

REVIEW REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

January 1, 2019 to September 30, 2019



The National Bank of Ras Al-Khaimah (P.S.C.)



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Review report on condensed consolidated interim financial information to the Board of Directors of The National Bank of Ras Al-Khaimah (P.S.C.)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods then ended, and other explanatory information. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

Scope of our review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

PricewaterhouseCoopers
23 October 2019

Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates

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Equipe O'Fallon, Karam Fallouh, Thomas Fallouh, and Mohamed El-Helwa are practicing auditors with the Ras Al Khaimah Branch of PricewaterhouseCoopers.

Condensed consolidated interim statement of financial position as at 30 September 2019

| | Notes | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|-------|---|---|
| ASSETS | | | |
| Cash and balances with UAE Central Bank | 4 | 4,376,478 | 4,947,996 |
| Due from other banks, net | 5 | 5,908,961 | 4,755,542 |
| Investment securities, net | 6 | 8,047,488 | 7,189,133 |
| Loans and advances, net | 7 | 34,558,098 | 32,860,662 |
| Insurance contract assets and receivables, net | | 455,835 | 400,439 |
| Other assets | 8 | 1,270,163 | 923,084 |
| Customer acceptances | | 448,924 | 561,704 |
| Goodwill and other intangible assets | | 166,386 | 167,723 |
| Property and equipment | | 829,903 | 859,942 |
| Right-of-use assets | 31 | 193,932 | - |
| Total assets | | 56,256,168 | 52,666,225 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Due to other banks | 9 | 4,325,959 | 4,381,462 |
| Deposits from customers | 10 | 36,455,991 | 34,139,784 |
| Other liabilities | 12 | 1,847,297 | 1,108,825 |
| Customer acceptances | | 448,924 | 561,704 |
| Debt securities issued and other long term borrowing | 11 | 4,886,420 | 4,826,105 |
| Insurance contract liabilities and payables | | 573,176 | 520,462 |
| Lease liabilities | 32 | 169,013 | - |
| Total liabilities | | 48,706,780 | 45,538,342 |
| Equity | | | |
| Share capital | 13 | 1,676,245 | 1,676,245 |
| Legal reserve | | 950,431 | 950,431 |
| Retained earnings | | 1,774,847 | 1,454,429 |
| Other reserves | | 3,109,784 | 3,007,575 |
| Equity attributable to owners of the Bank | | 7,511,307 | 7,088,680 |
| Non-controlling interests | | 38,081 | 39,203 |
| Total equity | | 7,549,388 | 7,127,883 |
| Total Liabilities and Equity | | 56,256,168 | 52,666,225 |


 Peter William England
 Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of profit or loss (un-audited) for the period from 1 January 2019 to 30 September 2019

| | Notes | Three months period ended 30 September | | Nine months period ended 30 September | |
|--|-------|--|---------------------------------|---------------------------------------|---------------------------------|
| | | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 |
| Interest income | 16 | 800,159 | 795,945 | 2,378,285 | 2,256,558 |
| Interest expense | 16 | (164,161) | (163,712) | (526,330) | (428,953) |
| Net interest income | | 635,998 | 632,233 | 1,851,955 | 1,827,605 |
| Income from Islamic financing | 17 | 133,363 | 106,815 | 371,085 | 294,199 |
| Distribution to depositors | 17 | (57,225) | (30,313) | (131,383) | (55,887) |
| Net income from Islamic financing | | 76,138 | 76,502 | 239,702 | 238,312 |
| Net interest income and net income from Islamic financing | | 712,136 | 708,735 | 2,091,657 | 2,065,917 |
| Net fees and commission income | 18 | 195,744 | 186,160 | 593,226 | 539,667 |
| Foreign exchange & derivative income | | 59,974 | 43,295 | 182,039 | 108,503 |
| Net insurance underwriting profit | | 8,587 | 13,308 | 29,443 | 42,990 |
| Investment income | 19 | 9,135 | 888 | 42,806 | 25,146 |
| Other operating income | | 19,025 | 19,230 | 59,156 | 52,495 |
| Non-interest income | | 292,465 | 262,881 | 906,670 | 768,801 |
| Operating income | | 1,004,601 | 971,616 | 2,998,327 | 2,834,718 |
| Operating expenses | 20 | (394,662) | (370,441) | (1,175,024) | (1,113,066) |
| Operating profit before provision for credit loss | | 609,939 | 601,175 | 1,823,303 | 1,721,652 |
| Provision for credit loss, net | 21 | (325,453) | (361,079) | (983,891) | (1,049,835) |
| Profit for the period | | 284,486 | 240,096 | 839,412 | 671,817 |
| Attributed to: | | | | | |
| Owners of the Bank | | 284,615 | 238,929 | 839,126 | 668,763 |
| Non-controlling interests | | (129) | 1,167 | 286 | 3,054 |
| Profit for the period | | 284,486 | 240,096 | 839,412 | 671,817 |
| Earnings per share: | | | | | |
| Basic and diluted in AED | 22 | 0.17 | 0.14 | 0.50 | 0.40 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (un-audited) for the period from 1 January 2019 to 30 September 2019

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---------------------------------|--|---------------------------------|
| | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 |
| Profit for the period | 284,486 | 240,096 | 839,412 | 671,817 |
| Other comprehensive income: | | | | |
| Gain / (Loss) on sale of equity investments held at fair value through other comprehensive income | 6,406 | - | (11,162) | - |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments) | (3,853) | 11,294 | 19,004 | (15,202) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments) | 17,714 | 633 | 75,429 | (70,089) |
| Net changes in fair value arising from cash flow hedges | 670 | (11,758) | 8,653 | (13,751) |
| Other comprehensive income/ (loss) for the period | 20,937 | 169 | 91,924 | (99,042) |
| Total comprehensive income for the period | 305,423 | 240,265 | 931,336 | 572,775 |
| Attributed to: | | | | |
| Owners of the Bank | 305,381 | 238,992 | 930,173 | 570,150 |
| Non-controlling interests | 42 | 1,273 | 1,163 | 2,625 |
| Total comprehensive income for the period | 305,423 | 240,265 | 931,336 | 572,775 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity for the period from 1 January 2019 to 30 September 2019

