WIO BANK PJSC

Reports and financial statements for the year ended 31 December 2023

WIO BANK PJSC

Reports and financial statements
for the year ended 31 December 2023

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WIO BANK PJSC

Board of Directors' report
for the year ended 31 December 2023

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 2023.

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

The financial results of the Bank have been presented on page 7 of the financial statements.

The Bank has significantly enhanced the Wio Business proposition throughout 2023 by adding new features such as Multi-currency Accounts, SME Web App, Wage Protection System (WPS), Multi-user Access, Savings spaces with Interest, along with enablement of Apple Pay and Google Pay. Wio Business ended 2023 with over 50 thousand customers.

The Bank has also launched a comprehensive Wio Personal proposition targeting the retail customers in July 2023. Key features include fully digital onboarding, multi-currency accounts, Local & International Transfers along with One card for Debit & Credit. Wio Personal also launched a 6% savings campaign in September 2023 leading to significant deposit inflows. Wio Personal ended 2023 with over 40 thousand Personal customers and over AED 6 billion in deposits. As a result, the Bank's total customer deposit grew to over AED 11 billion by the end of 2023.

While the higher interest rates in the marco-economic environment have helped revenues, the Bank is also focused on diversifying income with Fee income from subscriptions, foreign exchange and interchange forming nearly 35% of the Operating Income. Additionally, the Bank is also focused on using technology for scalability and keeping costs low. This led to the Bank achieving profitability in its first full year of operations in 2023. This is a remarkable achievement which, very few banks in the world have been able to do.

The past year has been one of unprecedented growth and momentum for the Bank. Looking ahead, we are energised by the opportunities that lie before us and confident in our ability to achieve even greater success.

Directors

H.E. Salem Al Nuaimi	Chairman
Mr. Fadel Al Ali	Vice Chairman
H.E. 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

WIO BANK PJSC

Board of Directors' report
for the year ended 31 December 2023 (continued)

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2023.

for the Board of Directors

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H.E. Salem Al Nuaimi
Chairman

Deloitte & Touche (M.E.)
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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 2023 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 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

Basis for Opinion

We 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 (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 period. 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.

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Existence and completeness of customer deposits Customer deposits are carried in the statement of financial position at AED 11.4 billion. Customer deposits represent the balances maintained by the Bank's depositors in their current accounts, savings accounts and term deposit accounts. We identified the existence and completeness of customer deposits as key audit matter due to the following factors: • The significance of this amount in the financial statements; • The reliance of the bank on Software-as-a-Service cloud banking platform to record this amount, including the controls over accepting new customers; and • The significant audit effort required to audit this amount. Refer to note 8 in the financial statements for more details relating to this matter.	We performed the following procedures, inter alia, in relation to this matter: • Obtained an understanding of the significant processes used to validate existence of customers, occurrence of the posted customer deposit transactions and completeness of the amounts reported, and identified the key controls in each of these processes. • With our internal computer audit specialists, we evaluated the key controls in these processes, including general information technology controls and automated controls to determine if they had been appropriately designed and implemented, and were operating effectively. • We obtained and read the System and Organization Controls 1 Type 2 report on theSoftware-as-a-Service cloud banking platform to assess if the opinion supports our control reliance strategy. • We tested the customer on-boarding controls by performing a detailed walkthrough of a customer account creation from initiation to account creation confirmation. • We sent customer confirmation requests and performed a detailed analysis on the movements between current account and/or savings account (and term deposits on a sample of customers. Any unusual items noted were subject to further investigation. • We assessed the disclosure in the financial statements relating to this matter against the requirements of IFRSs.

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

Other Information

The Directors are 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 Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their presentation in accordance with the UAE Federal Decree 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.

Deloitte.

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

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 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.
- 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

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023 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 17 to the financial statements of the Bank discloses material related party transactions and the terms under which they were conducted; 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 2023 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 2023.

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.

