Reem Finance PJSC

REPORT OF THE BOARD OF DIRECTORS AND
FINANCIAL STATEMENTS

31 DECEMBER 2024

Reem Finance PJSC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2024

Reem Finance PJSC

Report of the Board of Directors
For the year ended 31 December 2024

The Board of Directors present their report together with the audited financial statements for the year ended 31 December 2024.

Principal activities
The Company is engaged in providing various financial services, including personal loans, short-term credit, commercial real estate finance, and wholesale finance for corporations, SMEs, and microfinancing.

Results for the year
During the year ended 31 December 2024, the Company has generated a loss of AED 82,668,590 (2023: profit of AED 10,041,155) and a total comprehensive loss for the year amounting to AED 82,668,590 (2023: Comprehensive income of AED 10,041,155).

Board of Directors
The Directors as of 31 December 2024 comprised the following:

Dr. Saleh Al Hashemi	Chairman
Mr. Syed Basar Shueb	Vice Chairman
Majed Fuad Mohammed Odeh	Director
Dr. Huda Abdulla	Director
Ms. Sara Al Bin Ali	Director

Auditors
A resolution proposing the reappointment of Ernst & Young as auditors of the Company for the year ended 31 December 2025 will be put to the members at annual general meeting.

For and on behalf of the
Board of Directors

Chairman

Date: 28th March 2025
Abu Dhabi

Reem Finance PJSC

FINANCIAL STATEMENTS

31 DECEMBER 2024

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

REEM FINANCE PJSC

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Reem Finance PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for opinion
We 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 are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards),* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

REEM FINANCE PJSC continued

Report on the Audit of the Financial Statements continued

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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 the Board of Directors 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

REEM FINANCE PJSC continued

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021 and the Memorandum and Articles of Association of the Company;

iii) the Company 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 and records of the Company;

v) notes 7 & 8 to the financial statements discloses purchases and sales of any shares or stocks during the year;

vi) note 23 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted;

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 Company has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Memorandum and Articles of Association which would materially impact its activities or its financial position as at 31 December 2024; and

viii) note 21 to the financial statements discloses social contributions made by the Company during the year ended 31 December 2024.

For Ernst & Young

Walid J Nakfour
Registration No: 5479

27 March 2025
Abu Dhabi, United Arab Emirates

Reemm Finance PJSC

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	*2024* *AED*	*2023* *AED*
ASSETS			
Cash and bank balances	5	**450,065,589**	169,744,858
Loans and advances at amortised cost, net	6	**378,983,819**	408,106,735
Debt securities at amortized cost, net	7	**16,222,037**	46,082,981
Investments at fair value through profit or loss (FVTPL)	8	**1,164,230**	37,044,707
Other assets	9	-	46,206,492
Prepayments and other receivables	10	**17,558,330**	19,435,571
Property and equipment	11	**2,372,869**	2,867,091
Right of use assets		**2,559,791**	-
Intangible assets	12	**2,816,296**	1,260,592
TOTAL ASSETS		**871,742,961**	730,749,027
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**400,000,000**	400,000,000
Legal reserve	17	**27,144,310**	27,144,310
Accumulated losses		**(165,637,506)**	(82,968,916)
Total equity		**261,506,804**	344,175,394
LIABILITIES			
Customers' deposits	13	**532,713,742**	288,795,670
Other payables	14	**73,107,261**	96,541,279
Lease liability		**2,711,971**	-
Provision for employees' end of service benefits	15	**1,703,183**	1,236,684
Total liabilities		**610,236,157**	386,573,633
TOTAL LIABILITIES AND EQUITY		**871,742,961**	730,749,027

Dr. Saleh Al Hashemi
Chairman

Mr. Seraj Tariq Faidi
Chief Executive Officer

The attached notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Notes	*2024* *AED*	*2023* *AED*
Interest income	20	**65,835,616**	39,894,990
Interest expense on customers' deposits		**(21,052,441)**	(15,491,165)
Net interest income		**44,783,175**	24,403,825
Net fee and commission income		**9,567,542**	4,298,085
Gain from sale of investments at FVTPL		**-**	3,960,761
Investment and other income, net	19	**1,599,956**	12,755,217
Other operating income		**-**	(32,056)
NET OPERATING INCOME BEFORE IMPAIRMENTS		**55,950,673**	45,385,832
Impairment on investments in debt securities at amortised cost	7	**(27,151,694)**	367,409
Changes in fair value of investments at FVTPL	8	**(35,008,802)**	(11,594,677)
Charge of allowance for expected credit losses on loans and advances	22	**(46,047,023)**	(4,957,162)
NET OPERATING (LOSS) / INCOME		**(52,256,846)**	29,201,402
General and administrative expenses	21	**(30,411,744)**	(19,160,247)
(LOSS) / PROFIT FOR THE YEAR BEFORE TAX		**(82,668,590)**	10,041,155
Income tax		**-**	-
(LOSS) / PROFIT FOR THE YEAR AFTER TAX		**(82,668,590)**	10,041,155
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(82,668,590)**	10,041,155

The attached notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

	Share capital AED	*Legal reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2023	400,000,000	26,140,194	(92,005,955)	334,134,239
Total comprehensive income for the year	-	-	10,041,155	10,041,155
Transfer to legal reserve	-	1,004,116	(1,004,116)	-
Balance at 31 December 2023	400,000,000	27,144,310	(82,968,916)	344,175,394
Balance at 1 January 2024	400,000,000	27,144,310	(82,968,916)	344,175,394
Total comprehensive loss for the year	-	-	(82,668,590)	(82,668,590)
Balance at 31 December 2024	**400,000,000**	**27,144,310**	**(165,637,506)**	**261,506,804**

