

# **Al Maryah Community Bank L.L.C.**

## **REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS**

31 DECEMBER 2023

**Al Maryah Community Bank L.L.C.**  
**Report of the board of directors and financial statements for the year ended 31 December 2023**

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# **Al Maryah Community Bank L.L.C.**

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2023

# Al Maryah Community Bank L.L.C.

## REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2023

On behalf of the Board of Directors, I am delighted to present the financial statements of Al Maryah Community Bank L.L.C. (the "Bank") for the year ended 31 December 2023. As we conclude our third year of operation, we have achieved a remarkable milestone by reaching breakeven for the first time since our inception in 2021. This accomplishment marks a pivotal moment in our journey, reflecting our commitment to strategic growth and operational excellence.

### Financial results

This year, we witnessed remarkable growth across key financial metrics. Our loans and advances grew substantially to AED 586,483 thousand in 2023 from AED 10,978 thousand in 2022, illustrating our ability to meet our clients' diverse financial needs. Customer deposits significantly increased to AED 2,405,929 thousand in 2023 from AED 733,206 thousand in 2022, underscoring our strategic growth in market. Our investment portfolio expanded to AED 71,412 thousand in 2023 from AED 45,440 thousand in 2022, reflecting our strategic investment decisions.

Notably, net interest income surged to AED 64,921 thousand in 2023 from AED 9,035 thousand in 2022, and net fees and commission income increased to AED 27,063 thousand in 2023 from AED 5,253 thousand in 2022. Additionally, we achieved a net gain from investments of AED 10,661 thousand in 2023, compared to AED 7,304 thousand in 2022.

Moreover, we recorded a profit of AED 3,383 thousand in 2023, compared to a loss of AED 65,379 thousand in 2022.

### Looking ahead

Looking ahead, we are committed to sustaining our growth trajectory, managing risks effectively and serve the Community in line with the vision of the leadership of the United Arab Emirates. We will continue to leverage technology to enhance our services and operational efficiency. Our focus on excellence and innovation positions us well for future growth.


### Financial statements

The Board of Directors reviewed and approved the financial statements of the Bank for year ended 31 December 2023 on 7 May 2024.

### External auditors

The Board Audit Committee ("BAC") recommended the reappointment of PricewaterhouseCoopers (PwC) as auditors of the Bank for the year ending 31 December 2024 for approval by the Board and subsequently by the shareholders at the Annual General Assembly Meeting.

On behalf of the Board of Directors



Tariq Ahmed Almasaood  
Chairman of the board

Date: 7 May 2024  
Abu Dhabi  
United Arab Emirates



# **Al Maryah Community Bank L.L.C.**

## FINANCIAL STATEMENTS

31 DECEMBER 2023



# Independent auditor's report to the shareholders of Al Maryah Community Bank LLC

## Report on the audit of the financial statements

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Maryah Community Bank LLC (the "Bank") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

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

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

### Independence

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



## Independent auditor's report to the shareholders of Al Maryah Community Bank LLC (continued)

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### Other information

The Directors are responsible for the other information. The other information comprises the Report of the Board of Directors (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.



## Independent auditor's report to the shareholders of Al Maryah Community Bank LLC (continued)

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### Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the 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 the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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





## Independent auditor's report to the shareholders of Al Maryah Community Bank LLC (continued)

### Report on other legal and regulatory requirements

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

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the 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) the financial information included in the Report of the Board of Directors is consistent with the books of account of the Bank;
- v) as disclosed in note 6 and note 7 to the financial statements the Bank has purchased or invested in shares during the year ended 31 December 2023;
- vi) note 23 to the financial statements discloses material related party transactions, and transactions with conflict of interest, and the terms under which they were conducted; and
- vii) 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 year ended 31 December 2023 any of the applicable provisions of the UAE Federal-Decree Law No. 32 of 2021, or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

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.

PricewaterhouseCoopers Limited Partnership – Abu Dhabi  
8 May 2024

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes.

Rami Sarhan  
Registered Auditor Number 1152  
Dubai, United Arab Emirates

# Al Maryah Community Bank L.L.C.

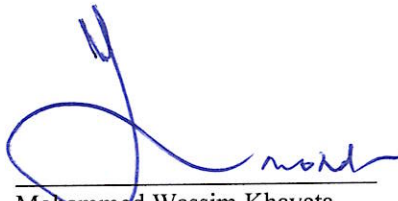
## STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2023 AED'000	2022 AED'000
<b>ASSETS</b>			
Cash and balances with the Central Bank of the UAE	3	2,118,452	896,468
Deposits and balances due from banks	4	83,333	97,261
Loans and advances to customers, net	5	586,483	10,978
Financial assets at fair value through profit or loss	6	58,800	40,362
Financial assets at fair value through other comprehensive income	7	12,612	5,078
Property and equipment and right-of-use assets	8	33,754	38,879
Intangible assets	9	50,772	33,238
Other assets	10	19,896	6,091
<b>TOTAL ASSETS</b>		<b>2,964,102</b>	<b>1,128,355</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from customers	11	2,405,929	733,206
Due to shareholders		-	71,000
Other liabilities	12	142,560	110,964
Lease liabilities	13	14,584	15,817
<b>Total liabilities</b>		<b>2,563,073</b>	<b>930,987</b>
<b>Equity</b>			
Share capital	14	500,000	300,000
Legal reserve	15	169	-
Fair value reserve	16	2,206	1,928
Impairment reserve		2,783	305
Accumulated losses		(104,129)	(104,865)
<b>Total equity</b>		<b>401,029</b>	<b>197,368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,964,102</b>	<b>1,128,355</b>

These financial statements were approved by the Board of Directors and authorized for issue on 7 May 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 financial statements.

