

Al Maryah Community Bank L.L.C.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

Al Maryah Community Bank L.L.C.

Condensed interim financial statements for the six month period ended 30 June 2024

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Review report on condensed interim financial statements to the Board of Directors of Al Maryah Community Bank LLC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Maryah Community Bank LLC as at 30 June 2024 and the related condensed interim statements of profit or loss and comprehensive income for the six-month period then ended, and condensed interim statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standards 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers Limited Partnership - Abu Dhabi
12 September 2024

A handwritten signature in black ink, appearing to read 'Jigesh'.

Jigesh Ashokkumar Shah
Registered Auditor Number: 5621
Place: Abu Dhabi, United Arab Emirates

Al Maryah Community Bank L.L.C.


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION


As at 30 June 2024

| | | 30 June 2024 (Unaudited) AED'000 | 31 December 2023 (Audited) AED'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Cash and balances with the Central Bank of the UAE | 3 | 2,910,404 | 2,118,452 |
| Deposits and balances due from banks, net | 4 | 45,496 | 83,333 |
| Loans and advances to customers, net | 5 | 619,657 | 586,483 |
| Financial assets at fair value through profit or loss | 6 | 55,067 | 58,800 |
| Financial assets at fair value through other comprehensive income | 7 | 15,901 | 12,612 |
| Property and equipment | 8 | 39,720 | 33,754 |
| Intangible assets | 9 | 45,673 | 50,772 |
| Other assets | 10 | 16,631 | 19,896 |
| TOTAL ASSETS | | 3,748,549 | 2,964,102 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Deposits from customers | 11 | 3,140,635 | 2,405,929 |
| Other liabilities | 12 | 103,402 | 142,560 |
| Lease liabilities | 13 | 14,302 | 14,584 |
| Total liabilities | | 3,258,339 | 2,563,073 |
| EQUITY | | | |
| Share capital | 14 | 600,000 | 500,000 |
| Legal reserve | 15 | 169 | 169 |
| Fair value reserve | | 1,823 | 2,206 |
| Impairment reserve | | 3,078 | 2,783 |
| Accumulated losses | | (114,860) | (104,129) |
| Total equity | | 490,210 | 401,029 |
| TOTAL EQUITY AND LIABILITIES | | 3,748,549 | 2,964,102 |

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on

12 Sep 2024, and signed on its behalf by:


Tariq Ahmed Almasaood
Chairman of the Board


Mohammed Wassim Khayata
Chief Executive Officer

The attached notes 1 to 28 form part of these condensed interim financial statements.

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Al Maryah Community Bank L.L.C.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six-month period ended 30 June 2024

| | | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Interest income | 16 | 95,907 | 31,550 |
| Interest expense | 16 | (24,355) | (6,486) |
| Net interest income | | 71,552 | 25,064 |
| Net fees and commission income | 17 | 3,210 | 9,859 |
| Net gain / (loss) from financial assets carried at fair value through profit or loss | 18 | (2,216) | 14,537 |
| Dividend income from investments at fair value through other comprehensive income | | 483 | 39 |
| Operating income | | 73,029 | 49,499 |
| Operating expenses | 19 | (82,297) | (48,382) |
| Profit / (loss) before impairment charge | | (9,268) | 1,117 |
| Impairment charge for the period | 20 | (1,168) | (800) |
| Profit / (loss) for the period | | (10,436) | 317 |
| Other comprehensive income | | | |
| Net unrealized gain from financial assets at fair value through other comprehensive income | 7 | (383) | 1994 |
| TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD | | (10,819) | 2,311 |

The attached notes 1 to 28 form part of these condensed interim financial statements.

