

BOK International – Abu Dhabi

FINANCIAL STATEMENTS

31 DECEMBER 2024

Principal business address:

P O Box 42253
Abu Dhabi
United Arab Emirates

BOK International - Abu Dhabi

Financial statements

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Independent auditors' report

To the Head Office of BOK International – Abu Dhabi

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BOK International – Abu Dhabi ("the Bank"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying 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 (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter

We draw attention to Note 27 to the accompanying reissued financial statements, which states that these financial statements have been revised and reissued due to identified corrections to Note 26 to the financial statements previously authorised dated 18 June 2025, on which we issued our auditors' report dated 18 June 2025. This audit report supersedes our audit report dated 18 June 2025 on the previously issued financial statements. Our opinion is not modified in respect of this matter.



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 and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' 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 auditors' 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Bank has maintained proper books of account;
- iv) as disclosed in note 1 to the financial statements, the Bank has not purchased any shares during the year ended 31 December 2024;
- v) note 22 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, which would materially affect its activities or its financial position as at 31 December 2024.

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

KPMG Lower Gulf Limited

Maher AlKatout
Registration No.: 5453
Abu Dhabi, United Arab Emirates

Date: **19 SEP 2025**

BOK International - Abu Dhabi

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Assets			
Cash and balances with Central Bank	5	1,766,624	2,820,846
Due from banks and financial institutions	6	94,921	81,046
Receivables from Islamic financing activity	8	114,160	46,377
Investments in Islamic Sukuk	9	188,662	162,439
Other assets	10	13,192	11,728
Property and equipment	11	839	1,149
Intangible assets	13	371	828
Right-of-use assets	12	2,164	3,463
TOTAL ASSETS		2,180,933	3,127,876
Liabilities and equity			
Liabilities			
Customers' accounts	14	522,538	461,598
Due to banks and financial institutions	15	1,460,801	2,487,574
Lease liability	12	1,407	2,642
Other liabilities	16	42,331	40,875
Total liabilities		2,027,077	2,992,689
Equity			
Capital	17	125,000	125,000
Retained earnings		22,031	6,317
Legal reserve	18	5,512	3,645
Other reserve	19	1,313	225
Total equity		153,856	135,187
TOTAL LIABILITIES AND EQUITY		2,180,933	3,127,876



Muhammad Ali Jawaid
Country Chief Executive Officer

19 SEP 2025



Mohammed Al Mahri
Head of Finance

The notes on pages 8 to 37 are an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

BOK International - Abu Dhabi

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Income from Wakala investments		2,670	3,209
Income from Islamic financing activities		136,229	110,596
Income from Islamic investment		9,726	6,585
Depositors' profits		(108,382)	(83,224)
NET FINANCING INCOME		40,243	37,166
Gain on foreign exchange		3,297	4,306
Other income		2,768	3,525
OPERATING INCOME		46,308	44,997
General and administrative expenses	20	(18,515)	(16,641)
Depreciation and amortisation		(2,273)	(2,198)
TOTAL OPERATING EXPENSES		(20,788)	(18,839)
PROFIT BEFORE IMPAIRMENT CHARGES		25,520	26,158
Net impairment reversal	21	567	-
PROFIT BEFORE TAX		26,087	26,158
Income tax expense	24	(7,418)	(4,108)
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		18,669	22,050

The notes on pages 8 to 37 are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Capital	Retained Earnings/ Accumulated losses	Other reserve	Legal reserve	Total equity
	AED' 000	AED' 000	AED' 000	AED'000	AED'000
Balance at 1 January 2023	125,000	(13,828)	413	1,552	113,137
Total comprehensive income for the year	-	22,050	-	-	22,050
Transfer to legal reserves	-	(2,093)	-	2,093	-
Transfer to other reserve	-	188	(188)	-	-
Balance at 31 December 2023	<u>125,000</u>	<u>6,317</u>	<u>225</u>	<u>3,645</u>	<u>135,187</u>
Balance at 1 January 2024	125,000	6,317	225	3,645	135,187
Total comprehensive income for the year	-	18,669	-	-	18,669
Transfer to legal reserves	-	(1,867)	-	1,867	-
Transfer to other reserve	-	(1,088)	1,088	-	-
Balance at 31 December 2024	<u>125,000</u>	<u>22,031</u>	<u>1,313</u>	<u>5,512</u>	<u>153,856</u>

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
OPERATING ACTIVITIES			
Profit for the year		18,669	22,050
Adjustments for:			
Depreciation of property and equipment	11	366	409
Amortisation of intangible assets	13	457	458
Expense from finance lease	12	150	8
Depreciation on right-of-use assets	12	1,299	1,304
General provision reversal	21	(567)	-
Net Investment discount amortization		(96)	80
Provision for employees' end of service benefits		1,430	327
Provision for tax expense		7,418	4,108
Operating loss before changes in operating assets and liabilities		29,126	28,744
Changes in operating assets and liabilities:			
Due from banks and financial institutions		99,031	(9,222)
Receivables from Islamic financing activity		(68,779)	6,943
Other assets		(1,531)	(5,575)
Due to banks and financial institutions		73,361	(59,160)
Customers' accounts		60,940	(318,092)
Other liabilities		(3,284)	18,733
Tax paid		(4,108)	-
Net cash generated / (used in) from operating activities		184,736	(337,629)
INVESTING ACTIVITIES			
Purchase of Investment		(26,565)	(90,747)
Proceeds from redemption of Islamic sukuk		-	10,716
Purchase of property and equipment		(56)	(46)
Net cash used in investing activities		(26,621)	(80,077)
FINANCING ACTIVITY			
Payments on lease liability		(1,385)	(1,310)
Net cash used in financing activity		(1,385)	(1,310)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		156,730	(419,016)
Cash and cash equivalents at the beginning of the year		232,098	651,114
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	388,828	232,098

The notes on pages 8 to 37 are an integral part of these financial statements.