# Al Maryah Community Bank L.L.C.

## STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Note</i>	<b>2023</b> <i>AED'000</i>	2022 <i>AED'000</i>
Interest income	<i>17</i>	<b>83,147</b>	13,162
Interest expense	<i>17</i>	<b>(18,226)</b>	(4,127)
<b>Net interest income</b>		<b>64,921</b>	9,035
Net fees and commission income	<i>18</i>	<b>27,063</b>	5,253
Net gain from financial assets carried at fair value through profit or loss	<i>19</i>	<b>10,622</b>	7,228
Dividend income from financial assets at fair value through other comprehensive income		<b>39</b>	76
<b>Operating income</b>		<b>102,645</b>	21,592
Operating expenses	<i>20</i>	<b>(96,911)</b>	(86,758)
<b>Net income / (loss) before impairment</b>		<b>5,734</b>	(65,166)
Net impairment loss on financial assets	<i>21</i>	<b>(2,351)</b>	(213)
<b>Profit / (loss) for the year</b>		<b>3,383</b>	(65,379)
<b>Other comprehensive income</b>			
Net unrealized (loss) / gain from financial assets at fair value through other comprehensive income	<i>7</i>	<b>278</b>	1,378
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>3,661</b>	(64,001)

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

# Al Maryah Community Bank L.L.C

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<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 2022	300,000	550	-	564	(39,745)	261,369
Loss for the year	-	-	-	-	(65,379)	(65,379)
Other comprehensive income	-	1,378	-	-	-	1,378
Total comprehensive income / (loss)	-	1,928	-	564	(105,124)	197,368
Notional transfer during the year*	-	-	-	(259)	259	-
As at 31 December 2022	300,000	1,928	-	305	(104,865)	197,368
As at 1 January 2023	<b>300,000</b>	<b>1,928</b>	-	<b>305</b>	<b>(104,865)</b>	<b>197,368</b>
Issuance of shares	<b>200,000</b>	-	-	-	-	<b>200,000</b>
Profit for the year	-	-	-	-	<b>3,383</b>	<b>3,383</b>
Other comprehensive loss	-	<b>278</b>	-	-	-	<b>278</b>
Total comprehensive income / (loss)	-	<b>2,206</b>	-	<b>305</b>	<b>(101,482)</b>	<b>401,029</b>
Notional transfer during the year*	-	-	<b>169</b>	<b>2,478</b>	<b>(2,647)</b>	-
As at 31 December 2023	<b>500,000</b>	<b>2,206</b>	<b>169</b>	<b>2,783</b>	<b>(104,129)</b>	<b>401,029</b>

\*Notional transfer to impairment reserve is done from accumulated losses inline with the requirements of the Central Bank of the UAE.

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

# Al Maryah Community Bank L.L.C

## STATEMENT OF CASH FLOWS

For the year ended 31 December

	<i>Note</i>	<b>2023</b> <i>AED'000</i>	<b>2022</b> <i>AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) for the year		<b>3,383</b>	(65,379)
Adjustments for:			
Depreciation of property and equipment	20	<b>6,558</b>	6,444
Depreciation of right-of-use assets	20	<b>4,248</b>	3,776
Amortization of intangible assets	20	<b>6,401</b>	3,398
Dividend income	19	<b>(2,534)</b>	(690)
Net gain from disposal of financial assets carried at fair value through profit or loss	19	<b>(413)</b>	(2,305)
Change in fair value of investments carried at fair value through profit or loss	19	<b>(7,714)</b>	(4,233)
Impairment charge on loans and advances	21	<b>2,264</b>	200
Impairment charge on deposits and balances due from banks	21	<b>87</b>	13
Provision for employees' end of service benefits	12	<b>797</b>	447
Leases finance costs	20	<b>506</b>	551
		<b>13,583</b>	(57,778)
<b>Changes in working capital:</b>			
Deposits and balances due from banks with maturities over three months		<b>(57,500)</b>	5,000
Loans and advances to customers		<b>(577,769)</b>	(11,178)
Other assets		<b>(13,805)</b>	(4,139)
Other liabilities		<b>30,799</b>	21,492
Deposits from customers		<b>1,672,723</b>	701,880
Net cash flows from operating activities		<b>1,068,031</b>	655,277
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment and right-of-use assets		<b>(3,361)</b>	(1,339)
Purchase of intangible assets	9	<b>(23,935)</b>	(15,854)
Dividends received		<b>2,534</b>	690
Purchase of financial assets carried at fair value through profit or loss	6	<b>(22,586)</b>	(36,006)
Purchase of financial assets carried at fair value through other comprehensive income	7	<b>(10,992)</b>	(2,000)
Proceeds from disposals of financial assets carried at fair value through profit or loss	6	<b>12,275</b>	9,075
Proceeds from disposals of financial assets carried at fair value through other comprehensive income	7	<b>3,736</b>	-
Net cash flows used in investing activities		<b>(42,329)</b>	(45,434)
<b>FINANCING ACTIVITIES</b>			
Issuance of share capital	14	<b>200,000</b>	-
Payment of lease liabilities	13	<b>(4,059)</b>	(3,047)
Due to shareholders		<b>(71,000)</b>	71,000
Net cash flows from financing activities		<b>124,941</b>	67,953
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,150,643</b>	677,796
Cash and cash equivalents at 1 January		<b>973,742</b>	295,946
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	22	<b>2,124,385</b>	973,742

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 1 ACTIVITIES

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 pursuant to Federal Law by Decree No. 14 of 2018. The Bank’s registered address is P.O. Box 111485, 454 Shakhbout 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.

The financial statements of the Bank for the year ended 31 December 2023 were authorised for issuance by the Board of Directors on 7 May 2024.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in compliance with the applicable provisions of the Bank’s Memorandum of Association and the UAE Federal Law No. (32) of 2021 and UAE Federal Decree-Law No. 26 of 2020 and requirements of the Central Bank of the UAE for Specialized Banks.

#### **Basis for measurement**

These financial statements are prepared under the historical cost convention except for the following:

- Financial assets at fair value through profit or loss which are measured at fair value; and
- Financial assets at fair value through other comprehensive income which are measured at fair value.

#### **Functional and presentation currency**

The 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2023. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

These amendments have no significant impact on the financial statements of the Bank. The Bank intends to use the practical expedients in future periods if they become applicable.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards / amendments to standards which were issued up to 31 December 2023 and not yet effective for the year ended 31 December 2023 have not been applied while preparing these financial statements. The Bank does not expect that the adoption of these standards / amendments will have a material impact on its financial statements:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Financial instruments

###### *Initial 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.

At initial recognition, financial assets and financial liabilities are measured at amortized cost or at fair value through profit or loss or other comprehensive income 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.

