



REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

January 1, 2021 to March 31, 2021



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 31 March 2021 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. 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
27 April 2021

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Condensed consolidated interim statement of financial position as at 31 March 2021

	Notes	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
ASSETS			
Cash and balances with UAE Central Bank	4	3,806,766	5,470,285
Due from other banks, net	5	7,925,145	6,562,391
Loans and advances, net	7	30,517,722	30,041,470
Investment securities measured at fair value	6	4,464,099	3,633,298
Investment securities measured at amortised cost	6	4,133,890	4,301,664
Insurance contract assets and receivables, net		271,481	282,265
Customer acceptances		132,749	116,865
Other assets	8	910,639	1,284,182
Property and equipment		764,732	795,930
Right-of-use assets	31	124,656	117,872
Goodwill		166,386	166,386
		53,218,265	52,772,608
Assets classified as held for sale		12,753	-
Total assets		53,231,018	52,772,608
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	9	3,184,122	2,067,762
Deposits from customers	10	36,479,360	36,944,324
Customer acceptances		132,749	116,865
Debt securities issued and other long term borrowing	11	3,610,058	3,612,266
Insurance contract liabilities and payables		390,434	430,394
Other liabilities	12	1,364,215	1,653,691
Lease liabilities	32	110,335	102,348
Total liabilities		45,271,273	44,927,650
Equity			
Share capital	13	1,676,245	1,676,245
Legal reserve		950,431	950,431
Retained earnings		2,192,585	2,079,275
Other reserves		3,100,591	3,099,695
Equity attributable to owners of the Bank		7,919,852	7,805,646
Non-controlling interests		39,893	39,312
Total equity		7,959,745	7,844,958
Total Liabilities and Equity		53,231,018	52,772,608

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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 2021 to 31 March 2021

	Notes	Three months period ended 31 March	
		2021 (un-audited) AED'000	2020 (un-audited) AED'000
Interest income	16	486,016	729,269
Interest expense	16	(55,590)	(143,510)
Net interest income		430,426	585,759
Income from Islamic financing	17	117,062	151,982
Distribution to depositors	17	(15,742)	(41,622)
Net income from Islamic financing		101,320	110,360
Net interest income and net income from Islamic financing		531,746	696,119
Net fees and commission income	18	172,085	190,189
Foreign exchange & derivative income		26,626	59,816
Net insurance underwriting profit		3,332	11,967
Investment income	19	37,598	25,462
Other operating income		29,524	17,606
Non-interest income		269,165	305,040
Operating income		800,911	1,001,159
General and administrative expenses	20	(329,967)	(367,261)
Operating profit before provision for credit loss		470,944	633,898
Provision for credit loss, net	21	(356,997)	(480,400)
Profit for the period		113,947	153,498
Attributed to:			
Owners of the Bank		113,310	153,099
Non-controlling interests		637	399
Profit for the period		113,947	153,498
Earnings per share:			
Basic and diluted in AED	22	0.07	0.09

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 2021 to 31 March 2021

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Profit for the period	113,947	153,498
Other comprehensive income:		
<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)	34,947	(64,684)
<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)	(2,687)	(292,924)
Loss / (profit) on sale of debt instruments transferred to profit and loss	(22,601)	(14,155)
Net changes in fair value arising from cash flow hedges	(8,819)	25,303
Other comprehensive income/(loss) for the period	840	(346,460)
Total comprehensive income/(loss) for the period	114,787	(192,962)
Attributed to:		
Owners of the Bank	114,206	(192,422)
Non-controlling interests	581	(540)
Total comprehensive income/(loss) for the period	114,787	(192,962)

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 2021 to 31 March 2021

	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 2019 (audited)	1,676,245	950,431	2,015,353	3,161,700	7,803,729	37,828	7,841,557
Profit for the period	-	-	153,099	-	153,099	399	153,498
Other comprehensive income	-	-	-	(345,521)	(345,521)	(939)	(346,460)
Total comprehensive income for the period	-	-	153,099	(345,521)	(192,422)	(540)	(192,962)
Dividend declared and approved	-	-	(502,873)	-	(502,873)	-	(502,873)
At 31 March 2020 (un-audited)	1,676,245	950,431	1,665,579	2,816,179	7,108,434	37,288	7,145,722
Balance at 31 December 2020 (audited)	1,676,245	950,431	2,079,275	3,099,695	7,805,646	39,312	7,844,958
Profit for the period	-	-	113,310	-	113,310	637	113,947
Other comprehensive income	-	-	-	896	896	(56)	840
Total comprehensive income for the period	-	-	113,310	896	114,206	581	114,787
At 31 March 2021(un-audited)	1,676,245	950,431	2,192,585	3,100,591	7,919,852	39,893	7,959,745