| | Share capital AED'000 | Legal reserve AED'000 | Retained earnings AED'000 | Other reserves AED'000 | Equity attributable to owners of the Bank AED'000 | Non-controlling interests AED'000 | Total AED'000 |
|--|--------------------------|--------------------------|------------------------------|---------------------------|--|--------------------------------------|------------------|
| Balance at 31 December 2017 (audited) | 1,676,245 | 950,431 | 2,101,295 | 3,089,364 | 7,817,335 | 51,109 | 7,868,444 |
| Impact of adopting IFRS 9 1 January 2018 | - | - | (976,181) | 4,743 | (971,438) | (6,054) | (977,492) |
| | 1,676,245 | 950,431 | 1,125,114 | 3,094,107 | 6,845,897 | 45,055 | 6,890,952 |
| Profit for the period | - | - | 668,763 | - | 668,763 | 3,054 | 671,817 |
| Other comprehensive income | - | - | - | (98,613) | (98,613) | (429) | (99,042) |
| Total comprehensive income for the period | - | - | 668,763 | (98,613) | 570,150 | 2,625 | 572,775 |
| Dividend paid | - | - | (502,873) | - | (502,873) | (3,427) | (506,300) |
| Directors' remuneration | - | - | (5,033) | - | (5,033) | - | (5,033) |
| At 30 September 2018 (un-audited) | 1,676,245 | 950,431 | 1,285,971 | 2,995,494 | 6,908,141 | 44,253 | 6,952,394 |
| Balance at 31 December 2018 (audited) | 1,676,245 | 950,431 | 1,479,856 | 3,007,575 | 7,114,107 | 45,868 | 7,159,975 |
| Prior year adjustment related to insurance business | - | - | (25,427) | - | (25,427) | (6,665) | (32,092) |
| Restated opening balance as at 1 January 2019 | 1,676,245 | 950,431 | 1,454,429 | 3,007,575 | 7,088,680 | 39,203 | 7,127,883 |
| Profit for the period | - | - | 839,126 | - | 839,126 | 286 | 839,412 |
| Other comprehensive income / (loss) | - | - | (11,162) | 102,209 | 91,047 | 877 | 91,924 |
| Total comprehensive income for the period | - | - | 827,964 | 102,209 | 930,173 | 1,163 | 931,336 |
| Dividend paid | - | - | (502,873) | - | (502,873) | (2,285) | (505,158) |
| Directors' remuneration | - | - | (4,673) | - | (4,673) | - | (4,673) |
| At 30 September 2019 (un-audited) | 1,676,245 | 950,431 | 1,774,847 | 3,109,784 | 7,511,307 | 38,081 | 7,549,388 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (un-audited) for the period from
1 January 2019 to 30 September 2019

| | Nine months period ended 30 | |
|--|-----------------------------|--------------------|
| | 2019 | 2018 |
| | (un-audited) | (un-audited) |
| | AED'000 | AED'000 |
| <i>Cash flows from operating activities</i> | | |
| Profit for the period | 839,412 | 671,817 |
| Adjustments: | | |
| Provision for credit losses, net | 983,891 | 1,049,835 |
| Depreciation of property and equipment | 83,761 | 73,401 |
| Depreciation of Right-of-use assets | 29,135 | - |
| Interest cost on lease liability | 5,828 | - |
| Amortization of intangible assets | 1,337 | 2,407 |
| Gain on disposal of property and equipment | (67) | (262) |
| Amortization of (discount)/premium relating to investments securities | (86,959) | (31,658) |
| Gain on sale of investment securities | (24,065) | (9,460) |
| Fair value loss of investment securities | 1,460 | 1,234 |
| Amortisation (discount)/premium of debt securities | 13,172 | 739 |
| | 1,846,905 | 1,758,053 |
| Changes in operating assets and liabilities | | |
| Decrease in deposits with the UAE Central Bank | 82,614 | 505,462 |
| Increase in due from other banks with original maturities of three month or over | (1,588,716) | (607,306) |
| Increase in loans and advances, net | (2,659,105) | (2,936,089) |
| (Increase) / decrease in insurance contract assets & receivables | (57,902) | 28,378 |
| Increase in other assets | (263,605) | (719,724) |
| (Decrease) / increase in due to other banks | (55,503) | 249,728 |
| Increase in deposits from customers | 2,316,207 | 2,469,527 |
| Increase / (decrease) in insurance contract liabilities and payables | 52,714 | (23,665) |
| Increase in other liabilities | 632,013 | 676,632 |
| Net cash generated from operating activities | 305,622 | 1,400,996 |
| <i>Cash flows from investing activities</i> | | |
| Purchase of investment securities | (5,570,194) | (3,319,346) |
| Purchase of property and equipment | (53,718) | (59,961) |
| Proceeds from maturity/disposal of investment securities | 4,893,754 | 1,584,922 |
| Proceeds from disposal of property and equipment | 67 | 275 |
| Net cash generated / (used) from investing activities | (730,091) | (1,794,110) |
| <i>Cash flows from financing activities</i> | | |
| Dividends paid | (505,158) | (506,300) |
| Directors' remuneration | (4,673) | (5,033) |
| Payment for rentals on lease contracts | (30,576) | - |
| Payment of debt security and other borrowings | (2,562,803) | - |
| Issue of debt security and other borrowings | 2,609,943 | 739,146 |
| Net cash (used) / generated from financing activities | (493,267) | 227,813 |
| Net (decrease) in cash and cash equivalents | (917,736) | (165,301) |
| Cash and cash equivalents, beginning of the period | 2,422,692 | 2,252,198 |
| Cash and cash equivalents, end of the period (Note 24) | 1,504,956 | 2,086,897 |

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019

1. Incorporation and Principal Activities

The National Bank of Ras Al-Khaimah (P.S.C.) [the “Bank”] is a public shareholding company incorporated in the Emirate of Ras Al-Khaimah in the United Arab Emirates (“UAE”). The head office of the Bank is located at the National Bank of Ras Al-Khaimah building, Al Rifa area, Exit No. 129, Sheikh Mohammed Bin Zayed Road, Ras Al-Khaimah, UAE.

The Bank is engaged in providing retail and commercial banking services through a network of thirty six branches in the UAE.

At 30 September 2019, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and five subsidiaries (together referred to as the “Group”). The condensed consolidated interim financial information for the nine month period ended 30 September 2019 comprises the Bank and following direct subsidiaries:

| <i>Subsidiary</i> | <i>Authorized & Ownership issued capital interest</i> | | <i>Incorporated</i> | <i>Principal Activities</i> |
|---|---|--------|---------------------|--|
| Ras Al Khaimah National Insurance Company PSC | AED 110 million | 79.23% | UAE | All type of insurance business. |
| BOSS FZCO | AED 500,000 | 80%* | UAE | Back office support services to the Bank. |
| RAK Technologies FZCO | AED 500,000 | 80%* | UAE | Technological support services to the Bank. |
| Rakfunding Cayman Limited | Authorized USD 50,000 Issued USD 100 | 100% | Cayman Island | To facilitate the issue Euro medium term notes (EMTN) under the Bank’s EMTN program. |
| Rak Global Markets Cayman Limited | Authorized USD 50,000 Issued USD 1 | 100% | Cayman Island | To facilitate Treasury transactions. |

*These represent legal ownership of the Bank. However, beneficial ownership is 100% as the remaining interest is held by a related party on trust and for the benefit of the Bank.

On 19 April 2017, the shareholders at the annual general meeting resolved to liquidate RAK Islamic Finance Company Pvt. J.S.C. and liquidation was completed during second quarter of year 2019.

2. Application of new and revised International Financial Reporting Standards (“IFRS”)

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed consolidated interim financial information. The application of these revised 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.