##### i) Financial assets

###### *Subsequent measurement of financial assets*

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

- 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

**i) Financial assets** continued

*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.

*Financial assets at amortised cost*

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.

*Business model assessment*

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 interest 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 years, 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 balances with the Central Bank of the UAE, deposits and balances due from banks, loans and advances to customers and certain other assets as financial assets at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

**i) Financial assets** continued

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as Dividend from financial assets at fair value through other comprehensive income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss (equity instruments)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted equity investments which the Bank had not irrevocably elected to classify at fair value through OCI. Dividends on quoted and unquoted equity investments are recognised under investment and net gain from financial assets carried at fair value through profit or loss in the statement of profit or loss when the right of payment has been established.

**Measurement**

Where the Bank has 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.

**ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**Impairment of financial assets**

*Impairment assessment*

Bank assesses 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:

- significant financial difficulty of the borrower 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 borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

**Impairment of financial assets** continued

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Bank considers a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and balances with the Central Bank of the UAE and balances with other banks with original maturities of less than 3 months.

**Property and equipment**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Capital projects in progress are initially recorded at cost and regularly tested for impairment and upon completion are transferred to the appropriate category of property and equipment and thereafter depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Vacant lands that are granted to the Bank are generally recorded at their nominal value of AED 1.

Depreciation is calculated to reduce the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Freehold Lands and Capital work in progress are not depreciated.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	<i>Years</i>
Leasehold improvements	5.5
Furniture and fixtures	5.5
Office equipment	5.5
Motor vehicles	4
Computer equipment	3 - 5.5

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

**Property and equipment** continued

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

**Leases**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Bank as a lessee*

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i). Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within property and equipment and are subject to impairment in line with the Bank's policy.

ii). Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

**Intangible assets**

License and software acquired by the Bank is stated at cost less accumulated amortisation and impairment. Subsequent expenditure on intangible assets is capitalised only when such expenditure increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued

**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 profit or loss, 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 the statement of profit or loss.

**Provision for employees' end of service benefits**

The Bank provides end of service benefits to its other employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under the UAE Labour Laws.

With respect to its UAE national employees, the Bank makes contributions to Abu Dhabi Pension Fund (ADPF) calculated as 15% of the employees' pensionable salary in accordance with Law No. 2 of 2000 regarding Civil Retirement Pensions and Benefits in the Emirate of Abu Dhabi. The Bank's obligations are limited to these contributions, which are expensed when due.

**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 inflow of resources embodying economic benefits is probable.

**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.

**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 profit or loss and 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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

##### **Revenue recognition** continued

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

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

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

##### **Fair value**

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 to 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:

*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.

#### 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Bank's financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Impairment losses on financial assets*

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.

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.

The economic scenarios for corporate portfolio used as at 31 December 2023 included the following key indicators for the years ending 31 December 2023 to 2025.

Year	Lending interest rate (%)	Current-account balance (% of GDP)	Real GDP (% change pa)	Base PD	Upside PD	Downside PD
2023	4.00%	6.40%	19.30%	2.813%	2.262%	3.363%
2024	3.60%	9.50%	14.80%	3.480%	2.366%	4.805%
2025	3.50%	9.40%	14.70%	4.288%	2.453%	6.859%

The economic scenarios for retail portfolio used as at 31 December 2023 included the following key indicators for the years ending 31 December 2023 to 2025.

Year	Gross fixed investment (% real change pa)	Domestic credit growth (%)	Exports of G&S (% real change pa)	Base PD	Upside PD	Downside PD
2023	3.00%	2.80%	9.96%	2.018%	1.453%	2.583%
2024	4.00%	3.00%	2.00%	2.179%	1.106%	3.612%
2025	3.70%	3.40%	4.40%	2.287%	0.780%	5.033%

*Useful lives and residual values of property and equipment and intangible assets*

The management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. These estimates would be adjusted where management believes that the useful lives differ from previous estimates.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2023

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** continued

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

*Impairment of property and equipment and intangible assets*

Property and equipment and intangible assets are assessed for impairment based on an assessment of whether impairment indicators exist at the statement of financial position date. Management has not provided any impairment amounts in the current year as management has not identified any impairment indicators.

*Leases - estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow 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 asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**2.6 SEASONALITY OF RESULTS**

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

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 3 CASH AND BALANCES WITH THE CENTRAL BANK OF THE UAE

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Cash on hand	16,831	8,832
Balances with the Central Bank of the UAE	2,101,621	887,636
	<u>2,118,452</u>	<u>896,468</u>

Included under balances with the Central Bank of the UAE, a balance pertaining to overnight deposit facility amounting to AED 2,020,000 thousand as at 31 December 2023. During the year, the overnight deposit facility was subject to a base interest rate ranging between 4.40% to 5.40% per annum.

### 4 DEPOSITS AND BALANCES DUE FROM BANKS

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Current accounts	5,933	2,274
Placements	77,500	95,000
	<u>83,433</u>	<u>97,274</u>
Less: allowance for expected credit losses	(100)	(13)
	<u>83,333</u>	<u>97,261</u>

All placements as at 31 December 2023 and 31 December 2022 are in the UAE and held in AED.

### 5 LOANS AND ADVANCES TO CUSTOMERS, NET

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Corporate loan	91,869	7,127
Personal loans	106,773	3,017
Corporate overdrafts	218,456	-
Retail overdrafts	168,001	41
Credit cards	3,848	993
	<u>588,947</u>	<u>11,178</u>
Less: allowance for expected credit losses	(2,464)	(200)
	<u>586,483</u>	<u>10,978</u>

Overdrafts include overdraft facilities for the purpose of shares trading for corporate and retail customers. As of 31 December 2023, corporate overdraft for shares trading is at AED 217,539 thousand (as at 31 December 2022: nil) and retail overdraft for shares trading is at AED 147,021 thousand (as at 31 December 2022: nil).