As required by the ADAA Chairman Resolution No. 88 of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, 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 2023:

- its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Bank's operations.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
15 March 2024
Abu Dhabi
United Arab Emirates

WIO BANK PJSC

Statement of financial position
as at 31 December 2023

	Notes	2023 AED '000	2022 AED '000
ASSETS			
Cash and deposits with Central Bank	5	**2,810,230**	230,926
Due from banks	5	**1,221,523**	230,307
Investment securities	6	**9,386,397**	1,975,625
Loans and advances		**15,243**	4,896
Receivables and other assets	7	**55,505**	26,694
Intangible assets		**2,053**	2,682
Property and equipment		**5,562**	8,843
Total assets		**13,496,513**	2,479,973
LIABILITIES			
Customer deposits	8	**11,412,221**	552,717
Trade and other payables	9	**236,397**	81,357
Total liabilities		**11,648,618**	634,074
EQUITY			
Share capital	10	**2,300,000**	2,300,000
Other reserves	12	**4,618**	-
Statutory Reserves	11	**200**	-
Accumulated losses		**(456,923)**	(454,101)
Total equity		**1,847,895**	1,845,899
Total liabilities and equity		**13,496,513**	2,479,973

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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.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Interest income	13	**254,514**	27,076
Interest expense	13	**(81,364)**	(3,042)
Net interest income	13	**173,150**	24,034
Fee, commission and other expense - net	14	**93,278**	305
Total operating income		**266,428**	24,339
Operating expenses			
Staff expenses		**(152,125)**	(191,559)
Technology related expenses	15	**(69,946)**	(107,169)
Professional and legal consultancy		**(9,990)**	(150,620)
Marketing expenses		**(16,985)**	(11,032)
Depreciation and amortisation		**(4,904)**	(5,680)
Other operating expenses		**(9,646)**	(12,042)
Total operating expenses		**(263,596)**	(478,102)
Operating profit/(loss) before impairment		**2,832**	(453,763)
Net impairment loss on financial assets		**(836)**	(338)
Profit/(loss) for the year/period		**1,996**	(454,101)
Other comprehensive income		**-**	-
Total comprehensive profit/(loss) for the year/period		**1,996**	(454,101)

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

Statement of changes in equity
for the year ended 31 December 2023

	Share capital AED '000	Other reserves AED '000	Statutory Reserves AED '000	Accumulated losses AED '000	Total AED '000
Issuance of capital	2,300,000	-	-	-	2,300,000
Total comprehensive loss for the period	-	-	-	(454,101)	(454,101)
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)	-
Total comprehensive profit for the year	-	-	-	1,996	1,996
Balance at 31 December 2023	**2,300,000**	**4,618**	**200**	**(456,923)**	**1,847,895**

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

WIO BANK PJSC

Statement of cash flows
for the year ended 31 December 2023

	31 December 2023	Period from 23 February 2022 (inception) to 31 December 2022
Cash flows from operating activities		
Profit/(loss) for the year/period	**1,996**	(454,101)
Adjustments for:		
Discount on investment securities	**(167,798)**	(20,116)
Depreciation charge for the year/period	**4,273**	5,521
Provision for employee's end of service benefits	**5,170**	3,751
Net impairment loss on financial assets	**836**	338
Amortisation charge for the year/period	**629**	158
Finance cost on lease liability for the year/period	**171**	189
	(154,723)	(464,260)
Operating cash flows before movements in working capital		
Increase in customer deposits	**10,859,504**	552,717
ncrease in other assets & receivables	**(28,844)**	(26,694)
Increase in trade and other payables	**153,500**	73,448
Increase in loans and advances	**(10,830)**	(4,896)
Increase in statutory deposits with Central bank	**(983,130)**	(11,644)
(Decrease)/increase in amounts due from banks maturing after three months	**11,012**	(55,088)
Cash generated from operating activities	**9,846,489**	63,583
Employees' end of service benefits paid	**(1,504)**	(242)
Net cash generated from operating activities	**9,844,985**	63,341
Cash flows from investing activities		
Payments for purchases of property and equipment	**(992)**	(7,924)
Payments for intangible assets	**-**	(2,840)
Increase in investment securities	**(7,243,096)**	(1,955,509)
Net cash used in investing activities	**(7,244,088)**	(1,966,273)
Cash flows from financing activities		
Cash from capital issuance	**-**	2,300,000
Payment of principal lease liability	**(2,126)**	(2,040)
Payment of finance cost on lease liability	**(171)**	(189)
Net cash (used in)/generated from financing activities	**(2,297)**	2,297,771
Net increase in cash and cash equivalents	**2,598,600**	394,839
Cash and cash equivalent at the beginning of the year/period	**394,839**	-
Cash and cash equivalents at the end of the year/period (note 5)	**2,993,439**	394,839

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.

