital** | **2,137,370** | 1,848,664 |
| **Tier II capital** | **13,907** | 4,618 |
| Total eligible capital | **2,151,277** | 1,853,282 |
| **Risk weighted assets** | | |
| Credit risk | 3,151,593 | 386,163 |
| Market risk | 845,963 | 218,673 |
| Operational risk | 181,729 | 205,362 |
| **Total risk weighted assets** | **4,179,285** | 810,198 |

| | **2024** | 2023 |
|---|---|---|
| **Capital ratio** | | |
| Total capital ratio | **51.47%** | 228.74% |

## 23 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank can be party to legal proceedings and regulatory matters arising out of its normal business operations. The Bank has proper controls and policies for reporting and managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 2. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2024.

Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Bank is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided.

## 24 Approval of the financial statements

The financial statements were approved by management and authorised for issue on 5 February 2025.