Allowance for expected credit losses on loans and advances to customers, net have been disclosed in further detail in note 25.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
Quoted equity securities in the UAE	<b>58,800</b>	40,362

These financial assets are classified at level 1 of the fair value hierarchy and recorded 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>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
At 1 January	<b>40,362</b>	6,893
Additions	<b>22,586</b>	36,006
Change in fair value	<b>8,127</b>	4,233
Disposals	<b>(12,275)</b>	(6,770)
At 31 December	<b>58,800</b>	40,362

**7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
Quoted equity securities in the UAE	<b>12,612</b>	5,078

These financial assets are classified at level 1 of the fair value hierarchy and recorded 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>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
At 1 January	<b>5,078</b>	1,700
Additions	<b>10,992</b>	2,000
Change in fair value	<b>278</b>	1,378
Disposal	<b>(3,736)</b>	-
At 31 December	<b>12,612</b>	5,078

The movement in the value of these equity securities for the year ended 31 December 2023 was recorded under "Fair value reserve" in equity (note 16).

Al Maryah Community Bank L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**8 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

	<i>Leasehold improvements AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Computer equipment AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Right-of-use assets AED'000</i>	<i>Total AED'000</i>
<i>Cost</i>								
At 1 January 2023	24,758	1,204	361	614	6,960	-	19,853	53,750
Additions	522	1,446	-	-	234	1,159	2,320	5,681
Transfers	-	-	-	-	-	-	-	-
Reclassification to intangible assets	-	-	-	-	-	-	-	-
At 31 December 2023	25,280	2,650	361	614	7,194	1,159	22,173	59,431
<i>Accumulated depreciation</i>								
At 1 January 2023	6,844	351	99	155	2,017	-	5,405	14,871
Charge for the year	4,572	251	58	153	1,524	-	4,248	10,806
At 31 December 2023	11,416	602	157	308	3,541	-	9,653	25,677
<i>Net carrying amount</i>								
At 31 December 2023	13,864	2,048	204	306	3,653	1,159	12,520	33,754

Property and equipment include a plot of land granted by the Government of Dubai to the Bank. The land is vacant as at 31 December 2023 and is recorded at a nominal value of AED 1.

Al Maryah Community Bank L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**8 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS** continued

	<i>Leasehold improvements AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Computer equipment AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Right-of-use assets AED'000</i>	<i>Total AED'000</i>
<i>Cost</i>								
At 1 January 2022	24,220	1,204	110	545	5,279	8,473	18,956	58,787
Additions	538	-	251	69	481	-	897	2,236
Transfers	-	-	-	-	1,200	(1,200)	-	-
Reclassification to intangible assets	-	-	-	-	-	(7,273)	-	(7,273)
At 31 December 2022	24,758	1,204	361	614	6,960	-	19,853	53,750
<i>Accumulated depreciation</i>								
At 1 January 2022	2,342	129	11	49	491	-	1,629	4,651
Charge for the year	4,502	222	88	106	1,526	-	3,776	10,220
At 31 December 2022	6,844	351	99	155	2,017	-	5,405	14,871
<i>Net carrying amount</i>								
At 31 December 2022	17,914	853	262	459	4,943	-	14,448	38,879

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**9 INTANGIBLE ASSETS**

	<i>Computer software AED'000</i>	<i>License AED'000</i>	<i>Work in progress AED'000</i>	<i>Total AED'000</i>
<i>Cost</i>				
At 1 January 2023	<b>22,138</b>	<b>2,973</b>	<b>12,469</b>	<b>37,580</b>
Additions	<b>19,222</b>	-	<b>4,713</b>	<b>23,935</b>
Transfers	<b>9,515</b>	-	<b>(9,515)</b>	-
Reclassification from property and equipment	-	-	-	-
At 31 December 2023	<b>50,875</b>	<b>2,973</b>	<b>7,667</b>	<b>61,515</b>
<i>Amortization</i>				
At 1 January 2023	<b>3,903</b>	<b>439</b>	-	<b>4,342</b>
Charge for the year	<b>5,807</b>	<b>594</b>	-	<b>6,401</b>
At 31 December 2023	<b>9,710</b>	<b>1,033</b>	-	<b>10,743</b>
<i>Net carrying amount</i>				
<b>At 31 December 2023</b>	<b>41,165</b>	<b>1,940</b>	<b>7,667</b>	<b>50,772</b>
<i>Cost</i>				
At 1 January 2022	9,901	2,002	2,550	14,453
Additions	8,357	-	9,076	17,433
Transfers*	3,880	971	(6,430)	(1,579)
Reclassification from property and equipment	-	-	7,273	7,273
At 31 December 2022	22,138	2,973	12,469	37,580
<i>Amortization</i>				
At 1 January 2022	901	43	-	944
Charge for the year	3,002	396	-	3,398
At 31 December 2022	3,903	439	-	4,342
<i>Net carrying amount</i>				
<b>At 31 December 2022</b>	<b>18,235</b>	<b>2,534</b>	<b>12,469</b>	<b>33,238</b>

\* Transfers for the year ended 31 December 2022 are reported net of rebate of AED 1,579 thousand received from the license provider as per the agreement signed with the bank.

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 10 OTHER ASSETS

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Prepayments	4,163	3,829
Accrued interest receivable	6,935	1,143
Accounts receivable	5,474	294
VAT receivable	1,516	607
Others	1,808	218
	<u>19,896</u>	<u>6,091</u>

### 11 DEPOSITS FROM CUSTOMERS

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
<i>By account:</i>		
Current accounts	1,209,555	306,304
Saving accounts	258,768	119,934
Term deposits	937,606	306,968
	<u>2,405,929</u>	<u>733,206</u>
<i>By type:</i>		
Corporate accounts	909,685	353,439
Retail accounts	1,496,244	379,767
	<u>2,405,929</u>	<u>733,206</u>
<i>Geographic region:</i>		
UAE	<u>2,405,929</u>	<u>733,206</u>

### 12 OTHER LIABILITIES

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Trade payables	81,314	78,910
Cards related payables and liabilities	28,604	6,029
Managers' cheques	14,991	-
Accruals	9,490	20,294
Deferred income	2,294	3,653
Accrued interest payable	4,181	1,389
Provision for employees' end of service benefits*	1,325	638
Others	361	51
	<u>142,560</u>	<u>110,964</u>

\*Movement in provision for employees' end of service benefits is as follows:

At 1 January	638	212
Provided during the year	797	447
Employees' end of service benefits paid	(110)	(21)
At 31 December	<u>1,325</u>	<u>638</u>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 13 LEASE LIABILITIES

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
At 1 January	15,817	17,416
Additions	2,320	897
Repayments made during the year	(4,059)	(3,047)
Finance cost on lease liability	506	551
At 31 December	<u>14,584</u>	<u>15,817</u>

13.1 Amounts recognised in the statement of comprehensive income relating to lease liability are as follows:

	<i>For the year</i> <i>ended</i> <i>31 December</i> <i>2023</i> <i>AED'000</i>	<i>For the year</i> <i>ended</i> <i>31 December</i> <i>2022</i> <i>AED'000</i>
Depreciation charge of right-of-use assets ( <i>note 20</i> )	4,248	3,776
Finance cost on lease liability ( <i>note 20</i> )	506	551

### 14 SHARE CAPITAL

During the year ended 31 December 2023, the Bank increased its share capital from AED 300,000 thousand to AED 500,000 thousand after obtaining the approval from the Central Bank of the UAE.

As of 31 December 2023, the Bank's share capital consists of 500,000,000 shares of AED 1 (*31 December 2022: 300,000,000 shares of AED 1*) each authorized issued and fully paid.

### 15 LEGAL RESERVE

As required by the UAE Federal Law No. (32) of 2021, 5% of the Bank's profit for the year required to be transferred to the legal reserve until this reserve reaches half of the share capital. The reserve is not available for distribution. For the year ended 31 December 2023, the net profit for the Bank is AED 3,383 thousand (*for the year ended 31 December 2022: net loss of AED 65,379 thousand*) and accordingly AED 169 thousand (*31 December 2022: nil*) was transferred to the legal reserve.

### 16 FAIR VALUE RESERVE

This item represents unrealized revaluation gain on the financial assets at fair value through other comprehensive income at 31 December 2023 and 31 December 2022:

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
At 1 January	1,928	550
Net changes in fair values during the year	278	1,378
At 31 December	<u>2,206</u>	<u>1,928</u>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 17 NET INTEREST INCOME

	<i>For the year ended 31 December 2023 AED'000</i>	<i>For the year ended 31 December 2022 AED'000</i>
<i>Interest income</i>		
Balances with the Central Bank of the UAE	<b>63,184</b>	11,269
Placements with banks	<b>3,655</b>	1,399
Loans and advances to customers	<b>16,308</b>	494
Total interest income	<b>83,147</b>	13,162
<i>Interest expense</i>		
Deposits from customers – term deposits	<b>(16,193)</b>	(3,123)
Due to banks	-	(500)
Deposits from customers – saving accounts	<b>(1,745)</b>	(393)
Deposits from customers – placements in IPO pool	<b>(288)</b>	(111)
Total interest expense	<b>(18,226)</b>	(4,127)
<b>Net interest income</b>	<b>64,921</b>	9,035

### 18 NET FEES AND COMMISSION INCOME

	<i>For the year ended 31 December 2023 AED'000</i>	<i>For the year ended 31 December 2022 AED'000</i>
<i>Fees and commission income</i>		
Financing fees	<b>12,516</b>	11,161
Card transactions related fees (a)	<b>17,937</b>	3,242
Account related fees	<b>7,476</b>	197
Other fees and commission income	<b>906</b>	212
Total fees and commission income	<b>38,835</b>	14,812
<i>Fees and commission expenses</i>		
Card transactions related charges (a)	<b>(11,090)</b>	(8,579)
Accounts related charges	<b>(643)</b>	(946)
Other charges	<b>(39)</b>	(34)
Total fees and commission expenses	<b>(11,772)</b>	(9,559)
<b>Net fees and commission income</b>	<b>27,063</b>	5,253

(a) Includes debit and credit cards related transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**19 NET GAIN FROM FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>For the year ended 31 December 2023 AED'000</i>	<i>For the year ended 31 December 2022 AED'000</i>
<i>Equity instruments</i>		
Realized gain from disposal	413	2,305
Unrealized gain from revaluation	7,714	4,233
Dividend income	2,495	690
<b>Net gain from equity instruments</b>	<b>10,622</b>	<b>7,228</b>

**20 OPERATING EXPENSES**

	<i>For the year ended 31 December 2023 AED'000</i>	<i>For the year ended 31 December 2022 AED'000</i>
Personnel and related expenses	44,772	35,637
Software membership and subscription	19,668	18,444
Depreciation of property and equipment	6,558	6,444
Marketing and advertising expenses	2,941	3,810
Depreciation of right-of-use assets ( <i>note 8</i> )	4,248	3,776
Professional fees	1,013	3,476
Amortization of intangible assets	6,401	3,398
Board of Directors' attendance fees	865	629
Finance cost – lease liability ( <i>note 13</i> )	506	551
External auditor's fees	496	228
Other expenses	9,443	10,365
	<b>96,911</b>	<b>86,758</b>

**21 NET IMPAIRMENT CHARGE**

	<i>For the year ended 31 December 2023 AED'000</i>	<i>For the year ended 31 December 2022 AED'000</i>
Net impairment charge on loans and advances	2,264	200
Net impairment charge on deposits and balances due from banks	87	13
<b>Net impairment charge</b>	<b>2,351</b>	<b>213</b>



# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 22 CASH AND CASH EQUIVALENTS

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

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
Cash and balances with the Central Bank of the UAE	2,118,452	896,468
Deposits and balances due from banks	83,433	97,274
Less: Placements with original maturity of more than three months	(77,500)	(20,000)
	<u>2,124,385</u>	<u>973,742</u>

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

### 23 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 statement of financial position and statement of profit or loss and comprehensive income are shown in below table.

	2023 <i>AED'000</i>	2022 <i>AED'000</i>
<i>Balances</i>		
Loans and advances	190	-
Customer deposits	3,580	7,499
Due to shareholders (note 26)	10	71,010
<i>Transactions</i>		
Interest income from loans and advances	8	-
Interest expense on customer deposits	29	1
Board of directors' fees and expenses	865	629
Salaries and benefits of key management	8,054	6,025

## Al Maryah Community Bank L.L.C.

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### NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

#### 24 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments to extend credit facilities represent contractual commitments under financing contracts. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts. Capital commitments represent contracted expenses relating to computer software and other intangibles.