The Bank was incorporated on 23 February 2022 (inception), accordingly the amounts presented in the financial statements are not entirely comparable. The expenses for the period from 23 February 2022 (inception) to 31 December 2022 includes pre-incorporation costs.

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 the historical cost basis. 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.

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

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

Financial instruments (continued)

<u>Financial assets (continued)</u>

Amortised cost and effective interest rate method (continued)

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.

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 (continued)

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 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.

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

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

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

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.

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

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.

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

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.

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.

2 Basis of preparation and material accounting policies (continued)

2.4 Summary of material accounting policies (continued)

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.

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 New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

New and amended IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	1 January 2024

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

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.

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

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.

Significant increase in credit risk

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.

The Bank has recognised allowance for ECL on its financial instruments at amortised cost including bank balances, investment securities and other assets for the year ended 31 December 2023 amounting to AED 836 thousand (period ended 31 Dec 2022: AED 338 thousand) and total allowance for ECL as at 31 December 2023 amounted to AED 1,174 thousand (31 Dec 2022: AED 338 thousand).

5 Cash and deposits with Central Bank and Due from Banks

	2023 AED '000	2022 AED '000
Cash and deposits with Central Bank		
Statutory deposits with Central bank	**994,774**	11,644
Current account & other balances with Central Bank	**1,815,464**	219,282
	2,810,238	230,926
Less: Expected credit loss	**(8)**	-
	2,810,230	230,926
Due from banks		
Current, call and short notice	**466,063**	70,455
Term placements with Banks	**755,988**	160,190
Gross Due from banks	**1,222,051**	230,645
Less: Expected credit loss	**(528)**	(338)
	1,221,523	230,307
Total cash & deposits with Central bank and due from banks	**4,031,753**	461,233

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

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

	2023 AED '000	2022 AED '000
Total cash & deposits with Central bank and due from banks	**4,031,753**	461,233
Less: Restricted bank balances	**(994,774)**	(11,644)
Due from banks maturing after 3 months	**(44,076)**	(55,088)
Add: Expected credit loss on due from banks & Central bank	**536**	388
Cash and bank balances in the statement of cash flows	**2,993,439**	394,839

* 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. Government bonds are maturing between 1 – 3 years while treasury bills are maturing within 1 year.

	2023 AED '000	2022 AED '000
Government bonds	**839,682**	333,609
Treasury bills	**8,418,834**	1,642,016
Others	**128,003**	-
Gross investment securities	**9,386,519**	1,975,625
Less: Expected credit loss	**(122)**	-
Net investment securities	**9,386,397**	1,975,625

The geographical distribution of investments is as follows:

	2023 AED '000	2022 AED '000
UAE	**8,874,167**	1,975,625
USA	**512,352**	**-**
	9,386,519	1,975,625

7 Receivables and other assets

	2023 AED '000	2022 AED '000
Due from related parties	**15,370**	18,925
Prepaid expenses	**13,695**	388
Accrued interest	**12,714**	2,258
Others	**13,759**	5,123
	55,538	26,694
Less: Expected credit loss	**(33)**	-
	55,505	26,694

8 Customer deposits

	2023 AED '000	2022 AED '000
By account:		
Current accounts	**5,309,065**	255,374
Saving accounts	**5,532,663**	2,249
Time deposits	**570,493**	295,094
	11,412,221	552,717
By type:		
SME banking	**5,346,919**	552,717
Retail banking	**6,065,302**	-
	11,412,221	552,717
Geographic region:		
UAE	**11,412,221**	552,717

9 Trade and other payables

	2023 AED '000	2022 AED '000
Bonus & long term incentive accruals*	**76,820**	37,879
Accrued expenses	**31,191**	29,660
Accrued interest payable	**24,584**	2,853
Deferred income	**18,656**	-
Provision for staff benefits and other expenses	**7,369**	3,590
VAT payable	**5,370**	35
Lease liability	**2,274**	4,400
Others	**70,133**	2,940
	236,397	81,357

* 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.