The independent auditors' report is set out on pages 1 to 3.

BOK International – Abu Dhabi

NOTES TO THE FINANCIAL STATEMENTS

1 Legal status and principal activities

BOK International – Abu Dhabi (the “Bank”) are the operations of Bank of Khartoum, Sudan (the “Head Office”) in the United Arab Emirates. The Bank is established to provide Islamic corporate, retail and investment banking services in United Arab Emirates. The Bank currently operates in the United Arab Emirates through its branch located in Abu Dhabi. The Abu Dhabi branch is registered as a foreign branch of the Head office on 18 May 2017 in accordance with the United Arab Emirates Federal Law No.2 of 2015 (as amended) and Federal Law No.10 of 1980 (as amended). The Bank has not purchased any equity shares during the year ended 31 December 2024.

The registered office address of Abu Dhabi branch is Ground & Mezzanine Floors, Al Sahel Tower, Zayed The First Street, Al Khaldiya Area, P.O Box 42253, Abu Dhabi, UAE.

2 Basis of preparation

2.1 Statement of compliance

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

The Bank is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021.

These financial statements represent the financial position and results of the Abu Dhabi branch of the Head Office in the United Arab Emirates. The Bank is not a separate legal entity but meets the definition of a reporting entity under IFRS under the Conceptual Framework for IFRS Accounting Standards. IFRS Accounting Standards define a reporting entity as an entity that is required, or chooses, to prepare financial statements.

The Bank is owned by the Head Office and is in the business of providing Islamic banking services in United Arab Emirates, which represent its economic activities. All the operating activities of the Bank are clearly defined and separately managed from the other businesses of the Head Office and accounting records are maintained on this basis. The assets of the Bank are used solely by the Bank and are registered in the name of the Bank. The liabilities relate to the activities of the Bank.

It is important to note whilst the reporting boundary is defined above, the assets and liabilities presented within the reporting boundary remain the assets and liabilities of the Head Office and are not legally separable from the Head Offices’ other assets and liabilities. As such legally, the assets of the reporting entity may be available to the other claims of the Head Office.

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention.

The financial statements of the Bank have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and requirements of the applicable laws including UAE Federal Decree Law No. 32 of 2021 which came into effect on January 2, 2022, replacing the UAE Federal Law No. 2 of 2015 (as amended).

Decretal Federal Law No 14 of 2018 regarding the Central Bank and Organization of Financial Institution and Activities was issued on 23 September 2018 and has come into force on that date. The Bank has complied, where applicable, with the UAE Federal Law of No 14 of 2018.

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Notes to the financial statements *(continued)*

2 Basis of preparation

2.3 Functional currency and presentation

The financial statements have been presented in UAE Dirhams, which is the functional currency of the Bank's rounded to the nearest thousand except when otherwise stated.

3 Material accounting policies

3.1 Application of new and revised international financial reporting standards" IFRS"

i) New and amended standards and interpretations adopted

The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Bank.

Description	Effective from
Amendments to IAS 1, Presentation of financial statements on classification of liabilities.	1 January 2024
Amendment to IAS 1, Non current liabilities with covenants	1 January 2024
Amendment to IFRS 16, Lease on sale and leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7- Supplier Finance arrangements	1 January 2024

ii) New Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Bank has not early adopted them in preparing these financial statements.

The following new standards and amendments to standards are not expected to have a significant impact on the Bank's financial statements.

Description	Effective from
Amendments to IAS 21 – Lack of Exchangeability.	1 January 2025
Amendments to IAS 9 and IFRS 7 – Classification of financial assets	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements.	1 January 2027

3.2 Financial instruments

Recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchase and sale of financial assets are recognised using settlement date accounting. Changes in fair value between the trade date and settlement date are recognised in the income statement or in statement of other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

Financial assets are classified in their entirety on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.2 Financial instruments *(continued)*

Classification

A financial asset is measured at amortised cost, if both the following conditions are met:

- The financial asset is held within a business model whose objective is to hold 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 profit on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Bank may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the Bank of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The Bank has classified cash and bank balances, deposits with banks, receivables from Islamic financing activity and certain other assets as financial assets at amortised cost.

Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost.

Measurement

Initial measurement

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

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Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.2 Financial instruments *(continued)*

Measurement (continued)

Subsequent measurement of financial assets *(continued)*

- amortised cost less impairment;
- fair value through other comprehensive income less impairment (debt instruments);
- fair value through other comprehensive (equity securities); or
- fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and debt instruments at fair value through other comprehensive income as disclosed below.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

De-recognition

A financial asset (in whole or in part) is derecognised either when:

- the contractual rights to receive the cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Bank have transferred its rights to receive cash flows from the asset and either
 - have transferred substantially all the risks and rewards of the asset, or
 - have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank have transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank would be required to pay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.3 Impairment of financial assets

Impairment assessment:

The Bank assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.3 Impairment of financial assets *(continued)*

Impairment assessment: (continued)

- significant financial difficulty of the debtors or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the debtors will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of Expected Credit Losses (ECL):

The impairment of financial assets are calculated in accordance with IFRS 9 expected credit loss (ECL) model. The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and sukuk measured at amortized cost or at fair value through OCI. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

The Bank measure loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Bank have developed a range of models to estimate these parameters.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

3.4 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash, unrestricted balances with central Bank and due from banks and financial institutions with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are non-derivative financial assets stated at amortised cost in the statement of financial position.