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 2021 to 31 March 2021

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Cash flows from operating activities		
Profit for the period	113,947	153,498
Adjustments:		
Provision for credit losses, net	356,997	480,400
Depreciation of property and equipment	31,733	28,354
Net changes in fair value arising from hedge and forex revaluation	34,974	(52,211)
Depreciation of Right-of-use assets	7,378	9,248
Interest cost on lease liability	1,027	1,837
Pandemic discount on lease contracts	(572)	-
Loss / (gain) on disposal of property and equipment	(9)	1
Amortization of discount relating to investments securities	(1,228)	(47,123)
Gain on sale of investment securities	(25,431)	(37,542)
Fair value loss / (gain) of held for trading investment securities	(3,081)	21,168
Amortisation of discount of debt securities	1,636	1,127
	517,371	558,757
Changes in operating assets and liabilities		
Decrease / (Increase) in deposits with the UAE Central Bank	373,610	(259,578)
Increase in due from other banks with original maturities of three month or over	(1,077,810)	(999,173)
Increase in loans and advances, net	(824,707)	(243,383)
Decrease / (Increase) in insurance contract assets & receivables	15,257	(20,945)
Decrease / (Increase) in other assets	356,820	(386,858)
Increase in due to other banks and UAE Central Bank	1,116,360	1,638,112
Increase / (decrease) in deposits from customers	(464,964)	973,886
Increase / (decrease) in insurance contract liabilities and payables	(39,960)	1,503
Increase / (decrease) in other liabilities	(289,788)	248,264
Net cash generated / (used) from operating activities	(317,811)	1,510,585
Cash flows from investing activities		
Purchase of investment securities	(3,028,331)	(2,481,553)
Proceeds from maturity/disposal of investment securities	2,367,998	2,424,499
Purchase of property and equipment	(13,401)	(18,335)
Proceeds from disposal of property and equipment	121	5
Net cash used from investing activities	(673,613)	(75,384)
Cash flows from financing activities		
Payment for rentals on lease contracts	(5,791)	(4,316)
Net cash used from financing activities	(5,791)	(4,316)
Net increase / (decrease) in cash and cash equivalents	(997,215)	1,430,885
Cash and cash equivalents, beginning of the period	3,636,113	1,903,424
Cash and cash equivalents, end of the period (Note 24)	2,638,898	3,334,309

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 2021 to 31 March 2021

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 twenty seven branches in the UAE.

At 31 March 2021, 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 three months period ended 31 March 2021 comprises the Bank and following direct subsidiaries:

<i>Subsidiary</i>	<i>Authorized & issued capital</i>	<i>Ownership interest</i>	<i>Incorporated</i>	<i>Principal Activities</i>
Ras Al Khaimah National Insurance Company PSC	AED 121.275 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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, 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.

- Amendments to IFRS 3 - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 - These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.
- Amendments to Conceptual framework – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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	January 1, 2023

IFRS 17 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 2023.

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities - These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

January 1, 2022

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.

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 is 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 2020.

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 2020. In addition, results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

(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.

3. Significant accounting policies (continued)

(b) Consolidation (continued)

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.

(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 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.

3. Significant accounting policies (continued)

(c) Islamic financing (continued)

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.

(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 less than three months excluding the statutory deposit required to be maintained with the UAE Central Bank.

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

4. Cash and balances with UAE Central Bank

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Cash in hand	685,914	772,356
Balances with the UAE Central Bank	-	23,468
Overnight Deposits with the UAE central Bank	700,000	1,880,000
Statutory deposit with the UAE Central Bank (a)	2,070,852	2,019,461
Certificates of deposit with the UAE Central Bank	350,000	775,000
	3,806,766	5,470,285

The Central Bank of the U.A.E. has prescribed reserve requirements on deposits, 1% for time deposits and 14% on current, saving, call and similar accounts. Last year due to the pandemic situation this requirement has been reduced by the central bank to 7% on current, saving, call and similar accounts. These are only available for day-to-day operations under certain specified conditions and cannot be withdrawn without the Central Bank's prior approval.