Audit fees for the year ended 31 December 2023 amounted to AED 385,000.

10 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.

11 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 2023, the Bank made a profit of AED 1,996 thousand (loss for the period from 23 February 2022 (inception) to 31 December 2022 loss of AED 454,101 thousand) and has accordingly made provision for the reserve during the year (for the period from 23 February 2022 (inception) to 31 December 2022: nil).

12 Other reserves

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

The Central Bank of UAE issued a guidance note to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

Pursuant to clause 6.4 of the guidance a comparison between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2023 **AED '000**	2022 AED '000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**5,792**	1,339
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(1,174)**	(338)
General provision to be transferred to the impairment reserve*	**4,618**	1,001
Specific provision transferred to the impairment reserve	-	-
Total provision transferred to the impairment reserve	**4,618**	-

**In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.*

12 Other reserves (Continued)

As per the guidance note, where provisions under circular 28/10 of the CBUAE exceed provisions under IFRS 9, difference amount is transferred to an impairment reserve within equity as an appropriation from retained earnings. This reserve is not available for dividend distribution.

13 Net interest income

	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Interest income		
Balances with the Central Bank	**46,323**	392
Placements with banks	**16,161**	2,845
Investments securities	**192,013**	23,806
Loans and advances	**17**	33
Total interest income	**254,514**	27,076
Interest expense		
Customer accounts and deposits	**(81,364)**	(3,042)
Net interest income	**173,150**	24,034

14 Net fees and commission income

	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Fees and commission income		
Foreign exchange income	**46,338**	963
Cards related fees	**38,332**	567
Account related fees	**35,620**	622
Total fees and commission income	**120,290**	2,152
Fees and commission expenses		
Card related charges	**(17,310)**	(1,490)
Accounts related charges	**(3,155)**	(1)
Other charges	**(6,547)**	(356)
Total fees and commission expenses	**(27,012)**	(1,847)
Net fees and commission income	**93,278**	305

15 Technology related expenses

	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Technology related outsourcing	**31,423**	38,313
Software as a service applications subscription	**22,971**	28,868
Cloud hosting services	**14,621**	24,693
Technology infrastructure and implementation	**17**	13,716
Others	**914**	1,579
	69,946	107,169

These costs primarily include expenses related to the cloud infrastructure used by the Bank.

16 Commitments and contingent liabilities

The Bank has contractual commitments to suppliers amounting to AED 30.64 million (2022: AED 47.64 million).

17 Related party balances and transactions

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

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

	2023 AED '000	2022 AED '000
Due from related parties included in receivables and other assets	**15,370**	18,925
Deposits placed by related parties	**247,572**	295,094
Interest payable	**123**	2,853

17 Related party balances and transactions (continued)

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

	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Expenses recharged to a related party*	**15,370**	18,925
Interest & other expense	**14,249**	2,853
Director's remuneration	**10,631**	1,861
Referral fees **	**1,260**	-
Capital issued	-	2,300,000
Expenses paid on behalf of the Bank by related parties	-	-

* The Bank has discontinued the management recharge allocation to a related party effective from August 2023.

** Effective 1 August 2023, the Bank entered into an agreement with a related party wherein the Bank will pay referral costs for accounts opened by customers through referrals made by the related party.

As at 31 December 2023, the Bank holds investments for the benefit of a related party with a face value amounting to AED 10,000 thousand based on an custody agreement entered into with the related party.

Compensation of key management personnel

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

	31 December 2023 AED '000	Period from 23 February 2022 (inception) to 31 December 2022 AED '000
Salaries and benefits – short term	**15,394**	31,521
Post-employment benefits	**923**	1,738
	16,317	33,259

18 Financial instruments

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

The following table combines 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.