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.
- IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances.
- Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures: These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendments to IAS 19 Employee Benefits relating to Plan Amendment, Curtailment or Settlement: This amendment mentions that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRS in issue but not yet effective

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

| <i>New and revised IFRSs</i> | <i>Effective for annual periods beginning on or after</i> |
|---|--|
| IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. | January 1, 2021 |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. | Effective date deferred indefinitely. Adoption is still permitted. |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated interim financial information as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 2.3. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.3 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information

This note explains the impact of the adoption of IFRS 16 Leases on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

| | AED’000 |
|---|----------------|
| Operating lease commitments disclosed as at 31 December 2018 | - |
| Discounted using the lessee’s incremental borrowing rate of at the date of initial Application | 195,885 |
| Add: finance lease liabilities recognised as at 31 December 2018 | - |
| (Less): short-term leases recognised on a straight-line basis as expense | - |
| (Less): low-value leases recognised on a straight-line basis as expense | - |
| (Less): contracts reassessed as service agreements | - |
| Add/(less): adjustments as a result of a different treatment of extension and termination options | - |
| Add/(less): adjustments relating to changes in the index or rate affecting variable Payments | - |
| Lease liability recognised as at 1 January 2019 | 195,885 |
| Of which are: | |
| Current lease liabilities | 39,468 |
| Non-current lease liabilities | 156,417 |

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.3 New and revised IFRSs applied with material effect on the condensed consolidated interim financial information (continued)

The recognised right-of-use assets at 1 January 2019 relate to the following types of assets:

| | AED’000 |
|----------------------------------|----------------|
| Properties | 225,191 |
| Equipment | - |
| Motor Vehicles | - |
| Total right-of-use assets | 225,191 |

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by AED 225.19 million
- Prepayments – decrease by AED 29.3 million
- Lease liabilities – increase by AED 195.89 million

3. Significant accounting policies

The significant accounting policies applied in the preparation of these condensed consolidated interim financial information are set out below. These policies have been consistently applied for the period/years presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information of the Group are prepared under the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”), issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2018, except for the IFRS 16 impact as disclosed in Note 2.3.

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated interim financial information.

These condensed consolidated interim financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2018. In addition, results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3. Significant accounting policies (continued)

(b) Consolidation

The condensed consolidated interim financial information incorporate the condensed consolidated interim financial information of National Bank of Ras Al-Khaimah (P.S.C.) and its subsidiaries (collectively referred to as “Group”).

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iii) Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, and the Group allocates the purchase price to these net assets acquired. The measurement period for purchase price allocations ends as soon as information on the facts and circumstances becomes available, but does not exceed 12 months. The Group policy is aligned with that laid out in IFRS 3.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services which are charged to the income statement.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

3. Significant accounting policies (continued)

(c) Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Murabaha, Salam, Mudaraba, and Wakala. The accounting policy for initial recognition, subsequent measurement and derecognition of Islamic financial assets and liabilities are below:

i) *Murabaha financing*

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from the customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognized as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

ii) *Salam*

Bai Al Salam is a Sale contract where the Customer (Seller) undertakes to deliver/supply a specified tangible asset to the Group (Buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer.

Revenue on Salam financing is recognized on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

iii) *Mudaraba*

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal- customer) and the other party (the Mudarib- the Group) invests the funds in a project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

iv) *Wakala*

An agreement between the Group and customer whereby one party (Rab Al Mal-principal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction.

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

v) *Ijara*

Ijara financing is a finance lease agreement whereby the Group (lessor) leases an asset based on the customer's (lessee) request and promise to lease the assets for a specific period in lieu of rental instalments. Ijara ends in transferring the ownership of the asset to the lessee at the end of the lease inclusive of the risks and rewards incident to an ownership of the leased assets. Ijara assets are stated at amounts equal to the net investment outstanding in the lease including the income earned thereon less impairment provisions.

3. Significant accounting policies (continued)

(d) Cash and cash equivalents

In the condensed consolidated statement of cash flows, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of three months or less excluding the statutory deposit required to be maintained with the UAE Central Bank.

(e) Significant accounting policies introduced on adoption of IFRS 16

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group leases various branches, offices and ATM premises. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. Significant accounting policies (continued)

(e) Significant accounting policies introduced on adoption of IFRS 16 (continued)

Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

Interest rate for discounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. Cash and balances with UAE Central Bank

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| Cash in hand | 817,593 | 979,697 |
| Balances with the UAE Central Bank | - | 326,800 |
| Statutory deposit with the UAE Central Bank | 3,158,885 | 3,091,499 |
| Certificates of deposit with the UAE Central Bank | 400,000 | 550,000 |
| | <u>4,376,478</u> | <u>4,947,996</u> |

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Group.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

5. Due from other banks, net

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|-----------------------------|---|---|
| Placements with other banks | 481,191 | 563,076 |
| Demand deposits | 367,373 | 714,553 |
| Banker's acceptances | 2,751,769 | 2,012,723 |
| Syndicated loans | 2,246,311 | 1,474,788 |
| Other | 99,922 | 21,542 |
| Total due from other banks | 5,946,566 | 4,786,682 |
| Provision for credit loss | (37,605) | (31,140) |
| Net due from other banks | 5,908,961 | 4,755,542 |

The below represents deposits and balances due from:

| | | |
|-----------------------------------|------------------|------------------|
| Banks in UAE | 484,725 | 715,691 |
| Banks outside UAE | 5,461,841 | 4,070,991 |
| Total due from other banks | 5,946,566 | 4,786,682 |

6. Investment securities, net

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| Securities at fair value through other comprehensive income | | |
| Quoted equity securities | 95,160 | 210,924 |
| Unquoted equity securities | 2,612 | 2,612 |
| Quoted debt securities* | 2,361,062 | 2,196,564 |
| | 2,458,834 | 2,410,100 |
| Securities at fair value through profit or loss | | |
| Quoted funds | 20,347 | 22,964 |
| Unquoted funds | 41,179 | 38,004 |
| Quoted debt securities | 273,353 | - |
| | 334,879 | 60,968 |
| Securities held at amortised cost | | |
| Quoted debt securities* | 4,720,120 | 4,417,540 |
| Unquoted debt securities | 572,421 | 338,550 |
| | 5,292,541 | 4,756,090 |
| Total investment securities | 8,086,254 | 7,227,158 |
| Provision for credit loss | (38,766) | (38,025) |
| Net investment securities | 8,047,488 | 7,189,133 |

*As at 30 September 2019, quoted debt securities with fair value of AED 377.3 million (31 December 2018: AED 1,549 million) have been given as collateral against repo borrowings of AED 375.59 million (31 December 2018: AED 1,377 million) [Note 9].