The attached notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	*2024* *AED*	*2023* *AED*
OPERATING ACTIVITIES			
(Loss) Profit for the year		**(82,668,590)**	10,041,155
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	21	**1,493,991**	223,686
Amortisation of intangibles assets	21	**276,976**	56,182
Employees' end of service benefits charge	15	**765,254**	554,198
Impairment charge on loans and advances	22	**46,047,023**	4,957,162
Gain on revaluation of investment property		**(658,885)**	(12,324,394)
Gain on sale of investment properties	9	**-**	(150,000)
Gain on sale of investments at FVTPL		**-**	(3,960,761)
Unrealised loss on fair value changes of investments at FVTPL	8	**35,008,802**	11,594,677
Charge / (reversal) of impairment of investment in debt securities	7	**27,151,694**	(367,409)
(Reversal) / impairment on investment properties		**(569,082)**	11,425,828
		26,847,183	22,050,324
Working capital changes:			
Prepayments and other receivables		**1,877,241**	8,806,243
Loans and advances at amortised cost, net		**(16,924,107)**	(129,271,203)
Customers' deposits		**243,918,072**	40,948,851
Other payables		**(23,434,018)**	46,495,704
End of service benefits paid	15	**(298,755)**	(262,791)
Net cash flow from/ (used) in operating activities		**231,985,616**	(11,232,872)
INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(203,482)**	(2,892,194)
Proceeds from sale of investments at FVTPL and redemption of debt securities at amortised cost		**3,580,925**	91,484,589
Proceeds from sale of other assets		**46,790,352**	5,250,025
Purchase of intangible assets	12	**(1,832,680)**	(256,540)
Net cash flow from investing activities		**48,335,115**	93,585,880
NET INCREASE IN CASH AND CASH EQUIVALENTS		**280,320,731**	82,353,008
Cash and cash equivalents at 1 January		**169,744,858**	87,391,850
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**450,065,589**	169,744,858

The attached notes 1 to 26 form an integral part of these financial statements.

1 ACTIVITIES

Reem Finance PJSC (the "Company") is a private joint stock company incorporated on 15 March 2007 registered in the Emirate of Abu Dhabi, United Arab Emirates.

The Company's registered office is P.O. Box 111422, Abu Dhabi, United Arab Emirates.

The Company is engaged in providing various financial services, including personal loans, short-term credit, commercial real estate finance, and wholesale finance for corporations, SMEs, and microfinancing.

The financial statements of the Company for the year ended 31 December 2024 were approved by shareholders on 27 March 2025.

2.1 BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard Board (IASB) and the applicable requirements of the UAE Federal Law No. (32) of 2021 and the applicable laws.

2.2 ACCOUNTING CONVENTION AND CURRENCY

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency financial information presented has been rounded to the nearest thousand.

These financial statements have been prepared on the historical cost convention except for the following:

- Investments at fair value through profit or loss (FVTPL); and
- Other assets which include investment properties which are measured at fair values.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

(i) New and revised IFRSs adopted with no material effect on the financial statements

In the current year, the Company has adopted new number of standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024, as follows:

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024

The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

New and amended standards and interpretations continued

(ii) New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 21 - Lack of exchangeability	1 January 2025
IFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	1 January 2027

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

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Revenue recognition

Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through its expected life (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability respectively.

While calculating effective interest rate, cash flows are estimated considering all contractual terms of the financial instruments, but not future credit losses. The calculation includes all discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers.

Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate to arrive at the amortised cost of financial asset and financial liability.

Other fees and commission income are generally recognised as and when the service has been provided.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of property and equipment is the purchase cost plus any directly attributable cost of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 - 6 years
Office equipment	4 - 6 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Property and equipment continued
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Intangible assets
Software acquired by the Company is stated at cost less accumulated amortisation and impairment. Subsequent expenditure on software 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. Intangible assets mainly include computer software with an estimated useful life of 5 years. Software licenses are amortised over the period of validity of license.

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.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate or its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments
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.

Classification of financial assets and liabilities
All financial assets under the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

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 financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial instruments continued
Classification of financial assets and liabilities continued
A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 Company 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 Company 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 operation 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 Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are recognize.

Assessment whether contractual cash flows are solely payments of principal and interest:
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and its related interest which is recognised using the effective interest rate method.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rate.

The Company has classified cash and bank balances, loans and advances at amortised cost, net, debt securities at amortised cost, net and certain other assets as financial assets at amortised cost.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Financial instruments continued

Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts; and
- commitments to provide a loan at a below-market interest rate.

At initial recognition, the Company may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the entity's key management personnel.

Reclassification of financial assets and financial liabilities

Where the Company changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

Measurement of financial assets and liabilities

Initial measurement

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

Subsequent measurement of financial assets

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

- Amortised cost less impairment;
- Fair value through other comprehensive income less impairment; or
- Fair value through profit or loss.

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

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Measurement of financial assets and liabilities continued
Subsequent measurement of financial assets continued
Derecognition of financial assets and liabilities continued
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extents of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

The Company's financial liabilities include customer deposit, lease liability and interest and other payables.

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 Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

Cash and cash equivalents
Cash and cash equivalents which include cash on hand , and bank balance in current accounts and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for loans and advances and debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Impairment of financial assets continued
The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time.

It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately.).

When estimating the ECL, the Company considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 months ECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans and advances considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION continued

Leases
The Company 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.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
Pension contributions are made with respect to UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

Provision is made for the end of service benefits due to expatriate employees in accordance with UAE Labour Law.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Contingencies
Contingent liabilities are not recognised in the financial statements. They 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 disclosed when an inflow of economic benefits is probable.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Fair value measurement
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 Company.

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 economic best interest.

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

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

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxes

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxes continued
Deferred tax continued
Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3 FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risks from its business activities:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework
The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The Board has entrusted the risk management function along with setting up and monitoring the Company's credit, liquidity, operational and market risks, and setting risk limits under which the Company's management operates.

The Company has further set up, the Board Risk Committee ("BRC"), which is responsible for monitoring the Company's risk management policies in their specified areas.

The Company has risk appetite / tolerance limits which is revised annually and monitored regularly.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits, implement controls, monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

3 FINANCIAL RISK MANAGEMENT continued

Overview continued
The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Compliance Committee.