Al Maryah Community Bank L.L.C

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2024

| | <i>Share capital AED '000</i> | <i>Fair value reserve AED '000</i> | <i>Legal reserve AED '000</i> | <i>Impairment reserve AED '000</i> | <i>Accumulated losses AED '000</i> | <i>Total AED '000</i> |
|---|---------------------------------------|--|---------------------------------------|--|--|---------------------------|
| As at 1 January 2023 | 300,000 | 1,928 | - | 305 | (104,865) | 197,368 |
| Increase in share capital | 200,000 | - | - | - | - | 200,000 |
| Profit for the period | - | - | - | - | 317 | 317 |
| Other comprehensive income | - | 1,994 | - | - | - | 1,994 |
| Total comprehensive loss for the period | 500,000 | 3,922 | | 305 | (104,548) | 399,679 |
| Notional transfer during the period | - | - | - | 337 | (337) | - |
| As at 30 June 2023 (Unaudited) | 500,000 | 3,922 | - | 642 | (104,885) | 399,679 |
| As at 1 January 2024 | 500,000 | 2,206 | 169 | 2,783 | (104,129) | 401,029 |
| Increase in share capital | 100,000 | - | - | - | - | 100,000 |
| Loss for the period | - | - | - | - | (10,436) | (10,436) |
| Other comprehensive income | - | (383) | - | - | - | (383) |
| Total comprehensive loss for the period | 600,000 | 1,823 | 169 | 2,783 | (114,565) | 490,210 |
| Notional transfer during the period | - | - | - | 295 | (295) | - |
| As at 30 June 2024 (Unaudited) | 600,000 | 1,823 | 169 | 3,078 | (114,860) | 490,210 |

The attached notes 1 to 28 form part of these condensed interim financial statements.

Al Maryah Community Bank L.L.C

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2024

| | | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| OPERATING ACTIVITIES | | | |
| Profit / (loss) for the period | | (10,436) | 317 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 19 | 3,485 | 3,250 |
| Depreciation of right-of-use assets | 19 | 2,193 | 2,163 |
| Amortization of intangible assets | 19 | 5,099 | 2,780 |
| Dividend Income | | (1,979) | (39) |
| Net gain from disposal of financial assets carried at fair value through profit or loss | 18 | (18) | (2,192) |
| Impairment charge on loans and advances | | 1,164 | 748 |
| | | 4 | 52 |
| Change in fair value of investments carried at fair value through profit or loss | 18 | 3,730 | 11,354 |
| Provision for employees' end of service benefits | | 881 | 316 |
| Finance costs | 19 | 197 | 269 |
| | | 4,320 | (3,690) |
| Changes in working capital: | | | |
| Deposits and balances due from banks with maturities over three months and less than one year | | 40,000 | (50,000) |
| Loans and advances | | (34,338) | (89,972) |
| Other assets | | 3,265 | (7,216) |
| Other liabilities | | (40,039) | (43,701) |
| Deposits from customers | | 734,706 | 579,435 |
| Net cash generated from operating activities | | 707,914 | 384,845 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 8 | (11,644) | (990) |
| Purchase of intangible assets | 9 | - | (4,879) |
| Dividend Received | | 1,979 | 39 |
| Purchase of financial assets carried at fair value through profit or loss | 6 | (53) | (22,585) |
| Purchase of financial assets carried at fair value through other comprehensive income | 7 | (3,672) | (6,900) |
| Proceeds from disposals of financial assets carried at fair value through profit or loss | | 74 | 7,353 |
| Net cash used in investing activities | | (13,316) | (27,962) |
| FINANCING ACTIVITIES | | | |
| Issuance of share capital | 14 | 100,000 | 200,000 |
| Payment of lease liabilities | | (479) | (527) |
| Net cash generated from financing activities | | 99,521 | 199,473 |
| INCREASE IN CASH AND CASH EQUIVALENTS | | 794,119 | 556,356 |
| Cash and cash equivalents at beginning of period | | 2,124,385 | 973,742 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 21 | 2,918,504 | 1,530,098 |

The attached notes 1 to 28 form part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

1 GENERAL INFORMATION

Al Maryah Community Bank L.L.C. (the “Bank”) is a specialized commercial digital bank which was incorporated and registered as a limited liability company in the Emirate of Abu Dhabi, UAE on 6 June 2021 and pursuant to the specialized banks with low-risk regulations issued by the Central Bank of the UAE and the Federal Law by Decree No. 14 of 2018. The Bank’s registered address is P.O. Box 111485, 454 Shakhboub Bin Sultan Street, Abu Dhabi, United Arab Emirates.