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

6. Investment securities, net (continued)

(b) The composition of the investment portfolio by category is as follows:

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| Federal and local Government - UAE | 462,683 | 497,210 |
| Government related entity - UAE | 1,048,240 | 1,065,897 |
| Government - GCC | 1,228,570 | 1,304,226 |
| Government - other | 1,577,939 | 944,621 |
| Banks and financial institutions - UAE | 676,022 | 536,479 |
| Banks and financial institutions - GCC | 207,457 | 171,666 |
| Banks and financial institutions - other | 1,240,242 | 1,015,293 |
| Public limited companies - UAE | 448,800 | 564,022 |
| Public limited companies - GCC | 274,092 | 269,111 |
| Public limited companies - other | 762,911 | 584,129 |
| Total debt securities | 7,926,956 | 6,952,654 |
| Quoted equity securities | 95,160 | 210,924 |
| Quoted funds | 20,347 | 22,964 |
| Unquoted funds | 41,179 | 38,004 |
| Unquoted equity securities | 2,612 | 2,612 |
| Total investment securities | 8,086,254 | 7,227,158 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

7. Loans and advances, net

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| (a) Loans and advances: | | |
| Retail banking loans | 18,817,238 | 18,483,144 |
| Wholesale banking loans | 9,165,203 | 7,963,190 |
| Business banking loans | 8,330,212 | 8,380,940 |
| Total loans and advances [Note 7(b)] | 36,312,653 | 34,827,274 |
| Provision for credit loss [Note 7(c)] | (1,754,555) | (1,966,612) |
| Net loans and advances | 34,558,098 | 32,860,662 |
| (b) Analysis of loans and advances: | | |
| Personal loans | 7,339,708 | 7,057,161 |
| Mortgage loans | 5,190,692 | 4,744,304 |
| Credit cards | 3,182,920 | 3,215,481 |
| Auto loans | 1,006,374 | 1,595,257 |
| RAK Business loans | 4,167,748 | 4,413,098 |
| Other Business banking loans | 4,162,464 | 3,967,842 |
| Wholesale banking loans | 9,165,203 | 7,963,190 |
| Other retail loans | 2,097,544 | 1,870,941 |
| Total loans and advances | 36,312,653 | 34,827,274 |
| (c) Provision for credit loss: | | |
| Balance at the beginning of the period/year | 1,966,612 | 995,171 |
| Impact of adoption of IFRS 9 | - | 912,475 |
| Credit loss allowance for the period/year | 1,027,963 | 1,507,990 |
| Written-off during the period/year | (1,240,020) | (1,449,024) |
| Balance at the end of the period/year | 1,754,555 | 1,966,612 |
| (d) Provision for credit loss/release on loans and advances, net of recovery - for the nine months period ended: | | |
| | 30 September 2019 (un-audited) AED'000 | 30 September 2018 (un-audited) AED'000 |
| Credit loss allowance for the period | 1,027,963 | 1,120,257 |
| Net recovery during the period | (66,294) | (88,184) |
| Net credit loss charge for the period (Note 21) | 961,669 | 1,032,073 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

7. Loans and advances, net (continued)

(e) Provision for credit loss/release on loans and advances, net of recovery - for three months period ended:

| | 30 September 2019 (un-audited) AED'000 | 30 September 2018 (un-audited) AED'000 |
|--|---|---|
| Credit loss allowance for the period | 332,656 | 377,641 |
| Net recovery during the period | (23,882) | (29,925) |
| Net credit loss charge for the period (Note 21) | 308,774 | 347,716 |

(f) Islamic financing assets

The below table summarizes the Islamic financing assets that are part of loans and advances above:

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|------------------------------------|---|---|
| i) Islamic financing assets | | |
| Islamic retail financing assets | 3,509,762 | 3,347,024 |
| Islamic business banking assets | 1,741,068 | 1,432,433 |
| Islamic wholesale banking assets | 1,091,518 | 722,012 |
| Total Islamic financing assets | 6,342,348 | 5,501,469 |
| Provision for credit loss | (273,114) | (253,145) |
| | 6,069,234 | 5,248,324 |

ii) Analysis of Islamic financing assets

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|----------------------------------|---|---|
| Islamic Salam Personal finance | 2,397,019 | 2,166,272 |
| Islamic Auto Murabaha | 193,291 | 360,579 |
| Islamic Business banking Finance | 1,741,068 | 1,432,433 |
| Islamic Ijara Property Finance | 824,803 | 711,058 |
| Islamic Credit Cards | 91,101 | 107,533 |
| Islamic wholesale banking | 1,091,518 | 722,012 |
| Islamic finance - other | 3,548 | 1,582 |
| | 6,342,348 | 5,501,469 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

8. Other assets

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| Interest receivable | 313,665 | 279,424 |
| Profit receivable on Islamic financing assets | 61,271 | 60,814 |
| Prepayments and deposits | 51,036 | 87,313 |
| Interest rate swaps and other derivatives | 435,297 | 57,505 |
| Insurance related receivables and assets | 51,486 | 38,472 |
| Other | 357,408 | 399,556 |
| | 1,270,163 | 923,084 |

9. Due to other banks

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|----------------------------------|---|---|
| Term borrowings | 3,444,163 | 3,000,065 |
| Repurchase agreements (Note 6) | 375,587 | 1,377,152 |
| UAE central bank current account | 367,409 | - |
| Demand deposits | 138,800 | 4,245 |
| | 4,325,959 | 4,381,462 |

10. Deposits from customers

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|------------------|---|---|
| Time deposits | 13,599,483 | 13,432,712 |
| Current accounts | 18,550,765 | 16,531,178 |
| Saving deposits | 3,043,593 | 2,908,097 |
| Call deposits | 1,262,150 | 1,267,797 |
| | 36,455,991 | 34,139,784 |

Deposits include AED 1,473 million (31 December 2018: AED 1,872 million) held by the Group as cash collateral for loans and advances granted to customers.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

10. Deposits from customers (continued)

The below table summarizes the Islamic deposits of customers that are part of deposits from customers above:

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|-----------------------------------|---|---|
| Wakala deposits | 2,852,667 | 2,580,538 |
| Mudaraba term investment deposits | 14,475 | 14,755 |
| Murabaha Term Deposit | 1,255,370 | 1,441,875 |
| Qard-E-Hassan - current accounts | 869,134 | 754,907 |
| Mudaraba - current accounts | 452,872 | 476,743 |
| Mudaraba - saving accounts | 176,453 | 179,408 |
| Mudaraba - call deposits | 21,565 | 26,352 |
| | 5,642,536 | 5,474,578 |

11. Debt securities in issue and other long term borrowings

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| USD 500 million medium term note issued at discount in June 2014 (a) | - | 1,549,098 |
| USD 300 million medium term note issued at premium in March 2015 (a) | - | 1,103,044 |
| USD 500 million medium term note issued at discount in April 2019 (a) | 1,831,336 | - |
| USD 50 million private placement at discount in July 2017 (a) | 183,152 | 182,945 |
| USD 145 million private placement net of discount (a) | 524,476 | 523,009 |
| USD 350 million syndicated borrowing (b) | 1,285,550 | 1,285,550 |
| USD 80 million bilateral borrowing (c) | 293,840 | 293,840 |
| SAR 800 million Islamic bilateral borrowing (d) | 783,343 | - |
| Less: Own investment in debt securities issued | - | (89,452) |
| Less: Debt securities and other borrowing issue costs | (15,277) | (8,326) |
| Fair value adjustment on hedged debt securities in issue | - | (13,603) |
| | 4,886,420 | 4,826,105 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

11. Debt securities in issue and other long term borrowings (continued)

- (a) The USD 500 million Euro Medium Term Notes (EMTN) issued in June 2014 and the second tranche of USD 300 million issued in March 2015 got matured and was repaid in full during June 2019.

Under the same EMTN Programme, the Group issued USD 50 million floating rate notes in July 2017 through a private placement which matures in 2021. These carry a floating rate of USD 3 months LIBOR +1.5% per annum.