Central bank certificates of deposit with value of AED 350 million (31 December 2020: AED 350 million) have been given as collateral for zero cost funding of AED 350 million (31 December 2020: AED 350 million) under UAE Central bank Targeted Economic Support Scheme ("TESS") programme (note 9).

5. Due from other banks, net

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Placements with other banks	623,116	791,273
Demand deposits	974,567	471,279
Banker's acceptances	3,408,324	2,755,336
Syndicated loans	2,924,443	2,544,113
Other	38,264	36,208
Total due from other banks	7,968,714	6,598,209
Provision for credit loss	(43,569)	(35,818)
Net due from other banks	7,925,145	6,562,391

The below represents deposits and balances due from:

Banks in UAE	478,158	569,361
Banks outside UAE	7,490,556	6,028,848
Total due from other banks	7,968,714	6,598,209

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

6 Investment securities, net

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
<i>Securities at fair value through other comprehensive income (FVOCI)</i>		
Quoted equity securities	352,974	267,896
Unquoted equity securities	2,612	2,612
Quoted debt securities*	3,549,468	2,759,371
Unquoted debt securities	372,716	432,294
	4,277,770	3,462,173
<i>Securities at fair value through profit or loss (FVPL)</i>		
Quoted funds	126,591	125,100
Unquoted funds	44,216	42,481
Quoted debt securities	15,522	3,544
	186,329	171,125
Investment securities measured at fair value	4,464,099	3,633,298
<i>Securities held at amortised cost</i>		
Quoted debt securities*	3,908,804	4,044,523
Unquoted debt securities	246,091	279,186
	4,154,895	4,323,709
Provision for credit loss for securities held at amortised cost	(21,005)	(22,045)
Investment securities measured at amortised cost	4,133,890	4,301,664
Net investment securities	8,597,989	7,934,962

*As at 31 March 2021, quoted debt securities with fair value of AED 502.3 million (31 December 2020: Nil) have been given as collateral against repo borrowings of AED 443.3 million (31 December 2020: Nil) [Note 9].

Also quoted debt securities with fair value AED 859.5 million (31 December 2020: AED 968.5 million) have been given as collateral for UAE Central Bank zero cost funding under "TESS" programme [Note 9].

6 Investment securities, net (continued)

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

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Federal and local Government – UAE	859,195	628,475
Government related entity – UAE	1,010,960	1,104,783
Government - GCC	574,772	684,853
Government - other	1,444,340	1,116,368
Banks and financial institutions - UAE	563,770	566,584
Banks and financial institutions - GCC	385,802	403,084
Banks and financial institutions - other	1,393,934	1,298,239
Public limited companies – UAE	367,378	438,892
Public limited companies – GCC	527,690	510,030
Public limited companies – other	964,760	767,610
Total Debt securities	8,092,601	7,518,918
Quoted equity securities	352,974	267,896
Quoted funds	126,591	125,100
Unquoted funds	44,216	42,481
Unquoted equity securities	2,612	2,612
Total investment securities	8,618,994	7,957,007

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

7 Loans and advances, net

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
(a) Loans and advances:		
Retail banking loans	17,175,942	16,722,959
Wholesale banking loans	7,276,272	7,162,423
Business banking loans	8,280,088	8,315,530
Total loans and advances [Note 7(b)]	32,732,302	32,200,912
Provision for credit loss [Note 7(c)]	(2,214,580)	(2,159,442)
Net loans and advances	30,517,722	30,041,470
(b) Analysis of loans and advances:		
Personal loans	6,167,374	6,259,453
Mortgage loans	5,643,676	5,596,742
Credit cards	2,125,458	2,203,728
Auto loans	487,024	538,080
RAK Business loans	3,277,128	3,443,069
Other Business banking loans	5,002,960	4,872,461
Wholesale banking loans	7,276,272	7,162,423
Other retail loans	2,752,410	2,124,956
Total loans and advances	32,732,302	32,200,912
(c) Provision for credit loss:		
Balance at the beginning of the period/year	2,159,442	1,711,565
Impairment allowance for the period/year	369,413	1,699,534
Written-off during the period/year	(314,275)	(1,251,657)
Balance at the end of the period/year	2,214,580	2,159,442
(d) Provision for credit loss/release on loans and advances, net of recovery - for the three months period ended:		
	31 March 2021 (un-audited) AED'000	31 March 2020 (un-audited) AED'000
Impairment allowance for the period	369,413	500,181
Net recovery during the period	(20,958)	(25,838)
Net impairment charge for the period (Note 21)	348,455	474,343