Credit risk
Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations; and arises principally from the Company's loans and advances, bank balances, debt securities and certain other receivables.

Management of credit risk
The Company's credit risk management framework includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Chief Executive Officer, Head of Credit, the Executive Committee, as deemed appropriate.
- Reviewing and assessing all credit exposures of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, segments, geographies and industries (for loans and advances).
- Developing and maintaining the Company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. Risk grades are subject to regular reviews.
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

The risk management team is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, the Company manages the credit exposure by obtaining collateral where appropriate and limiting the duration of exposure. In certain cases, the Company may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of Business Units and the Company's credit processes are undertaken by internal audit function.

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued

Credit quality analysis

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

	Stage 1	*Stage 2*	*Stage 3*	*2024 AED Total*	*2023 AED Total*
Cash and bank balances					
Normal	450,065,589	-	-	450,065,589	169,744,858
Watchlist	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total gross carrying amount	450,065,589	-	-	450,065,589	169,744,858
Loss allowance					
(Stage 1 + Stage 2)	-	-	-	-	-
Loss allowance (Stage 3)	-	-	-	-	-
Carrying amount	450,065,589	-	-	450,065,589	169,744,858
Loans and advances to customers at amortised cost					
Normal	224,052,037	72,865,785	-	296,917,822	307,429,253
Watch-list	-	511,779	-	511,779	-
Doubtful	-	-	71,623,266	71,623,266	40,533,369
Loss	-	-	72,450,139	72,450,139	103,732,483
Total gross carrying amount	224,052,037	73,377,564	144,073,405	441,503,006	451,695,105
Loss allowance					
(Stage 1 + Stage 2)	(1,057,229)	(222,813)	-	(1,280,042)	(7,102,358)
Loss allowance (Stage 3)	-	-	(61,239,145)	(61,239,145)	(36,486,012)
Carrying amount	222,994,808	73,154,751	82,834,260	378,983,819	408,106,735
Credit risk exposure relating to off-balance sheet items					
Undrawn limits	153,744,425	-	-	153,744,425	109,604,303
Total gross carrying amount	153,744,425	-	-	153,744,425	109,604,303
Loss allowance					
(Stage 1 + Stage 2)	-	-	-	-	-
Loss allowance (Stage 3)	-	-	-	-	-
Carrying amount	153,744,425	-	-	153,744,425	109,604,303
Debt securities at amortised cost					
Normal	-	-	-	-	33,632,630
Watchlist	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	48,713,316	48,713,316	17,789,936
Loss	-	-	-	-	-
Total gross carrying amount	-	-	48,713,316	48,713,316	51,422,566

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Credit quality analysis continued

	Stage 1	*Stage 2*	*Stage 3*	*2024 AED Total*	*2023 AED Total*
Loss allowance (Stage 1 + Stage 2)	-	-	-	-	(523,638)
Loss allowance (Stage 3)	-	-	(32,491,279)	(32,491,279)	(4,815,947)
Carrying amount	-	-	16,222,037	16,222,037	46,082,981

Loans and advances to customers
The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Company generally requests that corporate borrowers to provide it. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Security and Collaterals are bifurcated into following categories:

- Tangible: This includes cash margin, fixed deposits under lien mortgages over immovable assets, pledge of shares, commercial pledge over movable assets.
- Non-tangible: Guarantees and all other collaterals not having any tangible worth / value.

Collateralisation of exposure is supported by proper documentation, charge (registered where required) etc. to ensure its enforceability/reliability.

The Company has collateral valuation guidelines which details the principles and frequency of valuation of securities. The Company monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements. It also monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

A refreshed valuation are obtained for properties with more frequency in cases where there are difficulties and hence reliance on the security is increasingly high. Where the Company accepts fixed assets e.g. property as collateral, these are adequately insured with the Company as loss payee, where-ever applicable. If corporate guarantees are accepted their tangible net worth are re-evaluated annually along with the annual review of facilities, where-ever applicable. All securities are held under the custody of an independent credit administration function.

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Credit quality analysis continued

Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment
Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

In addition to the quantitative test based on movement of PD, the Company also applies experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results.

Credit risk grades
The Company allocates each corporate exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Each Borrower is assigned a credit risk grade on initial recognition based on available information about the borrower's financial information, securities provided to the Company and other relevant qualitative information. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Corporate exposures	**Retail exposures**	**All exposures**
- Information obtained during periodic review of customer files	- Internally collected data on customer behavior	- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Data from credit reference agencies, press articles, changes in external credit ratings		- Utilisation of the granted limit
- Quoted bond prices for the borrower where available		- Requests for and granting of forbearance
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		- Existing and forecast changes in business, financial and economic conditions

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Credit risk grades continued
The monitoring typically involves use of the following information.

Determining whether credit risk has increased significantly
The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between corporate and retail.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; and
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information
The Company 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 Company formulates three economic scenarios i.e. base case, downside case and upside case separately for all business segments i.e. Retail Finance, Retail Mortgage and Commercial Finance as the key macro-economic drivers for each business segment are identified through regressive analytics. For Retail Finance, the base case, which is the base scenario was statistically assigned a 35% probability of occurring, the downside scenario was statistically assigned a 38% probability and the upside scenario was statistically assigned a 28% probability. For Retail Mortgage, the base case, which is the base scenario was statistically assigned a 40% probability of occurring, the downside scenario was statistically assigned a 37% probability and the upside scenario was statistically assigned a 23% probability. For Commercial Finance, the base case, which is the base scenario was statistically assigned a 42% probability of occurring, the downside scenario was statistically assigned a 32% probability and the upside scenario was statistically assigned a 27% probability. The central scenario is aligned with information used by the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasts.