The Bank is engaged in both retail and corporate banking activities in the UAE. The Bank focuses on growth and serving its local community, in line with the vision of the UAE leaders in supporting individuals and small businesses within the UAE economy by employing forward thinking concepts driven by innovation and technology.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information and disclosures required for the complete set of annual financial statements as required under IFRS Accounting Standards. These condensed interim financial statements should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2023.

The condensed interim financial statements have been prepared on the historical cost basis, except for the following:

- Investments in financial assets which are stated at fair value.

The condensed interim financial statements have been presented in UAE Dirhams, which is the functional and presentation currency of the Bank rounded to the nearest thousand except where otherwise stated.

2.2 New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the condensed interim financial statements are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2023, except for the adoption of the following new standards and amendments effective as of 1 January 2024. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
- Lease liability in sale and leaseback Amendments to IFRS16
- Supplier Finance Arrangements - Amendments to IAS 21 – Lack of Exchangeability

These amendments had no impact on the condensed interim financial statements of the Bank.

2.3 Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES continued

2.3 Use of estimates and judgments continued

Except for impairment of financial assets, in preparing these condensed interim financial statements, the material judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2023.

Impairment of financial assets – forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL provision.

The bank adapts three economic scenarios a base case, which is the median scenario assigned a 34.10 % probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 32.95% probability of occurring.

The Bank has identified and documented key drivers of credit risk and credit losses of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.4 Seasonality of results

There is no seasonality or cyclical in operations for the Bank which would affect the interpretation of readers for these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

3 CASH AND BALANCES WITH THE CENTRAL BANK OF THE UAE

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|---|---|---|
| Cash on hand | 24,823 | 16,831 |
| Balances with the Central Bank of the UAE | 2,885,581 | 2,101,621 |
| | <u>2,910,404</u> | <u>2,118,452</u> |

Balances with the Central Bank of the UAE include cash reserve balance as per the requirements of the CBUAE.

4 DEPOSITS AND BALANCES DUE FROM BANKS, NET

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|--|---|---|
| Current accounts | 8,100 | 5,933 |
| Placements | 37,500 | 77,500 |
| | <u>45,600</u> | <u>83,433</u> |
| Less: allowance for expected credit loss | (104) | (100) |
| | <u>45,496</u> | <u>83,333</u> |

All placements as at 30 June 2024 and 31 December 2023 are in the UAE.

5 LOANS AND ADVANCES TO CUSTOMERS, NET

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|--|---|---|
| Corporate loans | 147,992 | 91,869 |
| Personal loans | 118,109 | 106,773 |
| Corporate overdrafts | 190,095 | 218,456 |
| Retail overdrafts | 164,092 | 168,001 |
| Credit cards | 3,002 | 3,848 |
| | <u>623,290</u> | <u>588,947</u> |
| Less: allowance for expected credit loss | (3,633) | (2,464) |
| | <u>619,657</u> | <u>586,483</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|-------------------------------------|---|---|
| Quoted equity securities in the UAE | 55,067 | 58,800 |

These investments are classified as level 1 of the fair value hierarchy and recorded at fair value using the valuation techniques as disclosed in note 25. Movement in investments in financial assets carried at fair value through profit or loss is as follows:

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|----------------------|---|---|
| At 1 January | 58,800 | 40,362 |
| Additions | 53 | 22,586 |
| Change in fair value | (3,712) | 8,127 |
| Disposals | (74) | (12,275) |
| At 31 December | 55,067 | 58,800 |