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

7 Loans and advances, net (continued)

(e) Islamic financing assets

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

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
i) Islamic financing assets		
Islamic retail financing assets	3,292,506	3,289,296
Islamic business banking assets	2,159,940	2,199,490
Islamic wholesale banking assets	873,406	886,131
Total Islamic financing assets	6,325,852	6,374,917
Provision for credit loss	(474,281)	(420,858)
	5,851,571	5,954,059

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
ii) Analysis of Islamic financing assets		
Islamic Salam Personal finance	2,138,656	2,166,569
Islamic Auto Murabaha	71,412	82,606
Islamic Business banking Finance	2,159,940	2,199,490
Islamic Ijara Property Finance	1,026,161	976,061
Islamic Credit Cards	55,175	63,281
Islamic wholesale banking	873,406	886,131
Islamic finance - other	1,102	779
	6,325,852	6,374,917

8 Other assets

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Interest receivable	261,363	275,931
Profit receivable on Islamic financing assets	44,505	44,326
Prepayments and deposits	74,155	101,502
Interest rate swaps and other derivatives	355,652	564,418
Insurance related receivables and assets	24,778	24,780
Gold on hand	402	21,196
Islamic profit paid in advance	5,162	9,473
Other	144,622	242,556
	910,639	1,284,182

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

9 Due to other banks

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Term borrowings	1,329,268	854,001
Repurchase agreements (Note 6)	443,317	-
UAE Central Bank current account	200,831	-
UAE Central Bank zero cost funding under "TESS" programme*	1,199,000	1,199,000
Demand deposits	11,706	14,761
	3,184,122	2,067,762

*Breakdown of UAE Central bank zero cost funding under "TESS"

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
UAE Central Bank zero cost funding against quoted debt securities	849,000	849,000
UAE Central Bank zero cost funding against central bank certificate of deposit	350,000	350,000
	1,199,000	1,199,000

Under UAE Central Bank Targeted Economic Support Scheme ("TESS") programme the Group has received zero cost funding totalling AED 1,199 million (31 December 2020: AED 1,199 million). Central bank certificates of deposit of AED 350 million (31 December 2020: AED 350 million) and quoted debt securities with fair value of AED 859.5 million (31 December 2020: AED 968.5 million) have been given as collateral.

10 Deposits from customers

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Time deposits	7,806,000	8,884,497
Current accounts	23,621,567	22,984,282
Saving deposits	3,690,555	3,826,983
Call deposits	1,361,238	1,248,562
	36,479,360	36,944,324

Deposits include AED 1,292 million (31 December 2020: AED 1,308 million) held by the Group as cash collateral for loans and advances granted to customers.

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

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Wakala deposits	1,023,650	1,209,557
Mudaraba term investment deposits	16,286	23,937
Murabaha Term Deposit	803,605	896,945
Qard-E-Hassan - current accounts	929,931	881,105
Mudaraba - current accounts	592,231	495,994
Mudaraba - saving accounts	208,580	213,613
Mudaraba - call deposits	15,980	14,998
	3,590,263	3,736,149

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

11 Debt securities in issue and other long term borrowings

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	1,832,945	1,832,671
USD 50 million private placement at discount in July 2017 (a)	183,562	183,494
USD 145 million private placement net of discount (a)	527,668	527,131
USD 80 million bilateral borrowing (b)	293,840	293,840
SAR 800 million Islamic bilateral borrowing (c)	783,479	783,458
Less: Debt securities and other borrowing issue costs	(11,436)	(8,328)
	3,610,058	3,612,266

- (a) 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.

Under 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 March 2018 through a private placement with an interest rate of USD 3 months LIBOR +1.4% which mature in in March 2023.