3 FINANCIAL RISK MANAGEMENT continued

Credit risk continued
Incorporation of forward-looking information continued
The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Modified financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 2. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company's Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. For loans secured by real estate collaterals, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Measurement of ECL continued
EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity; and
- industry

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance
The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1	*Stage 2*	*Stage 3*	***2024 AED Total***
Loans and advances to customers at amortised cost				
Beginning of the year	**864,766**	**6,237,592**	**36,486,012**	**43,588,370**
Transfers:				
Transfer from Stage 1 to Stage 2	**(3,443)**	**3,443**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(37,679)**	**-**	**37,679**	**-**
Transfer from Stage 2 to Stage 1	**23,792**	**(23,792)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(5,847,180)**	**5,847,180**	**-**
Transfer from Stage 3 to Stage 2	**-**	**6,691**	**(6,691)**	
Net remeasurement of loss allowance	**(702,306)**	**(142,969)**	**31,363,196**	**30,517,921**
New financial assets originated	**944,677**	**-**	**7,896,369**	**8,841,046**
Reversal ECL charges	**(32,578)**	**(10,972)**	**(2,834,600)**	**(2,878,150)**
Write offs	**-**	**-**	**(17,550,000)**	**(17,550,000)**
	1,057,229	**222,813**	**61,239,145**	**62,519,187**

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Loss allowance continued

	Stage 1	*Stage 2*	*Stage 3*	*2023 AED Total*
Loans and advances to customers at amortised cost				
Beginning of the year	3,330,854	373,493	93,614,683	97,319,030
Transfers:				
Transfer from Stage 1 to Stage 2	(16,246)	16,246	-	-
Transfer from Stage 1 to Stage 3	(22,126)	-	22,126	-
Transfer from Stage 2 to Stage 1	186,298	(186,298)	-	-
Transfer from Stage 2 to Stage 3	-	(16,014)	16,014	-
Transfer from Stage 3 to Stage 2	-	232,279	(232,279)	-
Net remeasurement of loss allowance	(37,306)	5,465,142	2,549,596	7,977,432
New financial assets originated	699,563	404,204	648,124	1,751,891
Reversal of no longer required impairment charges	(3,258,271)	(69,460)	(2,490,207)	(5,817,938)
Other movement	-	-	888,472	888,472
Write offs	-	-	(58,530,517)	(58,530,517)
	882,766	6,219,592	36,486,012	43,588,370

Debt securities at amortised cost

	Stage 1	***Stage 2***	***Stage 3***	***2024 AED Total***	*2023 AED Total*
Beginning of the year	-	-	**5,339,585**	**5,339,585**	5,706,994
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated	-	-	-	-	-
Expected credit loss charge	-	-	**27,151,694**	**27,151,694**	(367,409)
Write-offs	-	-	-	-	-
	-	-	**32,491,279**	**32,491,279**	5,339,585

3 FINANCIAL RISK MANAGEMENT continued

Credit risk continued
Loss allowance continued

	Stage 1	*Stage 2*	*Stage 3*	*2024 AED Total*	*2023 AED Total*
Other receivables					
Beginning of the year	-	-	22,732,067	22,732,067	21,843,595
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Other transfers	-	-	-	-	888,472
Impairment charges	-	-	5,199,252	5,199,252	-
				27,931,319	22,732,067

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

Gross maximum exposure

	2024 AED	*2023 AED*
Bank balances	**450,061,210**	169,742,329
Debt securities at amortised cost	**48,713,316**	51,422,566
Loans and advances	**441,503,006**	451,695,105
Other receivables	**45,489,649**	42,167,638
Undrawn limits	**153,744,425**	109,604,303
Contingent liabilities	**32,375,515**	33,383,518
Total credit risk exposure	**1,171,887,121**	858,015,459

Write-off policy
The Company writes off a loan or investment balance, and any related suspended interest and allowances for impairment losses, when the management determines that the loan or investment is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

As at 31 December 2024 the Company held credit risk mitigants with an estimated value of AED 933,827,413 (2023: AED 785,176,800) against loans and advances and debt securities at amortised cost in the form of real estate collateral, other securities over assets, cash deposits and guarantees. The Company accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against placements with banks and other financial institutions, and no such collateral was held at 31 December 2024 or 31 December 2023.

3 FINANCIAL RISK MANAGEMENT continued

Credit risk continued
Collateral continued
The table below stratifies credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio:

LTV ratio	***2024 AED***	*2023 AED*
Less than 50%	**357,560,866**	228,239,683
51 – 70%	**18,611,173**	178,039,420
71 – 90%	**16,654,687**	41,525,647
91 – 100%	**-**	-
More than 100%	**48,676,280**	3,890,355
Total	**441,503,006**	451,695,105

The Company holds collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the borrowing and generally updated periodically as per the Company's policy.

An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	2024 AED	*2023 AED*
Collateral against stage 1	**626,560,562**	422,280,029
Collateral against stage 2	**147,934,789**	28,611,691
Collateral against stage 3	**159,332,062**	334,285,080
Total value of collaterals and other credit enhancements	**933,827,413**	785,176,800

Concentrations of credit risk
The Company monitors concentrations of credit risk by industry sector and by geographic location. An analysis of concentrations of credit risk from loans and advances at the reporting date is shown below:

	2024 AED	*2023 AED*
Concentration by industry		
Real estate	**186,114,713**	285,085,463
Trading	**43,490,880**	51,430,443
Services	**100,621,544**	63,315,476
Construction	**61,527,891**	12,686,653
Individuals	**20,168,022**	8,032,983
Transport	**4,207,107**	10,988,283
Others	**25,372,849**	20,155,804
Gross loans	**441,503,006**	451,695,105
Less: allowance for impairment	**(62,519,187)**	(43,588,370)
Carrying amount	**378,983,819**	408,106,735