The Group issued USD 145 million of floating rate notes in June 2018 through a private placement with an interest rate of USD 3 months LIBOR +1.4% which mature in in June 2023.

In April 2019, the Group issued five year USD 500 million Euro Medium Term Notes (EMTN) under its USD 2 billion EMTN programme through its subsidiary RAK Funding Cayman limited. This was issued at a discounted rate of 99.692% and carries a fixed interest rate of 4.125% per annum which is payable half yearly in arrears. These notes mature in April 2024.

- (b) During the third quarter of year 2017, the Group arranged a three year syndicated borrowing of USD 350 million maturing in 2020. This syndicated borrowing carries an interest rate of USD 3 months LIBOR + 1.55% per annum.
- (c) In June 2018 the Group borrowed USD 80 million at an interest rate of USD 3 months LIBOR + 1.25% per annum which matures in June 2021.
- (d) In June 2019 the Group borrowed SAR 800 million at a profit rate of 3.85% per annum which matures in June 2022.

12. Other liabilities

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| Interest payable | 205,171 | 137,825 |
| Profit distributable on Islamic deposits | 41,602 | 30,273 |
| Accrued expenses | 216,686 | 161,268 |
| Provision for employees' end-of-service benefits | 113,706 | 113,402 |
| Foreign exchange and other derivatives derivative contracts | 522,051 | 100,480 |
| Credit card payables and liabilities | 102,864 | 117,036 |
| Managers' cheques issued | 161,484 | 99,427 |
| Mortgage payables and liabilities | 8,035 | 11,632 |
| Asset based finance payables and liabilities | 12,511 | 15,152 |
| Insurance related payables and liabilities | 48,912 | 34,339 |
| Provision for expected credit loss on contingent assets , customer acceptances | 10,194 | 7,862 |
| Other | 404,081 | 280,129 |
| | 1,847,297 | 1,108,825 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

13. Share capital and dividend

At 30 September 2019, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares of AED 1 each (31 December 2018: 1,676 million shares of AED 1 each).

At the meeting held on 20 March 2019, the shareholders of the Bank approved a cash dividend of 30% amounting to AED 503 million of the issued and paid up capital in respect of the year ended 31 December 2018 (2017: 30% cash dividend amounting to AED 503 million).

14. Contingencies and commitments

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| Irrevocable commitments to extend credit | 2,460,337 | 2,020,404 |
| Letters of guarantee | 882,166 | 1,374,083 |
| Letters of credit | 174,367 | 157,350 |
| Capital commitments and others | 128,766 | 27,549 |
| | <u>3,645,636</u> | <u>3,579,386</u> |

The Group is holding AED 10.19 million (31 December 2018: AED 7.86 million) provision for expected credit loss on contingencies and commitments as per IFRS 9.

Commitments to extend credit shown above represent unfunded amounts out of approved limits offered to customers, which are irrevocable by the Group. Commitments to extend credit amounting to AED 7,754 million (31 December 2018: AED 6,708 million) are revocable at the option of the Group and not included in the above table.

15. Forward foreign exchange and other derivative contracts

Foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the Bank's undelivered spot transactions.

Outstanding forward foreign exchange contracts, interest rate swaps and other derivative contracts at 30 September 2019 and 31 December 2018 are as follows:

| | Fair Values | | |
|----------------------------|---------------------------|------------------------------|-----------------------------|
| | Assets AED'000 | Liability AED'000 | Notional AED'000 |
| 30 September 2019 | | | |
| Foreign exchange contracts | 151,520 | 147,767 | 12,780,829 |
| Interest rate swaps | 261,950 | 360,986 | 9,852,440 |
| Other derivative contracts | 21,827 | 13,298 | 5,668,610 |
| | <u>435,297</u> | <u>522,051</u> | <u>28,301,879</u> |
| 31 December 2018 | | | |
| Foreign exchange contracts | 35,838 | 45,986 | 10,776,194 |
| Interest rate swaps | 12,828 | 49,028 | 6,072,864 |
| Other derivative contracts | 8,839 | 5,466 | 4,136,281 |
| | <u>57,505</u> | <u>100,480</u> | <u>20,985,339</u> |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

16. Interest income and expense

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|-------------------------|--|-------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 |
| Interest income | | | | |
| Personal loans | 94,154 | 93,394 | 278,901 | 273,320 |
| Mortgage loans | 49,125 | 47,477 | 145,195 | 133,632 |
| Credit cards | 156,893 | 175,467 | 482,203 | 504,853 |
| Auto loans | 13,303 | 23,395 | 45,935 | 73,459 |
| RAK Business loans | 140,801 | 165,816 | 430,735 | 479,966 |
| Wholesale banking loans | 99,486 | 89,120 | 288,548 | 231,050 |
| Other Business banking loans | 73,974 | 72,390 | 215,778 | 204,676 |
| Other retail banking loans | 17,895 | 16,527 | 55,199 | 48,533 |
| Investment securities | 88,011 | 70,027 | 252,676 | 200,190 |
| Deposits with the U.A.E. Central Bank | 4,813 | 3,493 | 14,307 | 6,215 |
| Other banks | 61,704 | 38,839 | 168,808 | 100,664 |
| | 800,159 | 795,945 | 2,378,285 | 2,256,558 |
| Interest expense | | | | |
| Due to customers | 99,840 | 91,900 | 291,754 | 242,999 |
| Debt securities issued and other borrowings | 43,982 | 52,437 | 165,073 | 130,828 |
| Borrowings from other banks | 20,339 | 19,375 | 69,503 | 55,126 |
| | 164,161 | 163,712 | 526,330 | 428,953 |

17. Income from Islamic Financing and distribution to depositors

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|--|---|-------------------------|--|-------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 |
| Income from Islamic financing | | | | |
| Islamic Salam personal finance | 55,905 | 43,851 | 160,507 | 111,757 |
| Islamic Auto Murabaha | 3,274 | 7,411 | 11,966 | 25,719 |
| Islamic business banking finance | 51,278 | 39,509 | 137,353 | 114,855 |
| Islamic wholesale banking finance | 13,182 | 7,491 | 33,412 | 17,835 |
| Islamic Ijara property finance | 9,724 | 8,553 | 27,847 | 24,033 |
| | 133,363 | 106,815 | 371,085 | 294,199 |
| Distribution to depositors | | | | |
| Distribution of profit on Islamic term investment deposits | 49,644 | 29,609 | 121,301 | 53,332 |
| Bilateral long term borrowings | 6,978 | - | 8,151 | - |
| Distribution of profit on Islamic demand deposits | 603 | 704 | 1,931 | 2,555 |
| | 57,225 | 30,313 | 131,383 | 55,887 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

18. Net fees and commission income

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|------------------------|---|-------------------------|--|-------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 |
| Personal loans | 13,484 | 13,404 | 44,805 | 40,437 |
| Mortgage loans | 5,378 | 6,135 | 18,491 | 19,392 |
| Credit cards | 65,151 | 69,322 | 200,443 | 190,386 |
| Auto loans | 2,631 | 4,977 | 8,883 | 13,579 |
| RAK Business loans | 12,137 | 13,498 | 34,828 | 39,777 |
| Wholesale banking | 14,831 | 9,796 | 48,141 | 32,127 |
| Other business banking | 42,643 | 38,237 | 122,532 | 109,450 |
| Fiduciary income | 14,011 | 7,668 | 37,480 | 24,800 |
| Bancassurance | 15,245 | 11,584 | 44,163 | 34,683 |
| Other | 10,233 | 11,539 | 33,460 | 35,036 |
| | 195,744 | 186,160 | 593,226 | 539,667 |