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|-------------------------------------|---|---|
| Quoted equity securities in the UAE | 15,901 | 12,612 |

These investments are classified as level 1 of the fair value hierarchy and recorded at fair value using the valuation techniques as disclosed in note 25. Movement in investments in financial assets carried at fair value through other comprehensive income is as follows:

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|----------------------|---|---|
| At 1 January | 12,612 | 5,078 |
| Additions | 3,672 | 10,992 |
| Change in fair value | (383) | 278 |
| Disposals | - | (3,736) |
| At 31 December | 15,901 | 12,612 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

8 PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

During the six-month period ended 30 June 2024, the Bank acquired assets with a cost of AED 11,644 thousand (*six-month period ended 30 June 2023: AED 3,310 thousand*). The depreciation charged during the six-month period ended 30 June 2024 is AED 5,678 thousand (*six-month period ended 30 June 2023: AED 5,431 thousand*).

9 INTANGIBLE ASSETS

During the six-month period ended 30 June 2024, the Bank acquired intangible assets with a cost of AED nil (*six-month period ended 30 June 2023: AED 4,879 thousand*). The amortization charged during the six-month period ended 30 June 2024 is AED 5,099 thousand (*six-month period ended 30 June 2023: AED 2,780 thousand*).

10 OTHER ASSETS

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|-----------------------------|---|---|
| Prepayments | 2,313 | 4,163 |
| Accrued interest receivable | 6,937 | 6,935 |
| Accounts receivable | 2,928 | 5,474 |
| VAT receivable | 2,554 | 1,516 |
| Others | 1,899 | 1,808 |
| | 16,631 | 19,896 |

11 DEPOSITS FROM CUSTOMERS

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|---------------------------|---|---|
| <i>By account:</i> | | |
| Current accounts | 1,243,498 | 1,209,555 |
| Savings accounts | 351,854 | 258,768 |
| Term deposits | 1,507,117 | 937,606 |
| Cash margin | 38,166 | - |
| | 3,140,635 | 2,405,929 |
| <i>By type:</i> | | |
| Corporate accounts | 2,018,891 | 1,496,244 |
| Retail accounts | 1,083,578 | 909,685 |
| | 3,140,635 | 2,405,929 |
| <i>Geographic region:</i> | | |
| United Arab Emirates | 3,140,635 | 2,405,929 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

12 OTHER LIABILITIES

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|--|---|---|
| Cards related payables and liabilities | 29,078 | 28,604 |
| Managers' cheques | 27,652 | 14,991 |
| Accrued expenses | 21,855 | 9,490 |
| Accrued interest payable | 11,664 | 4,181 |
| Trade payables | 8,221 | 81,314 |
| Deferred income | 2,295 | 2,294 |
| Provision for employees' end of service benefits | 1,912 | 1,325 |
| Others | 725 | 361 |
| | <u>103,402</u> | <u>142,560</u> |

13 LEASE LIABILITIES

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|-----------------------------------|---|---|
| At beginning of the period | 14,584 | 15,817 |
| Additions during the period | - | 2,320 |
| Repayments made during the period | (479) | (4,059) |
| Finance cost on lease liability | 197 | 506 |
| | <u>14,302</u> | <u>14,584</u> |

14 SHARE CAPITAL

During the six-month period ended 30 June 2024, the Bank increased its share capital from AED 500,000 thousand to AED 600,000 thousand after obtaining the approval from the Central Bank of the UAE.

As of 30 June 2024, the Bank's share capital consists of 600,000,000 (31 December 2023: 500,000,000) shares of AED 1 each (31 December 2023: AED 1 each) issued and fully paid.

15 LEGAL RESERVE

As required by UAE Federal Law No. (32) of 2021 5% of annual net profit is transferred to a legal reserve until this reserve reaches half of the share capital.