3 FINANCIAL RISK MANAGEMENT (continued)

Credit risk continued
Concentrations of credit risk continued

	Bank balances		*Loans and advances at amortised cost, net*		*Debt securities at amortised cost*		*Other receivables*		*Undrawn limits*	
	2024 AED	*2023 AED*	**2024 AED**	*2023 AED*	**2024 AED**	*2023 AED*	**2024 AED**	*2023 AED*	**2024 AED**	*2023 AED*
Concentration by sector:										
Public sector	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Private sector	**-**	-	**441,503,006**	451,695,105	**15,107,975**	17,789,941	**45,489,649**	42,167,638	**153,744,425**	109,604,303
Financial institutions	**450,061,210**	169,742,329	**-**	-	**33,605,341**	33,632,625	**-**	-	**-**	-
Gross amount	**450,061,210**	169,742,329	**441,503,006**	451,695,105	**48,713,316**	51,422,566	**45,489,649**	42,167,638	**153,744,425**	109,604,303
Less: allowance for ECL	**-**	-	**(62,519,187)**	(43,588,370)	**(32,491,279)**	(5,339,585)	**(27,931,319)**	(22,732,067)	**-**	-
Carrying amount	**450,061,210**	169,742,329	**378,983,819**	408,106,735	**16,222,037**	46,082,981	**17,558,330**	19,435,571	**153,744,425**	109,604,303
Concentration by location:										
UAE	**450,061,210**	169,742,329	**370,307,539**	399,430,455	**16,222,037**	46,082,981	**17,558,330**	19,435,571	**153,744,425**	109,604,303
Europe	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
GCC	**-**	-	**8,676,280**	8,676,280	**-**	-	**-**	-	**-**	-
North America	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Asia	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Others	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
	450,061,210	169,742,329	**378,983,819**	408,106,735	**16,222,037**	46,082,981	**17,558,330**	19,435,571	**153,744,425**	109,604,303

3 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier.

Commitments and contingencies related credit risk

Credit risk arising from commitments and contingencies is disclosed in note 18 to the financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company's Board of directors sets the Company's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. Board approves the Company's liquidity policies and procedures. Treasury department manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management has diversified funding sources and closely monitors liquidity to ensure adequate funding. The Company maintains bank balances through a portfolio of customer deposits and financing from shareholders to ensure that sufficient liquidity is maintained within the Company as a whole.

The Company relies on deposits from customers and equity as its primary sources of funding. Deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

The maturity profile of financial assets and liabilities at 31 December 2024 was as follows:

	Upto 3 months AED	*3 months to 1 year AED*	*1 to 3 years AED*	*3 to 5 years AED*	*Over 5 years AED*	*Total AED*
Assets						
Cash and bank balances	450,007,799	-	57,790	-	-	450,065,589
Loans and advances at amortised cost	101,895,107	34,120,323	140,851,290	55,313,602	46,803,497	378,983,819
Debt securities at amortised costs	-	16,222,037	-	-	-	16,222,037
Other financial assets	4,709,474	11,560,192	1,050,617	238,047	-	17,558,330
Investments at FVTPL	1,164,230	-	-	-	-	1,164,230
Total assets	557,776,610	61,902,552	141,959,697	55,551,649	46,803,497	863,994,005
Liabilities						
Customers' deposits having contractual maturities	30,179,027	428,588,872	73,945,843	-	-	532,713,742
Lease liability	-	2,711,971	-	-	-	2,711,971
Other financial liabilities	4,680,073	10,072,217	11,278,469	47,076,502	-	73,107,261
Total liabilities	34,859,100	441,373,060	85,224,312	47,076,502	-	608,532,974

3 FINANCIAL RISK MANAGEMENT continued

Liquidity risk continued
Management of liquidity risk continued
The maturity profile of financial assets and liabilities at 31 December 2023 was as follows:

	Upto 3 months AED	*3 months to 1 year AED*	*1 to 3 years AED*	*3 to 5 years AED*	*Over 5 years AED*	*Total AED*
Assets						
Cash and bank balances	169,689,858	-	55,000	-	-	169,744,858
Loans and advances at amortised cost	61,894,727	28,918,266	150,955,605	137,047,734	29,290,403	408,106,735
Debt securities at amortised costs	31,408,783	1,700,213	12,973,985	-	-	46,082,981
Other financial assets	-	19,435,571	-	-	-	19,435,571
Investments at FVTPL	37,044,707	-	-	-	-	37,044,707
Total assets	300,038,075	50,054,050	163,984,590	137,047,734	29,290,403	680,414,852
Liabilities						
Customers' deposits	67,473,811	206,521,859	14,800,000	-	-	288,795,670
Other financial liabilities	5,926,490	57,248,838	32,580,797	785,154	-	96,541,279
Total liabilities	73,400,301	263,770,697	47,380,797	785,154	-	385,336,949

Market risk
Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk
Market risk is the risk that the fair value and future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

There has been no change in the manner in which the Company manages and measures market risk.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities.

The following table demonstrates the sensitivity of the statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables held constant, of the Company's result for the year.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various interest rate scenarios. The Company assumes a fluctuation in interest rates of 200 basis points *(2023: 500 basis points)* and estimates the following impact on the profit for the year at that date:

	2024 Interest for the year AED	*2023 Interest for the year AED*
Fluctuation in yield	**(2,124,870)**	10,716,100

3 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Interest rate risk continued

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2024

	Upto 3 months AED	*4 months to 5 years AED*	*Over 5 years AED*	*Non-interest bearing AED*	*Total AED*	*Average interest rate*
Assets						
Cash and bank balances	446,453,284	57,790	-	3,554,515	450,065,589	4.7%
Loans and advances at amortised cost	101,895,107	230,285,215	46,803,497	-	378,983,819	10.1%
Debt securities at amortised costs	-	16,222,037	-	-	16,222,037	5.3%
Other financial assets	-	-	-	17,558,330	17,558,330	
Investments at FVTPL	-	-	-	1,164,230	1,164,230	
Total assets	548,348,391	246,565,042	46,803,497	22,277,075	863,994,005	
Liabilities						
Customers' deposits having contractual maturities	30,179,027	502,534,715	-	-	532,713,742	5.7%
Lease liability	-	2,711,971	-	-	2,711,971	6.0%
Other financial liabilities	-	-	-	73,107,261	73,107,261	
Total liabilities and equity	30,179,027	505,246,686	-	73,107,261	608,532,974	
Interest rate sensitivity gap	518,169,364	(258,681,644)	46,803,497	(50,830,186)	255,461,031	