- (b) In March 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.
- (c) In March 2019 the Group borrowed SAR 800 million at a profit rate of 3.85% per annum which matures in March 2022.

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

12. Other liabilities

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Interest payable	99,051	83,313
Profit distributable on Islamic deposits	25,568	29,248
Accrued expenses	189,376	220,255
Provision for employees' end-of-service benefits	124,145	124,314
Foreign exchange and other derivatives derivative contracts	445,194	636,961
Credit card payables and liabilities	46,364	146,645
Managers cheques issued	219,208	208,669
Mortgage payables and liabilities	28,466	18,830
Insurance related payables and liabilities	24,687	32,431
Provision for credit loss on contingent assets and customer acceptances	14,560	11,027
Other	147,596	141,998
	1,364,215	1,653,691

13. Share capital and dividend

At 31 March 2021, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares of AED 1 each (31 December 2020: 1,676 million shares of AED 1 each).

At the meeting held on 2 February 2021, the Board of Directors proposed a cash dividend of 15% amounting to AED 251.4 million of the issued and paid up capital in respect of the year ended 31 December 2020 (2019: 30% cash dividend amounting to AED 502.9 million). Subsequently the shareholders of the Bank have approved cash dividend of 15% amounting to AED 251.4 million on 11 April 2021.

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

14. Contingencies and commitments

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Irrevocable commitments to extend credit	3,663,301	3,332,866
Letters of guarantee - Financial	492,900	505,797
Letters of guarantee – Non Financial	600,601	604,815
Letters of credit	273,340	384,395
Capital commitments and others	23,951	19,654
	5,054,093	4,847,527

The Group is holding AED 14.4 million (31 December 2020: AED 10.9 million) provision for credit loss on contingencies and commitments as per IFRS9.

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 8,658 million (31 December 2020: AED 6,620 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 31 March 2021 and 31 December 2020 are as follows:

	Fair Values		
	Assets AED'000	Liability AED'000	Notional AED'000
31 March 2021			
Foreign exchange contracts	28,977	17,926	7,352,446
Interest rate swaps	311,671	408,548	12,154,733
Other derivative contracts	15,004	18,720	4,009,272
	355,652	445,194	23,516,451
31 December 2020			
Foreign exchange contracts	64,560	53,263	9,168,773
Interest rate swaps	456,964	573,207	11,976,928
Other derivative contracts	42,894	10,491	4,154,393
	564,418	636,961	25,300,094

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

16. Interest income and expense

	Three months period ended 31 March	
	2021	2020
	(un-audited) AED'000	(un-audited) AED'000
<i>Interest income</i>		
Personal loans	62,069	88,816
Mortgage loans	37,628	46,577
Credit cards	93,125	139,635
Auto loans	5,799	10,093
RAK Business loans	75,546	121,177
Wholesale banking loans	44,393	76,311
Other Business banking loans	59,262	82,726
Other retail banking loans	13,148	17,879
Investment securities	59,824	86,284
Deposits with the U.A.E. Central Bank	148	2,924
Other banks	35,074	56,847
	486,016	729,269
<i>Interest expense</i>		
Due to customers	27,504	76,828
Debt securities issued and other borrowings	24,535	40,629
Borrowings from other banks	3,551	26,053
	55,590	143,510

17. Income from Islamic Financing and distribution to depositors

	Three months period ended 31 March	
	2021	2020
	(un-audited) AED'000	(un-audited) AED'000
<i>Income from Islamic financing</i>		
Islamic Salam personal finance	43,032	56,556
Islamic Auto Murabaha	964	2,302
Islamic business banking finance	47,336	67,037
Islamic wholesale banking finance	6,218	9,180
Islamic Ijara property finance	8,933	10,289
Islamic Investment Income	10,579	6,618
	117,062	151,982
<i>Distribution to depositors</i>		
Distribution of profit on Islamic term investment deposits	7,937	33,886
Distribution of profit on Islamic demand deposits	265	656
Debt securities Cost-Bilateral borrowing	7,540	7,080
	15,742	41,622