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Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.5 Wakala

A contract between the Bank and customers whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the Muwakkil.

3.6 Impairment of non-financial assets

The Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the difference being recognised as an impairment in the statement of income.

3.7 UAE Corporate Tax Law and Emirate tax on foreign Banks

Corporate Tax

UAE Federal Decree-Law No (47) of 2022 on the Taxation of Corporations and Businesses:

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime became effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from January 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000. A rate of 0% will apply to taxable income not exceeding AED 375,000.

Corporate tax for the period is charged at 9% (2023: N/A), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the nine-month period.

The income tax expense is recognized at an amount determined by multiplying the profit before tax for the reporting period ended 31 December 2024 by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the period.

Emirate Tax

Pursuant to Law No. (2) of 2017 Concerning Tax on Foreign Banks Operating in the Emirate of Abu Dhabi, an annual tax is levied on branches of foreign banks licensed by the Central Bank of the UAE (CBUAE) to operate in the UAE. The tax is imposed at a rate of 20% of the taxable income of such branches, in accordance with the legislation applicable to the CBUAE.

This tax applies to the taxable income earned by foreign banks' branches within the Emirate of Abu Dhabi and is recognized as part of the entity's tax expense in the period in which the taxable income arises.

For the Bank, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. The tax charged for the year ended ended 31 December 2024 is AED 7,418 thousand (31 December 2024: AED 4,108 thousand) incorporating both corporate tax of 9% and Emirate tax of 20%.

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Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.8 Provisions

Provisions are recognised when the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable 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. The expense relating to a provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised in profit or loss.

3.9 Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed when the possibility of an outflow of resources embodying economic benefits is probable.

3.10 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.

3.11 Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

3.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made.

The following specific recognition criteria must also be met before revenue is recognised:

Profit income and expense is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset / liability or an applicable floating rate. Profit income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of a profit bearing instrument and its amount at maturity calculated on an effective profit rate basis.

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.12 Revenue recognition *(continued)*

Wakala estimated income from *Wakala* is recognized on accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of the declaration by the agent.

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

3.13 Financial guarantee

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantee liabilities are included within other liabilities.

3.14 Earnings prohibited by Shari'a

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income will be credited to a charity fund where the Bank uses these funds for social welfare activities.

3.15 Internal Sharia'a Supervisory Committee

The Bank's business activities are subject to the supervision of a Internal Sharia'a Supervisory Committee appointed by the general assembly of shareholders of Bank of Khartoum (the "Head Office").

3.16 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic benefit.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

3 Material accounting policies *(continued)*

3.16 Fair values *(continued)*

- Level 1:* Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4 Use of judgements and estimates

The preparation of the Bank's financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. Estimates and judgments 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.

Significant items where the use of estimates and judgments are required are outlined below:

4.1 Financial instruments

Judgements made in applying accounting policies in accordance with IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.
- Calculation of expected credit loss (ECL): The ECL assessment is mainly driven by inputs, assumptions and techniques under IFRS 9 methodology.

Key considerations: Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk: The assessment of a significant increase in credit risk is done on a relative basis. ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative forward-looking information.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios: The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

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Notes to the financial statements *(continued)*

4 Use of judgements and estimates *(continued)*

4.1 Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios *(continued)*:

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on an annual basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default: The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life: When measuring ECL, the Bank consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Discount rate used for initial measurement of lease liabilities

The Bank, as a lessee, measures the lease liabilities at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the profit rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank on initial recognition of the lease uses its incremental financing rate. Incremental financing rate is the rate of profit that the Bank would have to pay to finance over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

BOK International – Abu Dhabi

Notes to the financial statements (continued)

4 Use of judgements and estimates (continued)

4.1 Fair value of financial instruments (continued)

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

5 Cash and balances with Central Bank

	2024 AED'000	2023 AED'000
Cash in hand	6,515	2,527
Balances with Central Bank of UAE	265,173	230,885
Islamic certificate of deposits with Central Bank of UAE	1,450,000	2,545,000
Cash reserve deposits with Central Bank	44,936	42,434
	<u>1,766,624</u>	<u>2,820,846</u>

Cash reserve deposits with Central Bank of UAE are not available for the Bank and are non-profit bearing. Cash in hand and current accounts are non-profit bearing.

6 Due from banks and financial institutions

	2024 AED'000	2023 AED'000
Balances with correspondent bank	39,968	40,251
Balances with Head office (note 22)	9,415	13,565
Balances with branch abroad (note 22)	12,483	4,932
Finance and Wakala deposits with other banks	33,057	24,388
	<u>94,923</u>	<u>83,136</u>
Less: provision for expected credit losses (ECL)	(2)	(2,090)
	<u>94,921</u>	<u>81,046</u>

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Notes to the financial statements (continued)

6 Due from banks and financial institutions (continued)

The distribution of the gross cash and balances with banks by geographic region is as follows:

	2024 AED'000	2023 AED'000
UAE	21,608	2,264
Sudan	9,415	13,565
Others	63,900	67,307
	<u>94,923</u>	<u>83,136</u>

7 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2024 AED'000	2023 AED'000
Cash and balances with central bank	1,766,624	2,820,846
Due from banks and financial institution	94,921	81,046
Due to banks and financial institutions	(1,460,801)	(2,487,574)
	<u>400,744</u>	<u>414,318</u>
Less: balances maturing after three months:		
Due from banks and financial institutions	(133,057)	(230,000)
Due to banks and financial institutions	121,141	47,780
	<u>388,828</u>	<u>232,098</u>