The Bank has the following capital expenditure related commitments:

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
Commitments for future capital expenditure	<b>43,445</b>	42,279
Undrawn commitments to extend credit	<b>245,219</b>	42,822
	<hr/> <b>288,664</b> <hr/>	<hr/> 85,101 <hr/>
Letters of guarantee	<hr/> <b>365,189</b> <hr/>	<hr/> 2,209 <hr/>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 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 key risks are liquidity, market, credit, and operational risks. Market risk includes price risk and interest rate risk.

The Bank is in the process of establishing a risk management structure to oversee and manage these risks through various management committees which will be responsible for making decisions and controlling the risk in relevant areas.

The following sections describe the financial risks to which the Bank is 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.

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

	<i>Carrying amount AED'000</i>	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 3 years AED'000</i>	<i>Over 3 years AED'000</i>	<i>Unspecified maturity AED'000</i>
<b>31 December 2023</b>						
<b>Assets</b>						
Cash and balances with the Central Bank of the UAE	2,118,452	2,118,452	-	-	-	-
Deposits and balances due from banks	83,333	5,833	77,500	-	-	-
Loans and advances to customers, net	586,483	400,826	88,459	38,392	58,806	-
Financial assets at fair value through profit or loss	58,800	-	-	-	-	58,800
Financial assets at fair value through other comprehensive income	12,612	-	-	-	-	12,612
Other assets	15,220	10,845	4,368	-	-	7
	<u>2,874,900</u>	<u>2,535,956</u>	<u>170,327</u>	<u>38,392</u>	<u>58,806</u>	<u>71,419</u>
<b>Liabilities</b>						
Deposits from customers	2,405,929	2,313,872	91,670	387	-	-
Other liabilities	129,253	45,522	2,256	150	1	81,324
	<u>2,535,182</u>	<u>2,359,394</u>	<u>93,926</u>	<u>537</u>	<u>1</u>	<u>81,324</u>
Net liquidity gap	<u>339,718</u>	<u>176,562</u>	<u>76,401</u>	<u>37,855</u>	<u>58,805</u>	<u>(9,905)</u>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Liquidity risk continued

	<i>Carrying amount AED'000</i>	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 3 years AED'000</i>	<i>Over 3 years AED'000</i>	<i>Unspecified maturity AED'000</i>
<i>31 December 2022</i>						
<b>Assets</b>						
Cash and balances with the Central Bank of the UAE	896,468	896,468	-	-	-	-
Deposits and balances due from banks	97,261	77,261	20,000	-	-	-
Loans and advances to customers, net	10,978	1,429	1,827	4,790	2,932	-
Financial assets at fair value through profit or loss	40,362	-	-	-	-	40,362
Financial assets at fair value through other comprehensive income	5,078	-	-	-	-	5,078
Other assets	2,061	406	1,655	-	-	-
	<u>1,052,208</u>	<u>975,564</u>	<u>23,482</u>	<u>4,790</u>	<u>2,932</u>	<u>45,440</u>
<b>Liabilities</b>						
Deposits from customers	733,206	598,660	125,546	9,000	-	-
Other liabilities	157,320	6,891	509	-	-	149,920
	<u>890,526</u>	<u>605,551</u>	<u>126,055</u>	<u>9,000</u>	<u>-</u>	<u>149,920</u>
Net liquidity gap	<u>161,682</u>	<u>370,013</u>	<u>(102,573)</u>	<u>(4,210)</u>	<u>2,932</u>	<u>(104,480)</u>

#### Market risk

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

#### Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is not exposed to currency risk on its financial assets and liabilities as they are denominated in AED.

#### Equity price risk

Equity price risk is the risk that the value of a portfolio will fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and maturities) in which the Bank holds equity-related positions.

The Bank sets tight limits on equity exposures and the types of equity instruments that it is allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or to a portfolio of equities.

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Market risk continued

##### Equity price risk continued

Equity price risk exposure arises from equity securities classified at fair value through profit or loss and at fair value through other comprehensive income. A 5 per cent increase in the value of the Bank's equities at 31 December 2023 would have increased other comprehensive income by AED 631 thousand (2021: AED 254 thousand) and decreased loss by AED 2,940 thousand (2022: AED 2,018 thousand). An equivalent decrease would have resulted in an equivalent but opposite impact.

##### Interest rate risk

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

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

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 3 years AED'000</i>	<i>Over 3 years AED'000</i>	<i>Non- sensitive AED'000</i>	<i>Total AED'000</i>
<b>31 December 2023</b>						
<b>Assets</b>						
Cash and balances with the Central Bank of the UAE	2,020,000	-	-	-	98,452	2,118,452
Deposits and balances due from banks	-	77,500	-	-	5,833	83,333
Loans and advances to customers, net	400,826	88,459	38,392	58,806	-	586,483
Financial assets at fair value through profit or loss	-	-	-	-	58,800	58,800
Financial assets at fair value through other comprehensive income	-	-	-	-	12,612	12,612
Other assets	-	-	-	-	15,220	15,220
	<u>2,420,826</u>	<u>165,959</u>	<u>38,392</u>	<u>58,806</u>	<u>190,917</u>	<u>2,874,900</u>
<b>Liabilities</b>						
Deposits from customers	1,104,402	91,670	387	-	1,209,470	2,405,929
Other liabilities	-	-	-	-	129,253	129,253
	<u>1,104,402</u>	<u>91,670</u>	<u>387</u>	<u>-</u>	<u>1,338,723</u>	<u>2,535,182</u>
<b>Net position</b>	<u>1,316,424</u>	<u>74,289</u>	<u>38,005</u>	<u>58,806</u>	<u>(1,147,806)</u>	<u>339,718</u>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Market risk continued