19 Risk management

The Bank's Risk Management Framework supports the following objectives:

- Sets standards for appropriate risk management, measurement and monitoring, reporting and control processes;
- Ensures adequate controls over risk and creates procedures to actively mitigate key risks;
- Address risk management in a manner which allows optimization of the risk-return profile;
- Adheres to the guidelines/ policies concerning risk management specified by CBUAE and subscribe to international good practices in risk management.

Bank's risk management involves strategic implementation of the 'three lines of defense' as the core principle of the risk management framework. The three lines of defense are the Business Units, Risk Management and Internal Audit.

The Board Risk and Compliance Committee assumes the ultimate responsibility of the risk management of the Bank. The Board Risk and Compliance Committee sets the tone of the risk management and approves the risk policies and the risk appetite statement. Management Risk Committee (MRC) assumes the overall risk management responsibility at the management level. MRC makes management level risk decisions and reports into BRCC to ensure proper implementation of risk management framework within the Bank

19 Risk management (continued)

The Risk Appetite Statement sets the boundary of the overall risk taking activities of Bank. The Risk Appetite statement is reviewed at least annually.

The Risk Appetite includes:
Articulating the level of risk that Bank is willing to take and why, to enable specific risk taking activities;

- Articulating those risks Bank is seeking to avoid and why, to constrain specific risk taking activities;
- Consistently communicating the acceptable level of risk for different risk types (this may be expressed in financial or non-financial terms);
- Embedding in key decision-making processes including business planning, new product approvals and business change initiatives.

Bank's Board reviews and approves the Risk Appetite Statement.

(a) Financial risk management objectives

While the Bank has recently commenced operations and is well capitalized, the Bank remains conservative in managing its Financial Risks. The Bank has put in place a Credit Risk Policy, Operational Risk Policy, Market Risk Policy, Liquidity Risk Policy, Fraud Risk Policy, Legal Risk policy, and an Outsourcing Risk policy.

The Financial Risks for the Bank primarily arise from the treasury investments and placements, and the Bank follows a very tight Asset Liability Management and Investment policy to minimize these risks in alignment with the Bank's risk appetite and financial goals.

(b) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, information technology and information security related risks but excludes strategic and reputation risk.

The Bank places a strong emphasis on operational risk management in order to minimize the risk of loss resulting from inadequate or failed internal processes, systems, human errors, or from external events such as cyber attacks or natural disasters.

The Bank has a dedicated operational risk management function that works closely with all departments to identify and assess the potential operational risks and to develop and implement risk management policies to effectively manage its operational risks with the aim to protect its financial stability.

19 Risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and price risk, will affect the Bank's income or the value of its holdings of financial instruments. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

	Long / (short) 2023 AED '000	Long / (short) 2022 AED '000
U.S. Dollar (USD)	**(384,500)**	135,734
Pound Sterling (GBP)	**4,376**	982
Euro (EUR)	**38**	7,929
Saudi Riyal (SAR)	**9,324**	-
Indian Rupee (INR)	**2,498**	-

Interest rate risk
Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Bank manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

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

19 Risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Bank's interest rate gap and sensitivity position based on contractual cash flow arrangements at 31 December 2023 was as follows:

	Less than 3 months	3 months to 1 year	1 year to 3 years	Over 3 years	Non-Interest bearing	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2023						
Assets						
Cash and deposits with Central Bank	1,815,464	-	-	-	994,766	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 advances	6,760	8,483	-	-	-	15,243
Receivables and other assets	-	12,707	-	-	42,798	55,505
Intangible assets	-	-	-	-	2,053	2,053
Property and equipment	-	-	-	-	5,562	5,562
	6,633,314	5,336,016	354,002	128,002	1,045,179	13,496,513
Liabilities						
Customer deposits	5,919,691	183,464	-	-	5,309,066	11,412,220
Trade and other payables	-	24,632	-	-	211,765	236,397
Total equity	-	-	-	-	1,847,895	1,847,895
	5,919,691	208,096	-	-	7,368,726	13,496,513
Net position	713,623	5,127,920	354,002	128,002	(6,323,547)	-

19 Risk management (continued)

(c) Market risk (continued)