The reserve is not available for distribution. For the six-month period ended 30 June 2024, the Bank recorded a loss of AED 10,436 thousand (six-month period ended 30 June 2023: profit of AED 317 thousand). Transfer to the legal reserve will occur based on the outcome for the year ending 31 December 2024.

Al Maryah Community Bank L.L.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

16 NET INTEREST INCOME / (EXPENSE)

| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|--|--|--|
| <i>Interest income:</i> | | |
| Interest income from placements with the Central Bank of the UAE | 64,175 | 25,344 |
| Interest income from placements with banks | 1,469 | 1,732 |
| Interest income from loans and advances | 30,263 | 4,474 |
| Total interest income | 95,907 | 31,550 |
| <i>Interest expense:</i> | | |
| Interest expense on customer fixed deposits | (23,216) | (5,446) |
| Interest expense on savings accounts | (1,054) | (830) |
| Interest expense on customers placements | (85) | (210) |
| Total interest expense | (24,355) | (6,486) |
| Net interest income | 71,552 | 25,064 |

17 NET FEES AND COMMISSION INCOME

| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|---|--|--|
| <i>Fees and commission income</i> | | |
| Financing fees | 2,675 | 7,799 |
| Card related fees (a) | 13,713 | 4,846 |
| Account related fees | 4,456 | 425 |
| Other fee and commission income | - | 693 |
| Total fees and commission income | 20,844 | 13,763 |
| <i>Fees and commission expenses</i> | | |
| Card related charges (a) | (16,293) | (3,273) |
| Accounts related charges | (1,341) | (588) |
| Other fee and commission expenses | - | (43) |
| Total fees and commission expenses | (17,634) | (3,904) |
| Net fees and commission income | 3,210 | 9,859 |

(a) Card related fees and charges include fees and charges on debit and credit cards transactions.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

18 NET (LOSS) / GAIN FROM FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|--|--|--|
| <i>Equity instruments</i> | | |
| Realized gain from disposal | 18 | 2,192 |
| Unrealized (loss) / gain from revaluation | (3,730) | 11,354 |
| Dividend income | 1,496 | 991 |
| Net (loss) / gain from equity instruments | (2,216) | 14,537 |

19 OPERATING EXPENSES

| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|--|--|--|
| Personnel and related expenses | 37,874 | 21,345 |
| Software membership and subscription | 12,595 | 10,444 |
| Information technology expenses | 7,132 | 2,422 |
| Amortization of intangible assets | 5,099 | 2,780 |
| Board of Directors' remunerations | 5,162 | 486 |
| Depreciation of property and equipment | 3,485 | 3,250 |
| Marketing and advertising expenses | 1,795 | 1,603 |
| Depreciation of right-of-use assets | 2,193 | 2,163 |
| Legal and professional fees | 837 | 561 |
| Finance cost – lease liability | 197 | 269 |
| External auditor's fees | 225 | 251 |
| Other expenses | 5,704 | 2,808 |
| | 82,298 | 48,382 |

20 IMPAIRMENT CHARGE FOR THE PERIOD

| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
|---|--|--|
| Net impairment charge on loans and advances | 1,164 | 748 |
| Net impairment charge on deposits and balances due from banks | 4 | 52 |
| | 1,168 | 800 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed interim statement of cash flows comprise the following amounts with original contractual maturities of less than three months:

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>30 June 2023 (Unaudited) AED'000</i> |
|---|---|---|
| Cash and balances with the Central Bank of the UAE | 2,910,404 | 1,508,858 |
| Deposits and balances due from banks | 45,600 | 91,240 |
| Less: Placements with original maturity of more than three months | (37,500) | (70,000) |
| | <u>2,918,504</u> | <u>1,530,098</u> |

At 31 December 2023, cash and cash equivalents balance was AED 2,124,385 thousand.