19. Investment income

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|--|---|-------------------------|--|-------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 |
| Fair value loss | (1,054) | (1,280) | (1,460) | (1,234) |
| Dividend income and other income | 1,813 | 620 | 20,202 | 16,920 |
| Net gain on disposal of Investments | 8,376 | 1,548 | 24,064 | 9,460 |
| | 9,135 | 888 | 42,806 | 25,146 |

20. Operating expenses

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|-------------------------|--|-------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 | (un-audited) AED'000 |
| Staff and outsourced staff costs | 236,892 | 229,429 | 701,506 | 694,420 |
| Occupancy costs | 24,390 | 25,211 | 74,798 | 74,853 |
| Marketing expenses | 9,582 | 6,314 | 28,674 | 16,954 |
| Depreciation and amortisation | 28,615 | 26,200 | 85,098 | 75,808 |
| Communication costs and Nostro charges | 16,152 | 11,832 | 42,541 | 34,970 |
| Legal and collection charges | 12,149 | 16,298 | 35,729 | 47,495 |
| Information and technology expenses | 31,371 | 26,911 | 87,536 | 77,819 |
| Other | 35,511 | 28,246 | 119,142 | 90,747 |
| | 394,662 | 370,441 | 1,175,024 | 1,113,066 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

21. Provision for credit loss, net

(a) Provision for credit loss for the nine months period ended

| | Nine months period ended 30 September | |
|--|--|-------------------------|
| | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 |
| Net credit loss charge on loans and advances | 961,669 | 1,032,073 |
| Net credit loss charge on due from other banks | 6,465 | 5,183 |
| Net credit loss charge on investment securities | 10,919 | 13,902 |
| Net credit loss charge/(release) on insurance contracts | 2,506 | (3,438) |
| Net credit loss charge on commitments and customer acceptances, guarantees and letter of credits | 2,332 | 2,115 |
| Net credit loss charge for the period | 983,891 | 1,049,835 |

(b) Provision for credit loss for the three months period ended

| | Three months period ended 30 September | |
|--|---|-------------------------|
| | 2019 | 2018 |
| | (un-audited) AED'000 | (un-audited) AED'000 |
| Net credit loss charge on loans and advances | 308,774 | 347,716 |
| Net credit loss charge on due from other banks | 4,665 | 206 |
| Net credit loss on investment securities | 6,906 | 10,105 |
| Net credit loss charge on insurance contracts | 287 | 878 |
| Net credit loss charge on commitments and customer acceptances, guarantees and letter of credits | 4,821 | 2,174 |
| Net credit loss charge for the period | 325,453 | 361,079 |

Expected credit loss allowance

A summary of the provision for credit loss and the net movement on financial instruments by category are as follows:

| | At 31 December 2018 AED'000 | Prior year adjustment in insurance related provision AED'000 | 31 December 2018 as restated AED'000 | Net provided / (released) during the period AED'000 | Other movement during the period AED'000 | At 30 September 2019 AED'000 |
|--|--------------------------------------|---|--|--|--|---------------------------------------|
| Due from other banks | 31,140 | | 31,140 | 6,465 | - | 37,605 |
| Loans and advances | 1,966,612 | | 1,966,612 | 1,027,963 | (1,240,020) | 1,754,555 |
| Investment securities | 38,025 | | 38,025 | 10,919 | (10,178) | 38,766 |
| Insurance contract assets and receivables | 45,605 | (9,256) | 36,349 | 2,310 | (100) | 38,559 |
| Acceptances, guarantees and letters of credit | 7,862 | | 7,862 | 2,332 | - | 10,194 |
| Total | 2,089,244 | (9,256) | 2,079,988 | 1,049,989 | (1,250,298) | 1,879,679 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

22. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period:

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|--|---|---------------------------------|--|---------------------------------|
| | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 |
| Profit for the period (AED'000) (attributed to owners of the Bank) | 284,615 | 238,929 | 839,126 | 668,763 |
| Weighted average number of shares in issue (in thousands) | 1,676,245 | 1,676,245 | 1,676,245 | 1,676,245 |
| Basic earnings per share (AED) | 0.17 | 0.14 | 0.50 | 0.40 |

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 30 September 2019, market value of such assets amounted to AED 2,148 million (31 December 2018: AED 1,945 million) and are excluded from the condensed consolidated interim financial information of the Group.

24. Cash and cash equivalents

| | 30 September 2019 (un-audited) AED'000 | 30 September 2018 (un-audited) AED'000 |
|--|---|---|
| Cash in hand and current account with UAE Central Bank | 817,593 | 1,498,346 |
| Due from other banks | 5,946,566 | 3,962,437 |
| | 6,764,159 | 5,460,783 |
| Less: Due from other banks with original maturity of three months or more | (5,259,203) | (3,373,886) |
| | 1,504,956 | 2,086,897 |

25. Operating segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting to the management, which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has five main business segments:

- Retail banking - incorporating individual customer and certain business current accounts, savings accounts, deposits, credit and debit cards, individual customer loans and mortgages;
- Wholesale banking - incorporating transactions with corporate bodies including government and public bodies and comprising of loans, advances, deposits and trade finance transactions of corporate customers and financial institutions;
- Business banking - incorporating transactions comprising of loans, advances, deposits and trade finance transactions of SME;
- Treasury - incorporating activities of the dealing room, related money market, and foreign exchange transactions and hedging activities with other banks and financial institutions including the UAE Central Bank, none of which constitute a separately reportable segment; and
- Insurance business - incorporating all insurance related transactions of its subsidiary Ras Al Khaimah National Insurance Company P.S.C.

The above segments include conventional and Islamic products and services of the Group. As the Group's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, the management relies primarily on revenue and segmental results to assess the performance of the segment.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of net profit comprising net interest income, loan credit loss charges, net fee and commission income, other income and non-interest expenses.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 30 September 2019 and 2018 is as follows:

| | Retail Banking AED'000 | Wholesale Banking AED'000 | Business Banking AED'000 | Treasury & other AED'000 | Head office & unallocated costs AED'000 | Insurance business AED'000 | Consolidation elimination AED'000 | Total AED'000 |
|---|------------------------------|---------------------------------|--------------------------------|--------------------------------|--|----------------------------------|---|--------------------|
| 30 September 2019 | | | | | | | | |
| (unaudited) | | | | | | | | |
| Net interest income | 911,826 | 241,014 | 603,584 | 86,175 | - | 7,549 | 1,807 | 1,851,955 |
| Net income from Islamic financing net of distribution to depositors | 180,308 | (39,618) | 122,959 | (24,447) | - | - | 500 | 239,702 |
| Transfer pricing (expense)/income | (236,291) | (25,024) | 37,596 | 50,831 | 172,888 | - | - | - |
| Net interest income and income from Islamic financing | 855,843 | 176,372 | 764,139 | 112,559 | 172,888 | 7,549 | 2,307 | 2,091,657 |
| Non-interest income | 447,202 | 51,140 | 208,706 | 170,633 | (514) | 37,902 | (8,399) | 906,670 |
| Operating income | 1,303,045 | 227,512 | 972,845 | 283,192 | 172,374 | 45,451 | (6,092) | 2,998,327 |
| Operating expense excluding depreciation and amortisation | (582,167) | (33,360) | (150,476) | (14,503) | (276,696) | (37,327) | 4,603 | (1,089,926) |
| Depreciation and amortisation | (28,209) | (1,112) | (948) | (578) | (50,194) | (2,720) | (1,337) | (85,098) |
| Total operating expense | (610,376) | (34,472) | (151,424) | (15,081) | (326,890) | (40,047) | 3,266 | (1,175,024) |
| Provision for credit loss, net | (529,730) | (38,990) | (404,416) | (8,216) | - | (2,539) | - | (983,891) |
| Net profit | 162,939 | 154,050 | 417,005 | 259,895 | (154,516) | 2,865 | (2,826) | 839,412 |
| Segment assets | 19,076,433 | 14,271,177 | 8,025,855 | 12,834,401 | 1,462,172 | 852,044 | (265,914) | 56,256,168 |
| Total assets | 19,076,433 | 14,271,177 | 8,025,855 | 12,834,401 | 1,462,172 | 852,044 | (265,914) | 56,256,168 |
| Segment liabilities | 11,803,941 | 12,457,967 | 14,415,352 | 8,621,409 | 853,764 | 661,813 | (107,466) | 48,706,780 |
| Total liabilities | 11,803,941 | 12,457,967 | 14,415,352 | 8,621,409 | 853,764 | 661,813 | (107,466) | 48,706,780 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

25. Operating segments (continued)

| | Retail Banking AED'000 | Wholesale Banking AED'000 | Business Banking AED'000 | Treasury & other AED'000 | Head office & unallocated costs AED'000 | Insurance business AED'000 | Consolidation elimination AED'000 | Total AED'000 |
|---|------------------------------|---------------------------------|--------------------------------|--------------------------------|--|----------------------------------|---|--------------------|
| 30 September 2018 (unaudited) | | | | | | | | |
| Net interest income | 968,655 | 154,889 | 648,946 | 48,705 | - | 7,307 | (897) | 1,827,605 |
| Net income from Islamic financing net of distribution to depositors | 142,727 | (8,133) | 103,789 | (71) | - | - | - | 238,312 |
| Transfer pricing (expense)/income | (215,539) | 5,646 | 45,381 | 23,420 | 141,092 | - | - | - |
| Net interest income and income from Islamic financing | 895,843 | 152,402 | 798,116 | 72,054 | 141,092 | 7,307 | (897) | 2,065,917 |
| Non-interest income | 396,133 | 39,116 | 187,252 | 103,349 | 955 | 48,806 | (6,810) | 768,801 |
| Operating income | 1,291,976 | 191,518 | 985,368 | 175,403 | 142,047 | 56,113 | (7,707) | 2,834,718 |
| Operating expense excluding depreciation and amortisation | (582,137) | (32,520) | (140,260) | (12,391) | (235,599) | (40,594) | 6,243 | (1,037,258) |
| Depreciation and amortisation | (23,891) | (1,207) | (898) | (666) | (43,868) | (2,871) | (2,407) | (75,808) |
| Total operating expense | (606,028) | (33,727) | (141,158) | (13,057) | (279,467) | (43,465) | 3,836 | (1,113,066) |
| Provision for credit loss, net | (536,259) | (23,256) | (479,925) | (13,914) | - | 3,519 | - | (1,049,835) |
| Net profit | 149,689 | 134,535 | 364,285 | 148,432 | (137,420) | 16,167 | (3,871) | 671,817 |
| 31 December 2018 (audited) | | | | | | | | |
| Segment assets | 18,518,607 | 11,273,491 | 8,713,151 | 12,341,885 | 1,292,757 | 822,885 | (296,551) | 52,666,225 |
| Total assets | 18,518,607 | 11,273,491 | 8,713,151 | 12,341,885 | 1,292,757 | 822,885 | (296,551) | 52,666,225 |
| Segment liabilities | 10,717,873 | 12,419,583 | 13,350,217 | 7,996,057 | 567,511 | 627,253 | (140,152) | 45,538,342 |
| Total liabilities | 10,717,873 | 12,419,583 | 13,350,217 | 7,996,057 | 567,511 | 627,253 | (140,152) | 45,538,342 |

The comparative figures of 30 September 2018 and 31 December 2018 have been reclassified between operating segments due to movement of accounts among segments.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

26. Related parties balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

| | Nine month period ended 30 September | |
|--|---|---|
| | 2019 (un-audited) AED'000 | 2018 (un-audited) AED'000 |
| Transactions during the period | | |
| Interest income | 12,729 | 4,097 |
| Interest expense | 26,538 | 31,025 |
| Commission income | 979 | 455 |
| Directors' and key management personnel's remuneration, sitting and other expenses | 18,113 | 16,981 |
| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
| Balances | | |
| <i>Loans and advances:</i> | | |
| - Shareholders and their related companies | 358,265 | 276,457 |
| - Directors and their related companies | 97 | 8,076 |
| - Key management personnel | 6,664 | 3,692 |
| | 365,026 | 288,225 |
| Deposits | | |
| - Shareholders and their related companies | 2,031,131 | 2,047,914 |
| - Directors and their related companies | 10,324 | 5,344 |
| - Key management personnel | 18,030 | 16,525 |
| | 2,059,485 | 2,069,783 |
| Irrevocable commitments and contingent liabilities and forward contracts | | |
| - Shareholders and their related companies | 181,466 | 190,373 |
| - Directors and their related companies | 40 | 40 |
| | 181,506 | 190,413 |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

26. Related parties balances (continued)

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| <i>Insurance related receivables</i> | | |
| Due from policy holders | 8,501 | 12,580 |
| <i>Insurance related payables</i> | | |
| Due to policy holders | 1,987 | 199 |

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 30 September 2019

The Bank is required to report capital resources and risk-weighted assets under the Basel III from January 2018. Capital structure and capital adequacy as per Basel III requirement as at 30 September 2019 and 31 December 2018 is given below:

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| <i>Tier 1 capital</i> | | |
| Ordinary share capital | 1,676,245 | 1,676,245 |
| Legal and other reserves | 4,043,090 | 3,953,624 |
| Retained earnings | 933,690 | 542,158 |
| Current year profit | 848,088 | 910,239 |
| Dividend | - | (502,874) |
| Tier 1 capital base | 7,501,113 | 6,579,392 |
| Tier 2 capital base | 521,175 | 476,626 |
| Total capital base | 8,022,288 | 7,056,018 |
| <i>Risk weighted assets</i> | | |
| Credit risk | 41,694,016 | 38,130,054 |
| Market risk | 1,701,881 | 464,985 |
| Operational risk | 2,451,565 | 2,451,565 |
| Total risk weighted assets | 45,847,462 | 41,046,604 |
| Capital adequacy ratio on Tier 1 capital | 16.36% | 16.03% |
| Capital adequacy ratio on Tier 2 capital | 1.14% | 1.16% |
| Total Capital adequacy ratio | 17.50% | 17.19% |

As per UAE Central Bank Regulation for Basel III, Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2019.