##### Interest rate risk continued

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

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>1 year to 3 years AED'000</i>	<i>Over 3 years AED'000</i>	<i>Non- sensitive AED'000</i>	<i>Total AED'000</i>
<b>31 December 2022</b>						
<b>Assets</b>						
Cash and balances with the Central Bank of the UAE	840,000	-	-	-	56,468	896,468
Deposits and balances due from banks	75,000	20,000	-	-	2,261	97,261
Loans and advances to customers, net	1,629	1,827	4,790	2,932	(200)	10,978
Financial assets at fair value through profit or loss	-	-	-	-	40,362	40,362
Financial assets at fair value through other comprehensive income	-	-	-	-	5,078	5,078
Other assets	-	-	-	-	2,061	2,061
	<u>916,629</u>	<u>21,827</u>	<u>4,790</u>	<u>2,932</u>	<u>106,030</u>	<u>1,052,208</u>
<b>Liabilities</b>						
Deposits from customers	292,356	125,546	9,000	-	306,304	733,206
Other liabilities	-	-	-	-	157,320	157,320
	<u>292,356</u>	<u>125,546</u>	<u>9,000</u>	<u>-</u>	<u>463,624</u>	<u>890,526</u>
<b>Net position</b>	<u>624,273</u>	<u>(103,719)</u>	<u>(4,210)</u>	<u>2,932</u>	<u>(357,594)</u>	<u>161,682</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**25 RISK MANAGEMENT** continued

**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 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.

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

	<i>Government</i> <i>AED'000</i>	<i>Corporate/ Private</i> <i>AED'000</i>	<i>Consumers</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>31 December 2023</i>				
Balances with the Central Bank of the UAE	2,101,621	-	-	2,101,621
Deposits and balances due from banks	-	83,333	-	83,333
Loans and advances to customers, net	-	308,733	277,750	586,483
Financial assets at fair value through profit or loss	46,793	12,007	-	58,800
Financial assets at fair value through other comprehensive income	1,890	10,722	-	12,612
Other assets	2,324	12,674	222	15,220
	<u>2,152,628</u>	<u>427,469</u>	<u>277,972</u>	<u>2,858,069</u>
<i>31 December 2022</i>				
Balances with the Central Bank of the UAE	887,636	-	-	887,636
Deposits and balances due from banks	-	97,261	-	97,261
Loans and advances to customers, net	-	6,953	4,025	10,978
Financial assets at fair value through profit or loss	21,660	18,702	-	40,362
Financial assets at fair value through other comprehensive income	1,490	3,588	-	5,078
Other assets	-	1,421	625	2,046
	<u>910,786</u>	<u>127,925</u>	<u>4,650</u>	<u>1,043,361</u>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Credit risk continued

#### *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.

	<i>Stage 1 12-month ECL AED '000</i>	<i>Stage 2 Lifetime ECL not credit- impaired AED '000</i>	<i>Stage 3 Lifetime ECL credit-impaired AED '000</i>	<i>Total AED '000</i>
<b>31 December 2023</b>				
<b>Loans and advances to customers, net - Corporate</b>				
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)
<b>Loans and advances to customers, net - Corporate</b>	<b>308,733</b>	<b>-</b>	<b>-</b>	<b>308,733</b>
<b>Loans and advances to customers, net - Retail</b>				
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)
<b>Loans and advances to customers, net - Retail</b>	<b>277,319</b>	<b>350</b>	<b>81</b>	<b>277,750</b>
Gross loans and advances to customers	588,091	355	501	588,947
Expected credit losses	(2,039)	(5)	(420)	(2,464)
<b>Loans and advances to customers, net</b>	<b>586,052</b>	<b>350</b>	<b>81</b>	<b>586,483</b>



# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Credit risk continued

#### Credit quality per class of financial assets continued

	<i>Stage 1</i> <i>12-month ECL</i> <i>AED'000</i>	<i>Stage 2</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>AED'000</i>	<i>Stage 3</i> <i>Lifetime ECL</i> <i>credit-impaired</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>31 December 2022</i>				
Loans and advances to customers, net - Corporate				
Performing	7,127	-	-	7,127
Non-performing	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans and advances to customers- Corporate	7,127	-	-	7,127
	<hr/>	<hr/>	<hr/>	<hr/>
Expected credit losses – Corporate	(174)	-	-	(174)
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and advances to customers, net - Corporate	6,953	-	-	6,953
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and advances to customers, net - Retail				
Performing	4,051	-	-	4,051
Non-performing	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans and advances to customers - Retail	4,051	-	-	4,051
	<hr/>	<hr/>	<hr/>	<hr/>
Expected credit losses – Retail	(26)	-	-	(26)
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and advances to customers, net - Retail	4,025	-	-	4,025
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans and advances to customers	11,178	-	-	11,178
Expected credit losses	(200)	-	-	(200)
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and advances to customers, net	10,978	-	-	10,978
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Al Maryah Community Bank L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 25 RISK MANAGEMENT continued

#### Credit risk continued

#### Credit quality per class of financial assets continued

	<i>Stage 1</i> <i>12-month ECL</i> <i>AED'000</i>	<i>Stage 2</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>AED'000</i>	<i>Stage 3</i> <i>Lifetime ECL</i> <i>credit-impaired</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>31 December 2023</b>				
<b>Deposits and balances due from banks</b>				
Performing	<b>83,433</b>	-	-	<b>83,433</b>
Non-performing	-	-	-	-
Gross deposits and balances due from banks	<b>83,433</b>	-	-	<b>83,433</b>
Expected credit losses	<b>(100)</b>	-	-	<b>(100)</b>
<b>Deposits and balances due from banks</b>	<b>83,333</b>	-	-	<b>83,333</b>
<b>31 December 2022</b>				
Deposits and balances due from banks				
Performing	97,274	-	-	97,274
Non-performing	-	-	-	-
Gross deposits and balances due from banks	97,274	-	-	97,274
Expected credit losses	(13)	-	-	(13)
Deposits and balances due from banks	97,261	-	-	97,261

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**25 RISK MANAGEMENT** continued

**Credit risk** continued

*Credit quality per class of financial assets* continued

The movements in expected credit losses during the year ended 31 December 2023 are as follows:

	<i>Stage 1 12-month ECL AED'000</i>	<i>Stage 2 Lifetime ECL not credit- impaired AED'000</i>	<i>Stage 3 Lifetime ECL credit-impaired AED'000</i>	<i>Total AED'000</i>
<i>31 December 2023</i>				
At the beginning of the year	<b>213</b>	-	-	<b>213</b>
Expected credit losses for the year – loans and advances to customers, net	<b>1,839</b>	<b>5</b>	<b>420</b>	<b>2,264</b>
Expected credit losses for the year – deposits and balances due from banks	<b>87</b>	-	-	<b>87</b>
At the end of the year	<b>2,139</b>	<b>5</b>	<b>420</b>	<b>2,564</b>

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

The movements in expected credit losses during the year ended 31 December 2022 are as follows:

	<i>Stage 1 12-month ECL AED'000</i>	<i>Stage 2 Lifetime ECL not credit- impaired AED'000</i>	<i>Stage 3 Lifetime ECL credit-impaired AED'000</i>	<i>Total AED'000</i>
<i>31 December 2022</i>				
At the beginning of the year	-	-	-	-
Expected credit losses for the year – deposits and balances due from banks	<b>13</b>	-	-	<b>13</b>
Expected credit losses for the year – loans and advances to customers, net	<b>200</b>	-	-	<b>200</b>
At the end of the year	<b>213</b>	-	-	<b>213</b>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**25 RISK MANAGEMENT** continued

**Credit risk** continued

*Credit quality per class of financial assets* 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>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
<b>Impairment reserve: General</b>		
General provisions under Circular 28/2010 of CBUAE	<b>4,927</b>	518
Less: Stage 1 and Stage 2 provisions under IFRS 9	<b>(2,144)</b>	(213)
	<hr/> <b>2,783</b>	<hr/> 305
<b>General provision transferred to the impairment reserve</b>		
<b>Impairment reserve: Specific</b>		
Specific provisions under Circular 28/2010 of CBUAE	<b>342</b>	-
Less: Stage 3 provisions under IFRS 9	<b>(420)</b>	-
	<hr/> <b>(420)</b>	<hr/> -
<b>Specific provision transferred to the impairment reserve</b>		
<b>Impairment reserve as at 31 December</b>	<b>2,783</b>	305
<b>Less: Carried forward impairment reserve</b>	<b>(305)</b>	-
	<hr/> <b>2,478</b>	<hr/> 305
<b>To be transferred to impairment reserve for the year ended 31 December</b>	<hr/> <b>2,478</b>	<hr/> 305

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**25 RISK MANAGEMENT** continued

**Credit risk** continued

**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.

Credit risk mitigants are held against loans and advances to customers, net and commitments and contingencies in the form of real estate collateral, cash deposits and guarantees.

The table below shows the lower of the collateral value or the outstanding balance of the customers' financings as at the reporting date:

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
<i>Against customer financing not credit-impaired</i>		
Property	264,123	18,166
Cash margin and deposit under lien	278,701	31,000
Quoted shares	844,008	-
	<u>1,386,832</u>	<u>49,166</u>

The tables below stratify credit exposures from retail housing loan customers by ranges of loan-to-value (LTV) ratio:

	<i>2023</i> <i>AED'000</i>	<i>2022</i> <i>AED'000</i>
<b>LTV ratio</b>		
Less than 50%	1,672	2,000
51-70%	-	-
71-90%	-	-
91-100%	-	-
More than 100%	-	-
	<u>1,672</u>	<u>2,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**25 RISK MANAGEMENT** continued

**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).

**Fair value measurement hierarchy of the Bank's financial assets carried at fair value:**

	<i>Valuation techniques</i>			<i>Total</i> <i>AED'000</i>
	<i>Quoted</i> <i>market price</i>	<i>Observable</i> <i>inputs</i>	<i>Unobservable</i> <i>inputs</i>	
	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	
<b>31 December 2023</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Equity securities	<b>58,800</b>	-	-	<b>58,800</b>
Financial assets at fair value through other comprehensive income:				
Equity securities	<b>12,612</b>	-	-	<b>12,612</b>
<b>31 December 2022</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Equity securities	<b>40,362</b>	-	-	<b>40,362</b>
Financial assets at fair value through other comprehensive income:				
Equity securities	<b>5,078</b>	-	-	<b>5,078</b>

For financial assets held at amortized cost, the Bank believes their fair value is not materially different from its carrying amount as at 31 December 2023.

There were no transfers between levels during the year ended 31 December 2023 and 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**26 CAPITAL MANAGEMENT**

**Capital measurement and allocation**

Central Bank of the UAE is the regulator of the Bank and, in this capacity, receives information on capital adequacy and sets minimum capital requirements for specialized banks incorporated in the UAE. The CBUAE issued the specialized banks with low risk regulation, which came into effect from 14 March 2021 introducing minimum capital requirements

Specialized Banks must maintain Aggregate Capital Funds (“ACF”) of at least 12.5% of its total assets at all times, and at least 17% during its first three years of operations. As of 31 December 2023, the Bank had to maintain an ACF of at least 12.5%.

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 year ended 31 December 2023 and 31 December 2022.

	2023 <i>AED’000</i>	2022 <i>AED’000</i>
<b>Aggregate capital funds</b>		
Share capital	500,000	300,000
Legal reserve	169	-
Impairment reserves	2,783	305
Accumulated losses	(104,129)	(104,865)
<b>Total aggregate capital funds</b>	<b>398,823</b>	195,440
<b>Total assets</b>	<b>2,964,102</b>	1,128,355
<i>Less: Cash collaterals (legally enforceable)</i>	<i>(20,685)</i>	-
<b>Total Assets excluding cash collaterals</b>	<b>2,943,417</b>	1,128,355
<b>ACF ratio</b>	<b>13.55%</b>	17.32%

**27 CORPORATE TAX LAW**

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

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,00 based on information released by the Ministry of Finance).

Based on the assessment conducted by the Bank, it has been determined that the CT Law does not have any effect on deferred taxes in the financial statements for the year ended 31 December 2023. Moving forward, the Bank will continue to monitor further developments and assess the impact of the corporate tax on its financial statements.

**28 SUBSEQUENT EVENTS**

There have been no events subsequent to the financial statements date that would significantly affect the amounts reported or require disclosure in the financial statements as at and for the year ended 31 December 2023.