8 Receivables from Islamic financing activity

	2024 AED'000	2023 AED'000
Corporate Murabaha	115,482	46,683
Less: expected credit losses (ECL)	(1,322)	(306)
	<u>114,160</u>	<u>46,377</u>

The corporate facilities are provided to customers based in UAE and Sudan. As at 31 December 2024, the corporate facilities amounting to AED 114,160 thousand (2023: AED 46,377 thousand) are secured against cash deposits. Below, movement in provision for expected credit losses:

	2024 AED '000	2023 AED '000
At 1 January	306	306
Charge for the period	1,016	-
	<u>1,322</u>	<u>306</u>

BOK International – Abu Dhabi

Notes to the financial statements (continued)

8 Receivables from Islamic financing activity (continued)

The following table contains an analysis of the credit risk exposure of receivables from Islamic financing activity for which an ECL allowance is recognized:

	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 2024				
Corporate Murabaha	115,190	-	292	115,482
<i>Expected credit losses</i>				
At 1 January	14	-	292	306
Charge for the year	1,016	-	-	1,016
At 31 December	1,030	-	292	1,322
Net Corporate Murabaha	114,160	-	-	114,160
31 December 2023				
Corporate Murabaha	46,391	-	292	46,683
<i>Expected credit losses</i>				
At 1 January	14	-	292	306
Charge for the year	-	-	-	-
At 31 December	14	-	292	306
Net Corporate Murabaha	46,377	-	-	46,377

9 Investments in Islamic sukuk

The Bank's investments at the end of the reporting period are detailed below:

	2024 AED '000	2023 AED '000
Financial assets at amortised cost		
UAE-based quoted Sukuk	54,772	54,706
G.C.C quoted Sukuk	101,073	84,151
Other	33,363	23,690
	189,208	162,547
Less: expected credit losses (ECL)	(546)	(108)
	188,662	162,439

As per Fitch rating institution, the credit rating of these Sukuks falls in range of BB+ to A+.

BOK International – Abu Dhabi

Notes to the financial statements (continued)

9 Investments in Islamic sukuk (continued)

The movement in the financial assets at amortised cost is as follows:

	2024 AED'000	2023 AED '000
At the beginning of the year	162,547	82,596
Purchased during the year	26,565	90,747
Redemption of Sukuk	-	(10,716)
Sukuk Premium amortization	(91)	(140)
Sukuk Discount amortization	187	60
	<u>189,208</u>	<u>162,547</u>

10 Other assets

	2024 AED '000	2023 AED '000
Advances to employees	906	1,792
Prepayments	838	613
Accrued income	8,102	6,806
Others	3,448	2,552
	<u>13,294</u>	<u>11,763</u>
Less: expected credit losses (ECL)	(102)	(35)
	<u>13,192</u>	<u>11,728</u>

11 Property and equipment

	Office equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Total AED'000
2024				
Cost:				
As at 1 January	1,296	2,206	430	3,932
Additions	56	-	-	56
	<u>1,352</u>	<u>2,206</u>	<u>430</u>	<u>3,988</u>
At 31 December 2024				
Depreciation:				
At 1 January	1,037	1,341	405	2,783
Charge for the year	124	217	25	366
	<u>1,161</u>	<u>1,558</u>	<u>430</u>	<u>3,149</u>
At 31 December 2024				
Net carrying amount				
At 31 December 2024	<u>191</u>	<u>648</u>	<u>-</u>	<u>839</u>

BOK International – Abu Dhabi

Notes to the financial statements (continued)

11 Property and equipment (continued)

	Office equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Total AED'000
2023				
Cost:				
As at 1 January	1,266	2,190	430	3,886
Additions	30	16	-	46
At 31 December 2024	1,296	2,206	430	3,932
Depreciation:				
At 1 January	912	1,121	341	2,374
Charge for the year	125	220	64	409
At 31 December 2023	1,037	1,341	405	2,783
Net carrying amount				
At 31 December 2023	259	865	25	1,149

12 Leases

Set out below, is the details of leased properties.

Description	Address	Area	No. of plots
BOK- Abu Dhabi Office	Al Sahel Tower	Al Khalidiah W-9	3
BOK – Dubai Office	Al Moosa Tower	Trade center first	2

The carrying amount of the Bank's right-of-use asset and lease liability and the movement during the year is below:

The movement of Right-of-use assets during the year is as follows:

	2024 AED '000	2023 AED '000
As at 1 January	3,463	2,125
Additions	-	2,642
Depreciation expense	(1,299)	(1,304)
As at 31 December	2,164	3,463

The movement of lease liability recognised in the current year is as follows:

	2024 AED '000	2023 AED '000
As at 1 January	2,642	1,302
Additions	-	2,642
Finance charge	150	8
Principal repayments	(1,385)	(1,310)
As at 31 December	1,407	2,642

BOK International – Abu Dhabi

Notes to the financial statements (continued)

13 Intangible assets

	Computer software	
	2024	2023
	AED '000	AED '000
Cost:		
At 1 January	3,036	3,036
Addition	-	-
At 31 December	3,036	3,036
Amortisation:		
At 1 January	2,208	1,750
Charge for the year	457	458
At 31 December	2,665	2,208
Net book value:		
At 31 December	371	828

14 Customers' accounts

	2024	2023
	AED '000	AED '000
Current accounts	351,457	404,958
Saving accounts	973	570
Margin account	20	29,050
Term Deposits	170,088	27,020
	522,538	461,598

The distribution of the gross depositors' accounts by industry sector, geographic region and currency was as follows:

	2024	2023
	AED '000	AED '000
Industry sector:		
Individuals	13,865	33,813
Small and medium enterprises	508,673	427,785
	522,538	461,598
Geographic region:		
UAE	330,800	235,470
Sudan	169,365	211,564
Others	22,373	14,564
	522,538	461,598
Currencies:		
UAE Dirham	482,904	394,660
US Dollar	2,356	1,555
Euro	37,089	65,383
Others	189	-
	522,538	461,598

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

15 Due to bank and financial institutions

	2024 AED '000	2023 AED '000
Wakala deposits due to foreign banks and financial institutions	-	47,780
Wakala deposits due to Head Office <i>(note 22)</i>	1,155,246	2,103,000
Due to Head office <i>(note 22)</i>	45,296	80,610
Balances due to foreign banks and financial institutions	28,033	14,334
Margins account – Head Office <i>(note 22)</i>	-	6,939
Balances due to related branch abroad <i>(note 22)</i>	232,226	234,911
	<u>1,460,801</u>	<u>2,487,574</u>

The distribution of the due to banks and financial institutions by geographic region is as follows:

	2024 AED '000	2023 AED '000
Sudan	267,720	2,221,080
UAE	221	3,553
Others	1,192,860	262,941
	<u>1,460,801</u>	<u>2,487,574</u>

16 Other liabilities

	2024 AED '000	2023 AED '000
Provision for employees' end of service benefits	7,621	6,191
Accruals	6,696	6,630
Tax payable	7,418	4,108
Other payables	20,596	23,946
	<u>42,331</u>	<u>40,875</u>

17 Capital

	2024 AED '000	2023 AED '000
<i>Amount contributed by Bank of Khartoum – Head office</i>		
Khartoum, Sudan, as paid up capital	<u>125,000</u>	<u>125,000</u>

18 Legal reserve

In accordance with the Union Law No.10 of 1980 (as amended), 10% of annual net profit is transferred to a legal reserve until this reserve equals the paid up capital. The reserve is not available for distribution.

BOK International – Abu Dhabi

Notes to the financial statements (continued)

19 Other reserve

As Per the new credit risk management standards (CRMS) issued by CBUAE (Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024), 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.

20 General and administrative expenses

	2024 AED '000	2023 AED '000
Staff costs	14,098	12,719
Other general and administrative expenses	4,417	3,922
	<u>18,515</u>	<u>16,641</u>

21 Impairment charges

	2024 AED '000	2023 AED '000
Impairment on receivables from:		
Other assets	(67)	6
Due from banks and financial institutions	2,088	(228)
Receivables from Islamic financing activity	(1,016)	(9)
Investment in Islamic Sukuk	(438)	231
	<u>567</u>	<u></u>

22 Related party balances and transactions

Ultimate controlling party of the Bank is Bank of Khartoum Co. LTD.

Related parties comprise the Head Office, other branches of the Head Office, directors and senior management of the Bank and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are approved by the Bank's management and are made on terms agreed by the management.

In the normal course of business, the Bank deals with its related parties namely Head office, other branches of Bank of Khartoum and key management personnel of the Bank. Transactions with related parties consist primarily of expenses incurred by Head office, funds received and transferred by Head office and other branches and placement of funds by the Bank with Head office (note 6) and are undertaken at the specific instructions of the Head office.

Compensation of key management personnel

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

	2024 AED '000	2023 AED '000
Salaries and other benefits	3,858	4,926
Employees' end of service benefits	44	66
	<u>3,902</u>	<u>4,992</u>

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

22 Related party balances and transactions *(continued)*

	2024 AED '000	2023 AED '000
Transaction with related parties:		
Income from Wakala Investments – Bahrain Branch	10	214
Depositor's profit – Head Office	26,328	6,351
Depositor's profit – Bahrain Branch	72,619	78,910
Balances with related parties:		
Placement of funds by the Bank with Head office <i>(note 6)</i>	9,415	13,565
Placement of funds by the Bank with Bahrain Branch <i>(note 6)</i>	12,483	4,932
Wakala deposits due to Head Office <i>(note 15)</i>	1,155,246	2,103,000
Due to Head Office <i>(note 15)</i>	45,296	80,610
Margins account – Head Office <i>(note 15)</i>	-	6,939
Balances due to related branch abroad <i>(note 15)</i>	232,266	234,911

23 Commitments

The Bank has the following credit related contingencies and commitments:

	2024 AED '000	2023 AED '000
Contingent liabilities		
Letters of credit	-	6,938
Letters of credit (unconfirmed)	1,953,613	1,366,834
Letters of guarantee	20	29,050
	1,953,633	1,402,822

24 Corporate and Emirate Tax

	2024 AED '000	2023 AED '000
As at 1 January	(4,108)	-
Income tax expense	(7,418)	(4,108)
Tax paid	4,108	-
As at 31 December	(7,418)	(4,108)

BOK International – Abu Dhabi

Notes to the financial statements *(continued)*

24 Corporate and Emirate Tax *(continued)*

	2024 AED '000	2023 AED '000
Corporate Tax:		
Profit before tax	26,087	26,158
Taxable income subject to 0%	(375)	-
Taxable profit	25,712	26,158
Tax for the year (9%)	2,314	-
Emirate Tax:		
Profit before tax	26,087	26,158
Deductions:		
General provision	(567)	-
Tax losses brought forward	-	(5,616)
Taxable profit	25,520	20,542
Tax for the year (20%)	5,104	4,108
Total tax	7,418	4,108
Effective tax rate	28.4%	15.7%

25 Risk management

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

The key risks are credit, liquidity, market and operational risks. Market risk includes currency risk and profit rate risk.

The Head office has established a risk management structure to oversee and manage these risks through various management committees which are responsible for making decisions and controlling the risk in relevant areas.