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

18. Net fees and commission income

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Personal loans	6,840	13,555
Mortgage loans	4,318	5,373
Credit cards	61,471	65,203
Auto loans	1,799	2,778
RAK Business loans	7,600	11,514
Wholesale banking loans	13,646	9,258
Other Business banking	38,378	41,811
Fiduciary income	24,140	14,782
Bancassurance	5,523	12,964
Other	8,370	12,951
	172,085	190,189

19. Investment income

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Fair value profit / (loss)	3,081	(21,168)
Dividend income	9,085	9,087
Net gain on disposal of Investments	25,432	37,543
	37,598	25,462

20. General and administrative expenses

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Staff costs	185,980	212,954
Outsourced staff costs	9,240	11,484
Occupancy costs	16,164	21,777
Marketing expenses	6,822	9,601
Depreciation and amortisation	31,733	28,354
Communication costs	16,791	17,401
Legal and collection charges	9,286	9,147
Information and technology expenses	22,962	23,160
Other	30,989	33,383
	329,967	367,261

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

21. Provision for credit loss, net

	Three months period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Net impairment charge on loans and advances	348,455	474,343
Net impairment charge on due from other banks	7,751	7,456
Net impairment charge on Investment securities measured at fair value through OCI	2,772	1,755
Net impairment charge on Investment securities measured at amortised cost	(1,040)	(867)
Net impairment (release) / charge on insurance contracts	(4,474)	2,597
Net impairment charge / (release) on customer acceptances	17	(63)
Net impairment charge / (release) on off balance sheet items	3,516	(4,821)
Net impairment charge for the period	356,997	480,400

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 2020 AED'000	Net provided / (released) during the period AED'000	Other movement during the period AED'000	At 31 March 2021 AED'000
Due from other banks	35,818	7,751	-	43,569
Loans and advances	2,159,442	369,413	(314,275)	2,214,580
Investment Securities - FVOCI	22,920	2,772	-	25,692
Investment Securities – Amortised cost	22,045	(1,040)	-	21,005
Insurance contract assets and receivables	54,708	(4,474)	(11,020)	39,214
Customer acceptances	175	17		192
Off balance sheet items	10,852	3,516		14,368
Total	2,305,960	377,955	(325,295)	2,358,620

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (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 31 March	
	2021	2020
	(un-audited)	(un-audited)
	AED'000	AED'000
Profit for the period	113,310	153,099
(attributed to owners of the Bank)		
Weighted average number of shares in issue (in thousands)	1,676,245	1,676,245
Basic and diluted earnings per share (AED)	0.07	0.09

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 31 March 2021, market value of such assets amounted to AED 4,008 million (31 December 2020: AED 2,731 million) and are excluded from the condensed consolidated interim financial information of the Group.

24. Cash and cash equivalents

	31 March 2021	31 March 2020
	(un-audited)	(un-audited)
	AED'000	AED'000
Cash in hand and current account with UAE Central Bank	1,385,914	2,108,942
Due from other banks	7,968,714	8,090,026
	9,354,628	10,198,968
Less: Due from other banks with original maturity of three months or more	(6,715,730)	(6,864,659)
Cash and cash equivalents	2,638,898	3,334,309

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 impairment 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 2021 to 31 March 2021 (continued)

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 31 March 2021 and 2020 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
31 March 2021 (unaudited)								
Net interest income	199,525	66,742	129,248	32,742	-	1,901	268	430,426
Net income from Islamic financing net of distribution to depositors	48,330	3,258	46,724	3,008	-	-	-	101,320
Transfer pricing income	(62,029)	(17,011)	(20,242)	88,314	10,968	-	-	-
Net interest income and income from Islamic financing	185,826	52,989	155,730	124,064	10,968	1,901	268	531,746
Non-interest income	142,162	14,512	61,363	44,891	59	8,568	(2,390)	269,165
Operating income	327,988	67,501	217,093	168,955	11,027	10,469	(2,122)	800,911
General and administrative expenses excluding depreciation and amortisation	(137,815)	(9,594)	(61,750)	(5,230)	(74,700)	(11,267)	2,122	(298,234)
Depreciation and amortisation	(10,568)	(521)	(1,523)	(710)	(17,699)	(712)	-	(31,733)
Total general and administrative expenses	(148,383)	(10,115)	(63,273)	(5,940)	(92,399)	(11,979)	2,122	(329,967)
Provision for credit loss, net	(244,689)	(28,013)	(86,769)	(2,101)	-	4,575	-	(356,997)
Net profit / (loss)	(65,084)	29,373	67,051	160,914	(81,372)	3,065	-	113,947
Segment assets	16,554,728	13,472,823	7,997,602	13,536,145	1,288,152	671,528	(289,960)	53,231,018
Total assets	16,554,728	13,472,823	7,997,602	13,536,145	1,288,152	671,528	(289,960)	53,231,018
Segment liabilities	12,598,103	8,118,943	16,303,401	7,136,805	772,958	465,658	(124,595)	45,271,273
Total liabilities	12,598,103	8,118,943	16,303,401	7,136,805	772,958	465,658	(124,595)	45,271,273