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

28. Fair values of financial assets and liabilities

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 the carrying values and fair value estimates of financial assets and liabilities. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms. At 30 September 2019, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial assets and liabilities:

| | Fair value | | Carrying value | |
|---|--|--|--|--|
| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
| Assets | | | | |
| Loan and advances | 34,670,916 | 33,050,411 | 34,558,098 | 32,860,662 |
| Investment securities | 8,163,316 | 7,016,783 | 8,047,488 | 7,189,133 |
| Cash and balances with the UAE Central Bank | 4,379,160 | 4,948,723 | 4,376,478 | 4,947,996 |
| Due from other banks | 5,855,327 | 4,725,694 | 5,908,961 | 4,755,542 |
| Total financial assets | 53,068,719 | 49,741,611 | 52,891,025 | 49,753,333 |
| Liabilities | | | | |
| Due to other banks | 4,349,952 | 4,418,479 | 4,325,959 | 4,381,462 |
| Deposits from customer | 36,471,705 | 34,102,734 | 36,455,991 | 34,139,784 |
| Debt securities issued and other borrowing | 4,891,821 | 4,821,560 | 4,886,420 | 4,826,105 |
| Total financial liabilities | 45,713,478 | 43,342,773 | 45,668,370 | 43,347,351 |

29. Fair value hierarchy

The fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices - Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs - Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as forward foreign exchange contracts which are valued using market standard pricing techniques.

Valuation techniques using significant unobservable inputs - Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from a transaction in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The table below analyses recurring fair value measurements for assets and liabilities.

Notes to the condensed consolidated interim financial information for the period from
1 January 2019 to 30 September 2019 (continued)

29. Fair value hierarchy (continued)

| | Quoted market prices Level 1 AED'000 | Observable inputs Level 2 AED'000 | Significant unobservable inputs Level 3 AED'000 | Total AED'000 |
|---|--|--|--|------------------|
| 30 September 2019 (un-audited) | | | | |
| Assets at fair value | | | | |
| <i>(Through other comprehensive income)</i> | | | | |
| Investment securities - debt | 2,361,062 | - | - | 2,361,062 |
| Investment securities - equity | 95,160 | - | 2,612 | 97,772 |
| Foreign exchange contracts | - | 151,520 | - | 151,520 |
| Derivative financial instruments | - | 283,777 | - | 283,777 |
| <i>(Through profit and loss)</i> | | | | |
| Investment market fund | 20,347 | - | 41,179 | 61,526 |
| Investment - debt securities <i>(Held at amortised cost)</i> | 273,353 | - | - | 273,353 |
| Investment securities - debt | 4,795,431 | - | 574,172 | 5,369,603 |
| | 7,545,353 | 435,297 | 617,963 | 8,598,613 |
| Liabilities at fair value | | | | |
| Foreign exchange contracts | - | 147,767 | - | 147,767 |
| Derivative financial instruments | - | 374,284 | - | 374,284 |
| | - | 522,051 | - | 522,051 |
| | | | | |
| | Quoted market prices Level 1 AED'000 | Observable inputs Level 2 AED'000 | Significant unobservable inputs Level 3 AED'000 | Total AED'000 |
| 31 December 2018 | | | | |
| Assets at fair value | | | | |
| <i>(Through other comprehensive income)</i> | | | | |
| Investment securities - debt | 2,196,564 | - | - | 2,196,564 |
| Investment securities - equity | 210,924 | - | 2,612 | 213,536 |
| Foreign exchange contracts | - | 35,838 | - | 35,838 |
| Derivative financial instruments | - | 21,667 | - | 21,667 |
| <i>(through profit and loss)</i> | | | | |
| Investment mutual fund | 22,964 | - | 38,004 | 60,968 |
| Investment securities - debt <i>(Held at amortised cost)</i> | 4,209,013 | - | 336,702 | 4,545,715 |
| | 6,639,465 | 57,505 | 377,318 | 7,074,288 |
| Liabilities at fair value | | | | |
| Foreign exchange contracts | - | 45,986 | - | 45,986 |
| Derivative financial instruments | - | 54,494 | - | 54,494 |
| | - | 100,480 | - | 100,480 |

30. Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical judgments and key sources of estimation uncertainty are disclosed in the 31 December 2018 financial statements except for those pertaining to the adoption of IFRS 16 which are detailed below:

Critical judgments in applying the Group's accounting policies introduced on adoption of IFRS 16

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial information:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

31. Right-of-use assets

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|--|---|---|
| Balance at the beginning of the period | - | - |
| Impact of adoption of IFRS 16 1 January 2019 | 225,191 | - |
| Decrease due changes in lease liability | (2,124) | - |
| Depreciation for the period | (29,135) | - |
| Balance at the closing of the period | 193,932 | - |

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

32. Lease liabilities

| | 30 September 2019 (un-audited) AED'000 | 31 December 2018 (audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period | - | - |
| Impact of adoption of IFRS 16 - 1 January 2019 | 195,885 | - |
| Decrease due change in lease contract amount | (2,124) | - |
| Interest cost on lease liability for the period | 5,828 | - |
| Less: payments made during the period | (30,576) | - |
| Balance at the closing of the period | 169,013 | - |

33. Seasonality of results

Dividend income of AED 14.3 million (30 September 2018: 16.9 million) of seasonal nature was recorded in the condensed consolidated interim financial information for the period.

34. Comparative figures

The comparative amounts for the year ended 2018 have been restated due to correction of prior period error relating to inaccurate codification and accounting of certain transactions of Ras Al Khaimah National Insurance Company PSC which resulted in a reduction in retained earnings of AED 32 million of the Bank as at 31 December 2018.

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been restated in the consolidated statement of financial position for the prior year ended 31 December 2018, as previously reported:

Notes to the condensed consolidated interim financial information for the period from 1 January 2019 to 30 September 2019 (continued)

34. Comparative figures (continued)

Extract of consolidated statement of financial position:

| | As previously reported AED'000 | Increase / (Decrease) AED'000 | As restated AED'000 |
|--|--------------------------------------|-------------------------------------|---------------------------|
| Assets | | | |
| Insurance contract assets and receivables | 388,594 | 11,845 | 400,439 |
| Other assets | 952,644 | (29,560) | 923,084 |
| | 1,341,238 | (17,715) | 1,323,523 |
| Liabilities | | | |
| Insurance contract liabilities and payables | 511,395 | 9,067 | 520,462 |
| Other liabilities | 1,103,515 | 5,310 | 1,108,825 |
| | 1,614,910 | 14,377 | 1,629,287 |
| Equity attributable to owners of the Bank | | | |
| Retained earnings | 1,479,856 | (25,427) | 1,454,429 |
| | 1,479,856 | (25,427) | 1,454,429 |
| Non-controlling interests | | | |
| Non-controlling interests | 45,868 | (6,665) | 39,203 |
| | 45,868 | (6,665) | 39,203 |

35. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were approved on 23 October 2019.