The following sections describe the financial risks to which the Bank are exposed, their nature and how they are managed.

Liquidity risk

Liquidity risk is defined as the risk to earnings and capital arising from the Bank's inability to meet its obligations when they become due, without incurring unacceptable losses. Liquidity risk often results in risks related to reputation, legal and business continuity as it impacts the ability to fulfill financial obligations and often have a systemic impact. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

BOK International – Abu Dhabi

Notes to the financial statements (continued)

25 Risk management (continued)

Liquidity risk (continued)

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

	On demand AED '000	One month to one year AED '000	One to five years AED '000	Total AED '000
2024				
Current accounts and deposits	361,645	160,893	-	522,538
Due to banks and financial institutions	1,279,055	181,746	-	1,460,801
Other payables	42,331	1,407	-	43,738
Total	1,683,031	344,046	-	2,027,077
2023				
Current accounts and deposits	450,078	12,106	5,000	467,184
Due to banks and financial institutions	336,794	2,154,992	40,000	2,531,786
Other payables	43,517	-	-	43,517
Total	830,389	2,167,098	45,000	3,042,487
2024				
Commitment and contingencies	19,531,191	442	-	19,531,633
2023				
Commitment and contingencies	29,050	6,938	-	35,988

The table below summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2024 and 2023 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. The Bank are supported by Head office for managing liquidity of the Bank.

	On demand AED '000	3-6 months AED '000	6 months to 1 year AED '000	More than 1 year AED '000	No fixed maturity AED '000	Total AED '000
2024						
ASSETS						
Cash and balances with central bank	1,766,624	-	-	-	-	1,766,624
Due from banks and financial institutions	100,883	-	-	-	-	100,883
Receivables from Islamic financing activity	-	-	114,160	-	-	114,160
Sukuk	2,140	-	-	188,622	-	190,802
Other assets	805	-	-	-	-	805
Financial assets	1,870,452	-	114,160	188,622	-	2,173,274
Non-financial assets						7,659
Total assets						2,180,933
LIABILITIES						
Current accounts and deposits	473,538	4,000	45,000	-	-	522,538
Due to banks and financial institutions	1,346,354	6,000	115,142	-	-	1,467,496
Other payables	28,161	-	-	-	-	28,161
Total liabilities	1,848,053	10,000	160,142	-	-	2,018,195
Net liquidity gap	22,399	(10,000)	(45,982)	188,622	-	

BOK International – Abu Dhabi

Notes to the financial statements (continued)

25 Risk management (continued)

Liquidity risk (continued)

	On demand AED '000	3-6 months AED '000	6 months to 1 year AED '000	More than 1 year AED '000	No fixed maturity AED '000	Total AED '000
2023						
ASSETS						
Cash and balances with central bank	2,820,846	-	-	-	-	2,820,846
Due from banks and financial institutions	83,136	-	-	-	-	83,136
Receivables from Islamic financing activity	4,083	-	-	42,600	-	46,683
Sukuk	-	-	-	162,547	-	162,547
Other assets	-	-	1,792	-	-	1,792
	<u>2,908,065</u>	<u>-</u>	<u>1,792</u>	<u>205,147</u>	<u>-</u>	<u>3,115,004</u>
Financial assets						
Non-financial assets						12,874
Total assets						<u>3,127,878</u>
LIABILITIES						
Current accounts and deposits	450,078	1,096	5,424	5,000	-	461,598
Due to banks and financial institutions	336,794	2,109,000	1,780	40,000	-	2,487,574
Other payables	-	-	41,999	-	-	41,999
	<u>786,872</u>	<u>2,110,096</u>	<u>49,203</u>	<u>45,000</u>	<u>-</u>	<u>2,991,171</u>
Total liabilities						
Net liquidity gap	<u>2,121,193</u>	<u>(2,110,096)</u>	<u>(47,411)</u>	<u>160,147</u>	<u>-</u>	

Market risk

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) 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.

Foreign currency risk sensitivity analysis

The Bank is exposed to foreign currency risk through transactions in foreign currencies. The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of comprehensive income. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the functional currency of the Bank.

In order to measure its exposures to currency risk, the Bank stress tests its exposures following the standard shocks approach, which calculates the effect on assets and income of the Bank as a result of 5% appreciation and depreciation in foreign currencies in relation to the reporting currency of the Bank. This is calculated using various percentages based upon the judgment of the management of the Bank.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the AED with all other variables held constant on the statement of income and the statement of equity. The impact of a similar increase / (decrease) in exchange rates will be approximately opposite to the impact disclosed below:

	% Change in rate	Effect on loss AED'000	Effect on equity AED'000
31 December 2024			
EURO	5%	7	7
31 December 2023			
EURO	5%	218	218

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Notes to the financial statements (continued)

25 Risk Management (continued)

Market risk (continued)

Foreign currency risk sensitivity analysis (continued)

The Bank does not actively trade in foreign currency but manages its customer requests on a back to back basis with its Head office, thus further reducing the risk the Bank is exposed to. In addition, the Bank entered into derivative financial instruments with its Head office to reduce foreign currency risk.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Bank manages this risk through appropriate limits in place and frequent review of the Bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity.

The following table estimates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Bank's income statement. The sensitivity of the income statement is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December 2024.

	Increase in basis points 2024	Sensitivity of profit on financial assets and liabilities AED '000	Increase in basis points 2023	Sensitivity of profit on financial assets and liabilities AED '000
Currency				
AED	100	24,216	100	24,702

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to a financial instrument, to meet its obligations under a contract. It arises principally from financing and trade finance.