22 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise of shareholders, directors and senior management of the Bank and entities controlled or significantly influenced by them. The terms of these transactions are approved by the Bank's management and are made on terms agreed by the management.

Key management personnel:

Related party balances and transactions of the Bank included in the condensed interim statement of financial position and condensed interim statement of profit or loss are shown in below table.

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|---|--|--|
| Balances | | |
| Loans and advances | 3,522 | 190 |
| Customer deposits | 5,700 | 3,580 |
| Due to shareholders | 10 | 10 |
| | <u></u> | <u></u> |
| | <i>Six-month period ended 30 June 2024 (Unaudited) AED'000</i> | <i>Six-month period ended 30 June 2023 (Unaudited) AED'000</i> |
| Transactions | | |
| Interest income from loans and advances | 120 | 6 |
| Interest expense | 35 | 1 |
| Board of directors' fees and expenses | 5,162 | 486 |
| Salaries and benefits of key management | 5,443 | 3,622 |
| | <u></u> | <u></u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

23 COMMITMENTS

The Bank, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as capital commitments, letter of guarantees and commitment to extend credit.

| | <i>30 June 2024 (Unaudited) AED'000</i> | <i>31 December 2023 (Audited) AED'000</i> |
|--|--|--|
| Commitments for future capital expenditure | 43,445 | 43,445 |
| Undrawn commitments to extend credit | 288,795 | 245,219 |
| | <hr/> 332,340 <hr/> | <hr/> 288,664 <hr/> |
| Letters of guarantee | <hr/> 382,704 <hr/> | <hr/> 365,189 <hr/> |

Undrawn commitments to extend credit include term loans, overdrafts, and credit card facilities.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

24 RISK MANAGEMENT

Credit risk

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 balances with the Central Bank of the UAE, deposits and balances due from banks and loans and advances to customers, net. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the condensed interim statement of financial position. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the condensed interim statement of financial position.

Credit quality per class of financial assets

The Bank's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. The credit quality of financial assets is reported by the Bank using internal credit ratings.

| | 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 |
|---|-------------------------------------|--|--|-------------------|
| 30 June 2024 | | | | |
| Loans and advances to customers, net - Corporate | | | | |
| Performing | 338,087 | - | - | 338,087 |
| Non-performing | - | - | - | - |
| Gross loans and advances to customers - Corporate | 338,087 | - | - | 338,087 |
| Expected credit losses – Corporate | (2,444) | - | - | (2,444) |
| Interest suspended | - | - | - | - |
| Loans and advances to customers, net - Corporate | 335,643 | - | - | 335,643 |
| Loans and advances to customers, net - Retail | | | | |
| Performing | 284,324 | 15 | - | 284,339 |
| Non-performing | - | - | 864 | 864 |
| Gross loans and advances to customers - Retail | 284,324 | 15 | 864 | 285,203 |
| Expected credit losses – Retail | (327) | (1) | (861) | (1,189) |
| Loans and advances to customers, net - Retail | 283,997 | 14 | 3 | 284,014 |
| Gross loans and advances to customers | 622,411 | 15 | 864 | 623,290 |
| Expected credit losses | (2,771) | (1) | (861) | (3,633) |
| Loans and advances to customers, net | 619,640 | 14 | 3 | 619,657 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

24 RISK MANAGEMENT continued

Credit risk 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 to customers, net - Corporate | | | | |
| Performing | 310,325 | - | - | 310,325 |
| Non-performing | - | - | - | - |
| Gross loans and advances to customers - Corporate | 310,325 | - | - | 310,325 |
| Expected credit losses – Corporate | (1,592) | - | - | (1,592) |
| Loans and advances to customers, net - Corporate | 308,733 | - | - | 308,733 |
| Loans and advances to customers, net - Retail | | | | |
| Performing | 277,766 | 355 | - | 278,121 |
| Non-performing | - | - | 501 | 501 |
| Gross loans and advances to customers - Retail | 277,766 | 355 | 501 | 278,622 |
| Expected credit losses – Retail | (447) | (5) | (420) | (872) |
| Loans and advances to customers, net - Retail | 277,319 | 350 | 81 | 277,750 |
| Gross loans and advances to customers | 588,091 | 355 | 501 | 588,947 |
| Expected credit losses | (2,039) | (5) | (420) | (2,464) |
| Loans and advances to customers, net | 586,052 | 350 | 81 | 586,483 |