At 31 December 2023

	Upto 3 months AED	*4 months to 5 years AED*	*Over 5 years AED*	*Non-interest bearing AED*	*Total AED*	*Average interest rate*
Assets						
Cash and bank balances	166,512,931	55,000	-	3,176,927	169,744,858	5.4%
Loans and advances at amortised cost	61,894,727	316,921,605	29,290,403	-	408,106,735	11.6%
Debt securities at amortised costs	31,408,783	14,674,198	-	-	46,082,981	8.8%
Other financial assets	-	-	-	19,435,571	19,435,571	
Investments at FVTPL	-	-	-	37,044,707	37,044,707	
Total assets	259,816,441	331,650,803	29,290,403	59,657,205	680,414,852	
Liabilities						
Customers' deposits having contractual maturities	67,473,811	221,321,859	-	-	288,795,670	5.1%
Other financial liabilities	-	-	-	96,541,279	96,541,279	
Total liabilities and equity	67,473,811	221,321,859	-	96,541,279	385,336,949	
Interest rate sensitivity gap	192,342,630	110,328,944	29,290,403	(36,884,074)	295,077,903	

3 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Interest rate risk continued

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 490,243,624 interest bearing assets at year end (2023: AED 503,117,666) and AED 532,713,742 interest bearing liabilities at year end (2023: AED 288,795,670). The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

The interest rate movements have an effect on retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Company has established a framework of policies and procedures to identify, assess, control, manage and report risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Department. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

3 FINANCIAL RISK MANAGEMENT continued

Capital management
The Company is licensed and regulated by the Central Bank of the UAE. The Central Bank's capital adequacy stipulation for finance companies is a minimum of 15%. The Company's capital adequacy ratio as at 31 December 2024 is 53.7% (2023: 59.2%) which is in line with the Company's policy of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Company's capital adequacy position at the end of the reporting year was as follows:

	2024 AED	*2023 AED*
Capital base	**261,390,508**	332,873,649
Risk weighted assets	**486,373,635**	562,284,691
Capital adequacy (Total capital base/total risk weighted assets)	**53.7%**	59.2%

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company'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.

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:

Allowances for credit losses
Impairment losses are evaluated as described in notes 2 and 3.

The Company evaluates impairment on loans and advances and investments on an on-going basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognised in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about the counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

Estimation uncertainty continued

Allowances for credit losses continued

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Unused Tax Losses

The Company has determined that, due to challenges in forecasting, it is not recognizing any deferred tax assets related to unused tax losses for this reporting period. The Company will assess the potential for recognizing deferred tax assets and the recoverability of unused tax losses at each reporting date, taking into account any changes in circumstances, financial performance or market conditions.

Leases - estimating the incremental borrowing rate

The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Company 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 Company '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 Company estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3.

Determining fair values

The determination of fair value for financial assets and liabilities of which there is no observable market price requires the use of valuation techniques as described in note 3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degree of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair value hierarchy:

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1**: Quoted market price (unadjusted) in an active market for an identical instrument. 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.

- **Level 2**: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

Estimation uncertainty continued
Fair value hierarchy: continued

- **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market priced or dealer priced quotations. For all other financial instruments, the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Observable prices and model inputs are usually available in the market for listed equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
At 31 December 2024				
Financial assets				
Investments at FVTPL	-	-	**1,164,230**	**1,164,230**
Other assets	-	-	-	-
	-	-	**1,164,230**	**1,164,230**
At 31 December 2023				
Financial assets				
Investments at FVTPL	-	-	37,044,707	37,044,707
Other assets	-	-	58,652,320	58,652,320
	-	-	95,697,027	95,697,027

Although the Company believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. In the case of Level 3 fair value, the amount is arrived using net asset value and applying appropriate haircuts.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

Estimation uncertainty continued

Accounting classifications and fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The fair values of due from banks, customers' deposits and debt securities, that are predominantly short-term in tenure and issued at market rates are considered to reasonably approximate their book value.

The Company estimates that the fair value of its loans and advances portfolio is not materially different from its book value. For loans considered impaired, expected cash flows, including anticipated realisation of collateral, were discounted using an appropriate rate and considering the time of collection, the net result of which is not materially different from the carrying value.

5 BANK BALANCES AND CASH

	2024 *AED*	*2023* *AED*
Cash in hand	**4,379**	2,529
Bank balances with the Central Bank of the UAE	**446,453,284**	166,512,931
Current account with banks	**3,550,136**	3,174,398
Fixed deposits with commercial bank	**57,790**	55,000
Cash and cash equivalents	**450,065,589**	169,744,858

6 LOANS AND ADVANCES AT AMORTISED COST, NET

	2024 *AED*	*2023* *AED*
Retail:		
Personal finance	**19,445,500**	5,602,126
Mortgage finance	**722,522**	2,430,857
	20,168,022	8,032,983
Corporate:		
Commercial finance	**88,370,197**	124,115,186
Mortgage finance	**332,964,787**	319,546,936
	421,334,984	443,662,122
Loans and advances	**441,503,006**	451,695,105
Less:		
Expected credit losses – stage 3	**(61,239,145)**	(36,486,012)
Expected credit losses – stage 1 and stage 2	**(1,280,042)**	(7,102,358)
Net loan and advances	**378,983,819**	408,106,735

6 LOANS AND ADVANCES AT AMORTISED COST, NET continued

Movement in provision for loan losses during the year is as follows:

	2024 *AED*	*2023* *AED*
At 1 January	**43,588,370**	97,319,030
Charge during the year	**36,480,817**	4,799,857
Write-off	**(17,550,000)**	(58,530,517)
At 31 December	**62,519,187**	43,588,370

7 DEBT SECURITIES AT AMORTISED COST

	2024 *AED*	*2023* *AED*
Debt investment measured at amortised cost		
Corporate bonds	**16,222,037**	46,082,981