The Bank's primary exposure to credit risk arises from bank balances and deposits with banks and receivables from Islamic financing activity. 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.

Credit risk management

Credit risk is managed by the Head office and credit facilities are approved by the Head office. Approval of credit facilities is based on an assessment of the ability to service the facility, credit history, an internal scoring of the applicant and eligible maximum unsecured exposure. The final credit decision is based on overall customer profile, ability & intent indicators, score, along with all external and internal verification checks.

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Notes to the financial statements (continued)

25 Risk Management (continued)

Credit risk (continued)

Credit risk measurement

The Bank's credit risk is measured in terms of expected credit loss (ECL), which is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate.

The Bank has developed a range of models to estimate these parameters. Since sufficient historical data was not available, judgmental models were developed.

ECL measurement

The assessment of credit risk and the estimation of ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

As per the IFRS 9 requirements, Bank calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over the next 12 months or effective remaining life of the facility. Expected Loss at any point in time of the life of the facility is calculated using the following formula:

$$\text{Expected Credit Loss (ECL)} = PD * EAD * LGD$$

For each facility Bank calculates ECL over two forecast periods:

- 12 Month: ECL is calculated using 12-month forward looking PD, LGD and EAD.
- Lifetime: ECL is calculated using Lifetime forward looking PD, LGD and EAD.

12 Month or Lifetime ECL for each facility is used depending on the stage of the facility, as explained below:

- **Stage1:** where no significant increase in credit risk is observed, 12 month Expected Credit Loss (ECL) is recorded as impairment provision;
- **Stage2:** where significant increase in credit risk have been observed, Life-time ECL is recorded as impairment provision;
- **Stage3:** where the exposure is defaulted or impaired, Life-time ECL is recorded as impairment provision.

Significant increase in credit risk (SICR)

The stage allocation is determined by identifying a significant increase in credit risk since initial origination. The Bank assess when significant increase in credit risk has occurred based on the quantitative and qualitative assessments. When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Curing

Assets can move back to Stage 1 from Stage 2 when they no longer meet the significant increase in credit risk criteria and have completed a probation period, defined by the Bank. Similarly, for the movement from Stage 3 to Stage 2, for certain portfolios the Bank's policy includes probation periods whereby assets remain in Stage 3 for period of twelve months. The policy also ensures that none of the asset can move back directly to Stage 1 from Stage 3. There has been no curing in the stages during the current year.

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Notes to the financial statements (continued)

25 Risk Management (continued)

Credit risk (continued)

Measuring ECL- Explanations of input, assumptions and estimation techniques

As per IFRS 9, the ECL calculated for a facility should incorporate both current and forward-looking economic outlook over 12 Month to remaining life of the facility.

The Bank calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over forecast period (next 12 months or effective remaining life of the facility).

At the reporting date, a monthly ECL is estimated for each individual exposure for each month until the end of the forecast period. This is calculated as simple multiplication of PD, LGD and EAD at each month. These monthly ECLs are discounted to the reporting date using the effective profit rate and the summation of these discounted monthly ECLs gives the ECL estimate. The lifetime ECL is the sum of the monthly ECLs over the remaining life, while the 12-month ECL is limited to the first 12 months.

The estimation methodology for three main components, PD, LGD and EAD is explained below:

Probability of Default (PD):

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate portfolio. The Bank employs statistical models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Bank has taken exposures. For most exposures, the key macro-economic indicators include gross domestic product (GDP) growth, real profit rates, unemployment, domestic credit growth, oil prices, central government revenue as a percentage to GDP and central government expenditure as a percentage to GDP.

Loss Given Default (LGD):

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the Moody's global studies. The LGD is estimated using below factors:

Cure Rate: Defined as the ratio of accounts which have fallen to default and have managed to move backward to the performing status.

Recovery Rate: Defined as the ratio of liquidation value to market value of the underlying collateral at the time of default. This would also account for expected recovery rate from a general claim on the individual's assets for the unsecured portion of the exposure.

Discounting Rate: Defined as the opportunity cost of the recovery value not being realised on the day of default adjusted for time value.

Exposure at Default (EAD):

The EAD is the amount which bank expects an obligor to owe in the event of default. The EAD depends on the product type:

- For amortizing products, this is based on the contractual repayments over the forecast period.
- For revolving/off-balance products, this is estimated as a combination of current exposure and credit conversion factor applied on the undrawn portion of the limit.

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Notes to the financial statements (continued)

25 Risk management (continued)

Credit risk (continued)

Forward-looking information incorporated in the ECL model

As per the IFRS 9 requirements, forward looking economic outlook has also been incorporated in the loss calculations. The Bank employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay are used by the management after analysing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macro-economic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

For IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by an appropriate management committee.

The principal macroeconomic indicator included in the economic scenarios used at December 31, 2024 is the real GDP growth being most important macroeconomic factor for the branch's ECL assessment.

Credit risk monitoring

Risks of the Bank's credit portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

The distribution of the Bank's financial assets which are subject to credit risk (before collateral held) by geographical region is as follows:

	Balances with banks AED'000	Investment in Islamic Sukuk AED'000	Receivables from Islamic financing activity AED'000	Other assets AED'000	Total Total AED'000
2024					
ASSETS					
UAE	21,609	54,772	32,424	805	109,610
Sudan	9,416	-	81,736	-	91,152
Others	69,858	136,030	-	-	205,888
Financial assets subject to credit risk	100,833	190,802	114,160	805	406,650
2023					
ASSETS					
UAE	2,264	54,705	53,626	-	110,595
Sudan	13,565	-	-	-	13,565
Others	67,307	107,841	-	-	175,148
Financial assets subject to credit risk	83,136	162,546	53,626	-	299,308

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Notes to the financial statements (continued)

25 Risk management (continued)

Credit risk (continued)

Credit quality of financial instruments

The table below shows the maximum exposure to credit risk for the components of the balance sheet without taking account of any collateral and other credit enhancements. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status.