Collateral

Collateral is used to mitigate credit risk, as the secondary source of payment in case the counterparty cannot meet its contractual payment obligations. Credit policy and procedures set out the acceptable types of collateral, as well as a process by which additional instruments and/or asset types can be considered for approval.

As of 30 June 2024, the most significant collateral value relating to corporate and retail overdrafts held in the form of quoted shares amounted to AED 698 million (31 December 2023: AED 844 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

24 RISK MANAGEMENT continued

Credit risk continued

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

The CB 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:

| | <i>30 June 2024 (Unaudited) AED’000</i> | <i>30 June 2023 (Unaudited) AED’000</i> |
|--|---|---|
| Impairment reserve: General | | |
| General provisions under Circular 28/2010 of CBUAE | 5,953 | 1,655 |
| Less: Stage 1 and Stage 2 provisions under IFRS 9 | (2,875) | (1,013) |
| General provision transferred to the impairment reserve | <u>3,078</u> | <u>642</u> |
| Impairment reserve: Specific | | |
| Specific provisions under Circular 28/2010 of CBUAE | 847 | - |
| Less: Stage 3 provisions under IFRS 9 | (856) | - |
| | <u>(856)</u> | <u>-</u> |
| Impairment reserve as at 31 December | <u>3,078</u> | <u>-</u> |
| Less: Carried forward impairment reserve | 2,783 | - |
| To be transferred to impairment reserve as at | <u><u>295</u></u> | <u><u>642</u></u> |

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted Market Prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm’s length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation Technique Using Observable Inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets, and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

Valuation Technique Using Significant Unobservable Inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

26 CAPITAL MANAGEMENT continued

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 table below summarises the composition of the regulatory capital of the Bank's for the period ended 30 June 2024.

| | 30 June 2024 (Unaudited) AED'000 | 31 December 2023 (Audited) AED'000 |
|--|---|--|
| Aggregate capital funds | | |
| Share capital | 600,000 | 500,000 |
| Legal reserve | 169 | 169 |
| Accumulated losses | (114,860) | (104,129) |
| Impairment reserve | 3,078 | 2,783 |
| Total aggregate capital funds | 488,387 | 398,823 |
| Total assets | 3,748,549 | 2,964,102 |
| Less: Cash collaterals (legally enforceable) | (16,744) | (20,685) |
| Total assets excluding cash collaterals | 3,731,805 | 2,943,417 |
| ACF ratio | 13.09% | 13.55% |

As at 31 August 2024, ACF ratio stood at 11.68% due to increase in Deposits from Customers which are in turn placed with the CBUAE as part of the Overnight Deposit Facility. The Bank has sought an exemption from the CBUAE to exclude this Overnight Deposit Facility balance held with the CBUAE from Total assets as part of ACF ratio computation. As at 31 August 2024, excluding the Overnight Deposit Facility balance held with the CBUAE from Total assets would result in improving the ACF ratio to 39.20%.

27 UAE corporate income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate. The Corporate Tax regime became effective for the accounting periods beginning on or after 1 June 2023 hence for the Bank it became effective from 1 January 2024.

The Bank recorded a loss of AED 10,436 thousand, and hence corporate income tax for the period ended 30 June 2024 nil.

28 SUBSEQUENT EVENTS

There have been no events subsequent to the condensed interim financial statements date that would significantly affect the amounts reported or require disclosure in the condensed interim financial statements as at and for the six-month period ended 30 June 2024.