Movement in investments in debt securities are as follows:

	2024 *AED*	*2023* *AED*
Beginning of the year	**51,422,566**	136,956,874
Redeemed during the year	**(2,709,250)**	(62,708,392)
Transfer during the year to investments at fair value	**-**	(22,825,916)
	48,713,316	51,422,566
Expected credit losses	**(32,491,279)**	(5,339,585)
End of the year	**16,222,037**	46,082,981

Movement in provision of debt investment during the year is as follows:

	2024 *AED*	*2023* *AED*
Beginning of the year	**5,339,585**	5,706,994
Charge/(reversal) during the year (Note 7.1)	**27,151,694**	(367,409)
End of the year	**32,491,279**	5,339,585

Note 7.1 – The investment carried at amortised cost comprise of investment in bonds of Kepler Co. of AED 10.30 million and SHUAA Capital of AED 5.92 million. The company has recognized impairment to the extent of AED 27.15 million in respect of such bonds due to defaults in repayments and considering the settlement options that are being negotiated for such bonds.

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This represents equity investments primarily in partnership firms and share of companies. Movement in investments classified at fair value through profit or loss as follows:

	2024 *AED*	*2023* *AED*
Beginning of the year	**37,044,707**	28,874,549
Transfer from investment at amortized cost during the year	**-**	45,045,774
Sold during the year	**(871,675)**	(24,451,194)
Changes in fair value / impairment (Note 8.1)	**(35,008,802)**	(11,594,677)
Other movements	**-**	(829,745)
End of the year	**1,164,230**	37,044,707

Note 8.1 – During the year the Company has impaired its investment in an SPV under partnership structure considering the status of the underlying assets and the related liabilities that exist in relation to such assets. The full carrying amount of such investment of AED 33.51 million has been recognized as loss during the year.

9 OTHER ASSETS

This represents vacant land and residential units in Abu Dhabi and Dubai acquired against loan settlements. During the year, the Company has disposed off all such properties.

	2024 *AED*	*2023* *AED*
Beginning of the year	**58,652,320**	51,427,951
Disposal during the year	**(58,652,320)**	(5,250,025)
Changes in fair value	**-**	12,324,394
Gain on disposal	**-**	150,000
Fair value	**-**	58,652,320
Impairment as required by the Central Bank of UAE (CBUAE)	**-**	(12,445,828)
End of the year	**-**	46,206,492

Movement in provision for other assets during the year is as follows:

	2024 *AED*	*2023* *AED*
At 1 January	**12,445,828**	1,020,000
(Reversal)/charge during the year	**(12,445,828)**	11,425,828
At 31 December	**-**	12,445,828

These properties must be recorded under other assets in the statement of financial position until disposal and cannot be reclassified into other categories (such as investment properties) as per the CBUAE guidelines.

Amount recognised in profit and loss

Rental income recognised by the Company during 2024 was AED 174,496 (2023: AED 258,341) and was included in "Investment and other income, net". The company had a net gain on sale of investment properties amounting to AED 1,261,078.

Note – As per circular received from Central Bank (Ref: CBUAE/BIS/2024/297), the Company is required to maintain a provision on the value of properties acquired in settlement of debt beyond three years to the extent of 25% in the 4^{th} year and if the property is still not disposed of, a further 25% provision in the second year taking the total to 50%. However, during all the investment properties are disposed resulting in full reversal of provision.

10 PREPAYMENTS AND OTHER RECEIVABLES

	2024 *AED*	*2023* *AED*
Interest receivables on loans and advances, net	**7,375,211**	16,432,240
Interest receivables on debt securities	**71,916**	498,691
Prepayments and advances to suppliers	**7,035,738**	1,888,834
Deposits	**468,154**	557,940
Other receivables	**2,607,311**	57,866
	17,558,330	19,435,571

11 PROPERTY AND EQUIPMENT

	Furniture and fixtures *AED*	*Office equipment* *AED*	*Total* *AED*
Cost:			
At 1 January 2023	1,893,315	3,005,515	4,898,830
Additions	2,652,119	240,075	2,892,194
At 31 December 2023	4,545,434	3,245,590	7,791,024
At 1 January 2024	4,545,434	3,245,590	7,791,024
Additions	54,238	149,244	203,482
At 31 December 2024	**4,599,672**	**3,394,834**	**7,994,506**
Accumulated depreciation:			
At 1 January 2023	1,848,976	2,851,271	4,700,247
Charge for the year	153,982	69,704	223,686
At 31 December 2023	2,002,958	2,920,975	4,923,933
At 1 January 2024	2,002,958	2,920,975	4,923,933
Charge for the year	568,503	129,201	697,704
At 31 December 2024	**2,571,461**	**3,050,176**	**5,621,637**
Net carrying amount:			
At 31 December 2024	**2,028,211**	**344,658**	**2,372,869**
At 31 December 2023	2,542,476	324,615	2,867,091

12 INTANGIBLE ASSETS

	WIP *AED*	*Software* *AED*	*Total* *AED*
2024:			
Cost:			
At 1 January 2024	-	6,533,200	6,533,200
Additions	1,624,333	208,347	1,832,680
At 31 December 2024	**1,624,333**	**6,741,547**	**8,365,880**
Accumulated amortisation:			
At 1 January 2024	-	5,272,608	5,272,608
Charge for the year	-	276,976	276,976
At 31 December 2024	-	**5,549,584**	**5,549,584**
Net book value:			
At 31 December 2024	**1,624,333**	**1,191,963**	**2,816,296**
2023:			
Cost:			
At 1 January 2023	-	6,276,660	6,276,660
Additions	-	256,540	256,540
At 31 December 2023	-	6,533,200	6,533,200
Accumulated amortisation:			
At 1 January 2023	-	5,216,426	5,21,6426
Charge for the year	-	56,182	56,182
At 31 December 2023	-	5,272,608	5,272,608
Net book value:			
At 31 December 2023	-	1,260,592	1,260,592