The Bank's interest rate gap and sensitivity position based on contractual cash flow arrangements at 31 December 2022 was as follows:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 3 years AED'000	Over 3 years AED'000	Non-interest bearing AED'000	Total AED'000
31 December 2022						
Assets						
Cash and deposits with Central Bank	219,282	-	-	-	11,644	230,926
Due from banks	175,293	55,014	-	-	-	230,307
Investment securities	1,031,260	610,756	333,609	-	-	1,975,625
Loans and advances	4,896	-	-	-	-	4,896
Receivables and other assets	-	2,258	-	-	24,436	26,694
Intangible assets	-	-	-	-	2,682	2,682
Property and equipment	-	-	-	-	8,843	8,843
	1,430,731	668,028	333,609	-	47,605	2,479,973
Liabilities						
Customer deposits	297,343	-	-	-	255,374	552,717
Trade and other payables	-	2,870	-	-	78,487	81,357
Total equity	-	-	-	-	1,845,899	1,845,899
	297,343	2,870	-	-	2,179,760	2,479,973
Net position	1,133,388	665,158	333,609	-	(2,132,155)	-

19 Risk management (continued)

(d) Credit risk management

Credit risk is the risk that financial loss arises from the failure of counterparty to a financial instrument, to meet its obligations under a contract. It arises principally from lending activities.

The Bank's primary exposure to credit risk arises from cash and deposits with Central Bank, due from banks and term placements, investment securities, advances to customers, receivables and other assets. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statement of financial position.

The Bank has developed a credit policy including the delegation of authority for lending activities.

The credit provision as per the IFRS 9 ECL methodology is AED 1,174 as at 31 December 2023 (2022: AED 338 thousand). This is mainly from the credit card exposures, Treasury Investment / Placements with externally rated counterparties. The gross exposure to credit risk for on balance sheet items is their carrying values. All of the exposures relate to balances from counterparties who are in banking sector, significantly in the United Arab Emirates.

Breakup of the ECL exposures by external rating grades

Ratings	**2023** **AED'000**	2022 AED'000
AA- Rated Bank	**258**	300
A+ Rated Bank	**269**	38
BBB+ Rated Bank	**4**	-

The above credit risk exposures are under Stage 1.

The Bank has launched a proof of concept (POC) program on invoice discounting as part of supply chain finance trial. The POC product paper and criteria were reviewed and approved by the Bank's Board Risk and Compliance Committee. A total limit of AED 20 million has been put in place to control the associated risk.

Notes to the financial statements
for the year ended 31 December 2023 (continued)

19 Risk management (continued)

(d) Credit risk management

At 31 December 2023 and 31 December 2022, the distribution by sector of major categories of assets and commitments as per Central Bank guidelines was as follows:

	Government AED'000	**Public AED'000**	**Corporate/ Private AED'000**	**Consumers AED'000**	**Total AED'000**
31 December 2023					
Cash and deposits with Central Bank	**2,810,230**	-	-	-	**2,810,230**
Due from banks	-	-	**1,221,523**	-	**1,221,523**
Investment securities	**9,258,396**	-	**128,001**	-	**9,386,397**
Loans and advances	-	-	**6,760**	**8,483**	**15,243**
Receivables and other assets	-	-	**55,505**	-	**55,505**
	12,068,626	-	**1,411,789**	**8,483**	**13,488,898**
Commitments and contingencies	-	-	**30,644**	-	-

Credit quality per class of financial assets

	Government AED'000	Public AED'000	Corporate/ Private AED'000	Consumers AED'000	Total AED'000
31 December 2022					
Cash and deposits with Central Bank	230,926	-	-	-	230,926
Due from banks	-	-	230,307	-	230,307
Investment securities	1,975,625	-	-	-	1,975,625
Loans and advances	-	-	4,896	-	4,896
Receivables and other assets	-	-	26,694	-	26,694
	2,206,551	-	261,897	-	2,468,448
Commitments and contingencies	-	-	47,640	-	-

19 Risk management (continued)

(d) Credit risk management (continued)

The Bank relies on expert judgement model for the purpose of estimation of ECL parameters.