	Neither past due nor impaired			Past due or individually impaired	Gross maximum exposure
	High grade	Standard grade	Acceptable grade		
	AED'000	AED'000	AED'000	AED'000	AED'000
2024					
Balances with banks	100,833	-	-	-	100,883
Islamic sukuk	190,802	-	-	-	190,802
Financing activities	113,868	-	-	292	114,160
Other assets	805	-	-	101	906
Total	406,308	-	-	393	406,701
2023					
Balances with banks	83,136	-	-	-	83,136
Islamic sukuk	82,596	-	-	-	82,596
Financing activities	53,334	-	-	292	53,626
Other assets	1,792	-	-	-	1,792
Total	220,858	-	-	292	221,150

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

As per the new credit risk management standards (CRMS) issued by CBUAE (Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024), 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.

	2024 AED '000	2023 AED '000
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 & 2 as per CBUAE requirements	2,978	2,458
Less: Stage 1 and 2 impairment provision taken against income	(1,665)	(2,233)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	1,313	225
Balance of impairment reserve - general as at January 1, 2024	225	413
Add/(less): Non-distributable reserve during the year (Impairment reserve-general)	1,088	(188)
Balance of impairment reserve - general as at December 31, 2024	1,313	225

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Notes to the financial statements (continued)

25 Risk management (continued)

Operational risk

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 is in the process of undertaking a Risk and Control Self-Assessment exercise wherein all business and support units would be assessing their risks and controls. An internal loss database that stores details pertaining to operational losses will also maintained.

The Bank have established a corporate culture which entails constructive ways of dealing with the operational risk. The Head office and the Bank established approval control steps in the business processes as well as creating separate control processes. Further, the Head office has established measure of organisational structure in terms of segregation of duties and diverse training measure to mitigate operational risk.

Fair value of financial instruments

The Bank's financial assets consist of cash and balances with banks, due to Head office and other branches, current accounts and deposits.

The fair value of the Bank's assets and liabilities are not materially different from the carrying values at 31 December 2024.

26 Capital management

Capital measurement and allocation

Central Bank of the UAE is the supervisor of the Bank and, in this capacity, receives information on capital adequacy and sets minimum capital requirements for banking groups incorporated in the UAE. 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 Total Capital.

The additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

For 2021 onwards, CCB will be required to be maintained at 2.5% (2023: 2.5%) of the Capital base. CCB is not yet in effect and is not required to be maintained for 2024 (2023: Nil).

The minimum capital adequacy ratio as per Basel III capital regulation is given below:

	Minimum capital requirement 2024	Minimum capital requirement 2023
Capital ratio:		
a. Total for the Bank	10.5%	13.00%
b. Tier 1 ratio for the Bank	8.5%	11.00%
c. CET1 ratio for the Bank	7%	10.50%

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Notes to the financial statements (continued)

26 Capital management (continued)

Capital measurement and allocation (continued)

The Bank's regulatory capital comprising of Tier I and Tier II capital is measured in accordance with the Basel III guidelines as implemented by the Central Bank of the UAE.

The Bank's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Bank relies on the Head office for all its funding requirements.

The Bank's objectives when managing capital are:

- safeguarding the Bank's ability to continue as a going concern and increase the returns;
- complying with regulatory capital requirements set by the Central Bank of the UAE;
- maintaining capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel Accord guidelines; and allocating capital to various businesses in an efficient manner.

The table below shows summarises the composition of Basel III regulatory capital and the ratios of the Bank for the years ended 31 December 2024 and 2023.

	Basel III 2024 AED'000	Basel III 2023 AED'000
Common Equity Tier 1 (CET 1) Capital		
Capital	125,000	125,000
Retained earnings	22,031	5,193
Other reserves	5,512	3,645
Regulatory deductions	(371)	(828)
Total Tier 1 capital (a)	152,172	133,010
Eligible Tier II Capital (b)	1,665	2,048
Total capital base (a) + (b)	153,837	135,058
Risk-weighted assets:		
Credit risk	198,079	163,857
Market risk	8,481	4,625
Operational risk	77,933	54,142
Total risk-weighted assets (c)	284,493	222,624
Capital ratios		
Common Equity Tier 1 capital expressed as a percentage of total risk weighted assets	53.49%	59.75%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	53.49%	59.75%
Total capital expressed as a percentage of total risk weighted assets	54.07%	60.67%

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Notes to the financial statements *(continued)*

27 Details on Adjustments and Reissuance

The financial statements for the year ended 31 December 2024 were initially approved and issued on 28 March 2025 and were thereafter reissued on 18 June 2025. Subsequent to their reissuance on 18 June 2025, the Central Bank of the UAE (CBUAE) issued Notice No. 4613 on 19 August 2025, providing clarification on Article 9.21 of the Credit Risk Management Standards, as referenced in Circular No. 3/2024 and Notice No. CBUAE/BIS/2024/5131 dated 17 October 2024. In light of this clarification, management reviewed the capital disclosures and identified the need to update the Tier II capital figures. Further, management also amended the presentation of the Common Equity Tier I capital.

Accordingly, the financial statements have been reissued on 18 September 2025 to reflect the following updates:

- Revisions to Note 26, including amendments to the presentation of Common Equity Tier I capital and an update to the eligible Tier II capital amount.

No other changes have been made to the financial statements as reissued on 18 June 2025.