13 CUSTOMERS' DEPOSITS

	2024 ***AED***	*2023* *AED*
Customer deposits - Term	**513,749,462**	259,370,321
Customer deposits - Under lien	**18,964,280**	29,425,349
	532,713,742	288,795,670

14 OTHER PAYABLES

	2024 ***AED***	*2023* *AED*
Interest payable on customers' deposits	**9,234,195**	14,042,258
Margins received against letters of guarantee	**28,916,006**	28,609,208
Advance received from micro-financing company (Note 14.1)	**17,085,000**	-
Other payable	**17,872,060**	53,889,813
	73,107,261	96,541,279

14 OTHER PAYABLES continued

Note 14.1 – During the year ended 31 December 2024, the Company entered into a partnership with a micro-financing company and a technology company to offer a service of Early Wages Access (EWA) to customers of the technology company through a digital platform of the micro-financing company. In this arrangement, the Company acts as an agent and it will charge a fee for loans disbursed.

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees' end of service benefits was as follows:

	2024 *AED*	*2023* *AED*
At 1 January	**1,236,684**	945,277
Provided during the year	**765,254**	554,198
Paid during the year	**(298,755)**	(262,791)
At 31 December	**1,703,183**	1,236,684

16 SHARE CAPITAL

	2024 *AED*	*2023* *AED*
Authorised, issued and fully paid		
Ordinary shares 400,000,000 shares of AED 1 each	**400,000,000**	400,000,000

17 LEGAL RESERVE

In accordance with UAE Federal Decree Law No. 32 of 2021 and the Company's Articles of Association, 10% of the profit for each year is transferred to the legal reserve until this reserve equals 50% of the paid-up share capital. The legal reserve is not available for distribution. There has been a transfer to the reserve during the year of AED nil (2023: AED 1,004,116).

18 CONTINGENCIES AND COMMITMENTS

	2024 *AED*	*2023* *AED*
Letters of guarantee	**32,375,515**	33,383,518
Undrawn credit limits	**153,744,425**	109,604,303
	186,119,940	142,987,821

19 INVESTMENT AND OTHER INCOME, NET

	2024 AED	*2023 AED*
Rental income	**174,496**	258,341
Net gain on disposal of investment properties	**1,261,078**	898,566
Interest income on debt securities	**164,382**	6,218,216
Net realised gain on investments classified as fair value through profit or loss	**-**	5,380,094
	1,599,956	12,755,217

20 INTEREST INCOME

	2024 AED	*2023 AED*
Interest income on loans and advances	**55,345,542**	37,361,186
Interest on bank deposits with Central Bank of the UAE	**10,490,074**	2,533,804
	65,835,616	39,894,990

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 AED	*2023 AED*
Staff cost	**21,531,824**	14,192,108
Other expenses	**3,210,594**	2,044,803
IT maintenance cost	**3,830,438**	1,733,236
Office rent	**-**	844,922
Depreciation on property and equipment	**697,704**	223,686
Amortization of right of use assets	**796,287**	-
Bank charges	**65,521**	65,310
Amortisation	**276,976**	56,182
Charity and donations	**2,400**	-
	30,411,744	19,160,247

22 CHARGE OF ALLOWANCE FOR EXEPECTED CREDIT LOSSES ON FINANCIAL INSTRUMENTS

	2024 AED	*2023 AED*
Impairment on loans and advances (Note 6)	**36,480,817**	4,799,857
Impairment on other receivables (interest receivable)	**6,087,725**	-
Net write-offs on account of loan and advances	**3,478,481**	157,305
	46,047,023	4,957,162

23 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. associated companies, major shareholders, directors and key management personnel of the Company, entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management.

Significant related party balances included in the statement of financial position are as follows:

	2024 *AED*	*2023* *AED*
Transactions with related parties:		
Deposits	318,250,770	83,995,315
Labour guarantees	1,278,344	1,378,344
Interest payable	2,963,200	1,907,570
Key management personnel of the Company:		
Other payables	787,605	602,347

Significant transactions with related parties during the year included in the statement of comprehensive income were as follows:

	2024 *AED*	*2023* *AED*
Transactions with related parties:		
Interest expense	8,610,687	3,220,999
Key management remuneration:		
Director's remuneration	-	750,000
Short term benefits (salaries and benefits)	3,091,677	3,522,287

Short term benefits of key management remuneration includes salary and other perquisites for the top three officials of the Company.

24 ACCOUNTING CLASSIFICATION

The table below sets out the Company's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2024:

	Amortised cost *AED*	*Total* *AED*
Assets		
Cash and bank balances	450,065,589	450,065,589
Loans and advances at amortised cost, net	378,983,819	378,983,819
Debt securities at amortised cost	16,222,037	16,222,037
Prepayments and other receivables	17,558,330	17,558,330
Total assets	862,829,775	862,829,775

24 ACCOUNTING CLASSIFICATION continued

	Amortised cost AED	*Total AED*
Liabilities		
Customers' deposits	**532,713,742**	**532,713,742**
Other payables	**73,107,261**	**73,107,261**
Lease liability	**2,711,971**	**2,711,971**
Total liabilities	**608,532,974**	**608,532,974**

The table below sets out the Company's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2023:

	Amortised cost AED	*Total AED*
Assets		
Cash and bank balances	169,744,858	169,744,858
Loans and advances at amortised cost, net	408,106,735	408,106,735
Debt securities at amortised cost	46,082,981	46,082,981
Prepayments and other receivables	19,435,571	19,435,571
Total assets	643,370,145	643,370,145
Liabilities		
Customers' deposits	288,795,670	288,795,670
Other payables	96,541,279	96,541,279
Total liabilities	385,336,949	385,336,949

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, loans and advances at amortised cost, net, debt investments at amortised cost, net and other receivables. Financial liabilities consist of customer deposits, lease liability and other payables.

The fair values of financial instruments are not materially different from their carrying values at the reporting.

26 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified where appropriate to conform to the presentation adopted in these financial statements.