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL not credit-impaired AED'000	Stage 3 Lifetime ECL credit-impaired AED'000	Total AED'000
31 December 2023				
Due from banks				
Gross due from banks	**1,222,051**	-	-	**1,222,051**
Expected credit losses	**(528)**	-	-	**(528)**
Due from banks	**1,221,523**	-	-	**1,221,523**
31 December 2022				
Due from banks				
Gross due from banks	230,644	-	-	230,644
Expected credit losses	(338)	-	-	(338)
Due from banks	230,307	-	-	230,307
31 December 2023				
Investment securities				
Gross investment securities	**9,386,519**	-	-	**9,386,519**
Expected credit losses	**(122)**	-	-	**(122)**
Investment securities	**9,386,397**	-	-	**9,386,397**
31 December 2022				
Investment securities				
Gross investment securities	1,975,625	-	-	1,975,625
Expected credit losses	-	-	-	-
Investment securities	1,975,625	-	-	1,975,625

19 Risk management (continued)

(d) Credit risk management (continued)

Credit quality per class of financial assets (continued)

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL not credit-impaired AED'000	Stage 3 Lifetime ECL credit-impaired AED'000	Total AED'000
31 December 2023				
Loans and advances				
Performing	**15,726**	-	-	**15,726**
Non-performing	-	-	-	**-**
Gross loans and advances	**15,726**	-	-	**15,726**
Expected credit losses	**(483)**	-	-	**(483)**
Loans and advances, net	**15,243**	-	-	**15,243**
31 December 2022				
Loans and advances				
Performing	4,896	-	-	4,896
Non-performing	-	-	-	-
Gross loans and advances	4,896	-	-	4,896
Expected credit losses	-	-	-	-
Loans and advances, net	4,896	-	-	4,896

19 Risk management (continued)

(d) Credit risk management (continued)

Credit quality per class of financial assets (continued)

The movements in expected credit losses are as follows:

	Stage 1 12-month ECL AED'000	**Stage 2 Lifetime ECL not credit-impaired AED'000**	**Stage 3 Lifetime ECL credit-impaired AED'000**	**Total AED'000**
31 December 2023				
At the beginning of the year	**(338)**	-	-	**(338)**
Expected credit losses for the year – cash and deposits with Central Bank	**(8)**	-	-	**(8)**
Expected credit losses for the year – due from banks	**(190)**	-	-	**(190)**
Expected credit losses for the year – investment securities	**(122)**	-	-	**(122)**
Expected credit losses for the year – loans and advances	**(483)**	-	-	**(483)**
Expected credit losses for the year – receivables and other assets	**(33)**	-	-	**(33)**
At the end of the year	**(1,174)**	**-**	**-**	**(1,174)**

There were no transfer of expected credit losses between stages during the year ended 31 December 2023.

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL not credit-impaired AED'000	Stage 3 Lifetime ECL credit-impaired AED'000	Total AED'000
31 December 2022				
At the beginning of the year	-	-	-	-
Expected credit losses for the year – cash and deposits with Central Bank	-	-	-	-
Expected credit losses for the year – due from banks	(338)	-	-	(338)
Expected credit losses for the year – investment securities	-	-	-	-
Expected credit losses for the year – loans and advances	-	-	-	-
Expected credit losses for the year – receivables and other assets	-	-	-	-
At the end of the year	(338)	-	-	(338)

There was no transfer of expected credit losses between stages during the year ended 31 December 2022.

19 Risk management (continued)

(d) Credit risk management (continued)

Credit quality per class of financial assets (continued)

Classification of investment securities as per their external ratings

Ratings	Amortised cost	
	2023	2022
	AED '000	AED '000
AA- to AA+	**9,258,515**	1,975,625
A- to A+	**128,004**	-
Less: Expected credit loss	**(122)**	-
	9,386,397	1,975,625

19 Risk management (continued)

(e) Liquidity risk management

The Bank's philosophy for risk management is centered on maintaining a strong liquidity position at all times. The Bank has identified strategic objectives to manage liquidity risk in line with the scale and complexity of the Bank's activities, monitored through the Asset Liability Committee. The liquidity risk management strategy includes a range of measures designed to identify, assess, and mitigate potential risks to our position. The Bank maintains a high level of High Quality Liquid Assets, with investments primarily made in Mbills and bonds.

The table below summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2023 and 31 December 2022 based on contractual periods to cash conversion from the statement of financial position date or expected periods to cash conversion where there are no contractual terms.

31 December 2023	Carrying amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 3 years AED'000	Over 3 years AED'000	Undated maturity AED'000
Assets						
Cash and deposits with Central Bank	2,810,230	-	-	-	-	2,810,230
Due from banks	1,221,523	711,604	44,057	-	-	465,862
Investment securities	9,386,397	3,633,624	5,270,769	354,002	128,002	-
Loans and advances	15,243	6,760	8,483	-	-	-
Receivables and other assets	55,505	-	-	-	-	55,505
Intangible assets	2,053	-	-	2,053	-	-
Property and equipment	5,562	-	-	5,562	-	-
	13,496,513	4,351,988	5,323,309	361,617	128,002	3,331,597
Liabilities						
Customer deposits	11,412,221	387,029	183,464	-	-	10,841,728
Trade and other payables	236,397	-	-	-	-	236,397
Total Equity	1,847,895	-	-	-	-	1,847,895
	13,496,513	387,029	183,464	-	-	12,926,020
Net liquidity gap	-	3,964,959	5,139,845	361,617	128,002	(9,594,423)

19 Risk management (continued)

(e) Liquidity risk management

31 December 2022	Carrying amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 year to 3 years AED'000	Over 3 years AED'000	Undated maturity AED'000
Assets						
Cash and deposits with Central Bank	230,926	-	-	-	-	230,926
Due from banks	230,307	104,942	55,014	-	-	70,351
Investment securities	1,975,625	1,031,260	610,756	333,609	-	-
Loans and advances	4,896	4,896	-	-	-	-
Receivables and other assets	26,694	-	-	-	-	26,694
Intangible assets	2,682	-	-	-	-	2,682
Property and equipment	8,843	-	-	-	-	8,843
	2,479,973	1,141,098	665,770	345,134	-	327,971
Liabilities						
Customer deposits	552,717	295,094	-	-	-	257,623
Trade and other payables	81,357	-	-	-	-	81,357
Total Equity	1,845,899	-	-	-	-	1,845,899
	2,479,973	295,094	-	-	-	2,184,879
Net liquidity gap	-	846,004	665,770	345,134	-	(1,856,908)

(f) Capital adequacy ratio and capital management

The Bank has recently commenced operations and has a strong capital position. The Bank monitors its capital adequacy position in line with the risk appetite defined by the Board, and has drafted an Internal Capital Adequacy Assessment Process (ICAAP) policy to evaluate the impact of key risks to the Bank's financial position.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management employing techniques based on the guidelines developed by the Basel Committee and the CBUAE.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) Capital.

19 Risk management (continued)

(f) Capital adequacy ratio and capital management (continued)

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

AT1 capital comprises eligible non-common equity capital instruments.

T2 capital comprises qualifying subordinated debt, and undisclosed reserve.

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

	2023	2022
	AED '000	AED '000
Available capital		
Common equity tier I capital before regulatory deductions	**1,850,717**	1,846,153
Less: regulatory deductions	**(2,053)**	(2,682)
Tier I capital	**1,848,664**	1,843,471
Tier II Capital	**4,618**	-
Total eligible capital	**1,853,282**	1,843,471
Risk weighted assets		
Credit risk	**386,163**	89,257
Market risk	**218,673**	8,911
Operational risk	**205,362**	-
Total risk weighted assets	**810,198**	98,168

	2023	2022
Capital ratio		
Total capital ratio	**228.74%**	1,877.88%

20 Assets held in fiduciary capacity

The Bank holds assets in a fiduciary capacity and provides custodian services for a related party. The underlying assets held in a custodial or fiduciary capacity are excluded from the financial statements.

21 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 2023. 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 2023 other than to the extent already provided.

22 Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

As Bank’s accounting year ends on 31 December, accordingly the effective implementation date for Bank will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Bank is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

23 Approval of the financial statements

The financial statements were approved by management and authorised for issue on 15 March 2024.