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (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
31 March 2020 (unaudited)								
Net interest income	278,151	82,847	190,461	31,223		2,269	808	585,759
Net income from Islamic financing net of distribution to depositors	63,422	(15,671)	62,432	(196)			373	110,360
Transfer pricing income	(74,590)	(12,786)	(13,648)	59,716	41,308	-	-	-
Net interest income and income from Islamic financing	266,983	54,390	239,245	90,743	41,308	2,269	1,181	696,119
Non-interest income	145,443	10,172	68,528	69,269	43	15,206	(3,621)	305,040
Operating income	412,426	64,562	307,773	160,012	41,351	17,475	(2,440)	1,001,159
General and administrative expenses excluding depreciation and amortisation	(168,278)	(11,600)	(69,955)	(6,058)	(73,392)	(12,064)	2,440	(338,907)
Depreciation and amortisation	(9,385)	(457)	(403)	(195)	(17,008)	(906)		(28,354)
Total general and administrative expenses	(177,663)	(12,057)	(70,358)	(6,253)	(90,400)	(12,970)	2,440	(367,261)
Provision for credit loss, net	(258,776)	(23,559)	(194,157)	(1,326)	-	(2,582)	-	(480,400)
Net profit / (loss)	(24,013)	28,946	43,258	152,433	(49,049)	1,923	-	153,498
31 December 2020								
Segment assets	16,299,683	12,356,798	8,039,484	14,254,110	1,383,932	691,303	(252,702)	52,772,608
Total assets	16,299,683	12,356,798	8,039,484	14,254,110	1,383,932	691,303	(252,702)	52,772,608
Segment liabilities	13,023,703	9,163,768	15,467,682	6,123,400	748,207	488,227	(87,337)	44,927,650
Total liabilities	13,023,703	9,163,768	15,467,682	6,123,400	748,207	488,227	(87,337)	44,927,650

The comparative figures of 31 March 2020 and 31 December 2020 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 2021 to 31 March 2021 (continued)

26. Related parties

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:

	Three month period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Transactions during the period		
Interest income	1,592	3,428
Interest expense	3,726	8,394
Commission income	46	116
Directors' and key management personnel's remuneration, sitting and other expenses	9,163	17,813
	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Balances		
<i>Loans and advances:</i>		
- Shareholders and their related companies	336,040	300,999
- Directors and their related companies	42,676	35,961
- Key management personnel	3,837	3,001
	382,553	339,961
Deposits		
- Shareholders and their related companies	2,020,917	2,107,864
- Directors and their related companies	8,747	10,327
- Key management personnel	20,926	18,503
	2,050,590	2,136,694
Irrevocable commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	165,396	166,161
- Directors and their related companies	40	40
	165,436	166,201

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

26. Related parties (continued)

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Insurance related receivables		
Due from policy holders	6,837	11,150
Insurance related payables		
Due to policy holders	176	59

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 31 March 2021

The Bank is required to report capital resources and risk-weighted assets under the Basel III from January 2020. Capital structure and capital adequacy as per Basel III requirement as at 31 March 2021 and 31 December 2020 is given below:

	31 March 2021 (un-audited) (after applying prudential filter) AED'000	31 December 2020 (audited) AED'000
Tier 1 capital		
Ordinary share capital	1,676,245	1,676,245
Legal and other reserves	4,170,876	4,172,571
Retained earnings	2,081,333	1,583,664
Current year profit	110,882	497,669
Dividend for year 2020	(251,437)	(251,437)
Tier 1 capital base	7,787,899	7,678,712
Tier 2 capital base	513,175	492,180
Total capital base	8,301,074	8,170,892
Risk weighted assets		
Credit risk	41,053,995	39,374,431
Market risk	1,546,397	1,153,831
Operational risk	3,341,552	3,341,552
Total risk weighted assets	45,941,944	43,869,814
Capital adequacy ratio on Tier 1 capital	16.95%	17.50%
Capital adequacy ratio on Tier 2 capital	1.12%	1.13%
Total Capital adequacy ratio	18.07%	18.63%

As per UAE Central Bank Regulation for Basel III, the Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2021. However, according to UAE Central Bank regulation dated 12 November 2020, banks are allowed to tap into the Capital Conservation Buffer up to a maximum of 60% without supervisory consequences until 31 December 2021. Additionally, UAE Central Bank regulation dated 22 April 2020 provides for a "Prudential Filter" that permits Banks and Finance Companies to add back increases in IFRS9 provisions to the regulatory capital over a transition period of 5 years, on a proportionate basis.

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 31 March 2021, 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	
	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Assets				
Loan and advances	30,902,240	30,280,145	30,517,722	30,041,470
Investment securities measured at fair value	4,464,099	3,633,298	4,464,099	3,633,298
Investment securities measured at amortised cost	4,267,543	4,456,657	4,133,890	4,301,664
Cash and balances with the UAE Central Bank	3,806,914	5,470,341	3,806,766	5,470,285
Due from other banks	7,903,506	6,519,107	7,925,145	6,562,391
Total financial assets	51,344,302	50,359,548	50,847,622	50,009,108
Liabilities				
Due to other banks	3,189,841	2,082,509	3,184,122	2,067,762
Deposits from customer	36,497,259	36,968,118	36,479,360	36,944,324
Debt securities issued and other borrowing	3,649,366	3,649,115	3,610,058	3,612,266
Total financial liabilities	43,336,466	42,699,742	43,273,540	42,624,352

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 2021 to 31 March 2021 (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
31 March 2021 (un-audited)				
Assets at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	3,549,468	164,498	208,218	3,922,184
Investment securities - equity	352,974	-	2,612	355,586
Foreign exchange contracts	-	28,977	-	28,977
Derivative financial instruments	-	326,675	-	326,675
<i>(Through profit and loss)</i>				
Investment market fund	126,591	-	44,216	170,807
Investment - debt securities	15,522	-	-	15,522
<i>(Held at amortised cost)</i>				
Investment securities - debt	4,026,065	-	241,478	4,267,543
	8,070,620	520,150	496,524	9,087,294
Liabilities at fair value				
Foreign exchange contracts	-	17,926	-	17,926
Derivative financial instruments	-	427,268	-	427,268
	-	445,194	-	445,194
31 December 2020				
Assets at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	2,759,371	272,662	159,632	3,191,665
Investment securities - equity	267,896	-	2,612	270,508
Foreign exchange contracts	-	64,560	-	64,560
Derivative financial instruments	-	499,858	-	499,858
<i>(through profit and loss)</i>				
Investment market fund	125,100	-	42,481	167,581
Investment- debt securities	3,544	-	-	3,544
<i>(Held at amortised cost)</i>				
Investment securities - debt	4,199,593	-	257,064	4,456,657
	7,355,504	837,080	461,789	8,654,373
Liabilities at fair value				
Foreign exchange contracts	-	53,263	-	53,263
Derivative financial instruments	-	583,698	-	583,698
	-	636,961	-	636,961

There were no transfers between level 1 / 2 to 3 during the period

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

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.

31. Right-of-use assets

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Balance at the beginning of the period	117,872	176,939
Additions during the period	-	909
Increase / (decrease) due to changes in lease liability and contract period	14,162	(22,541)
Depreciation for the period	(7,378)	(37,435)
Balance at the closing of the period	124,656	117,872

32. Lease liabilities

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Balance at the beginning of the period	102,348	151,710
Additions during the period	-	909
Increase / (decrease) due to changes in lease contract amount and contract period	13,323	(24,230)
Gain from rent concession due to pandemic	(572)	(3,936)
Interest cost on lease liability for the period	1,027	5,374
Less: payments made during the period	(5,791)	(27,479)
Balance at the closing of the period	110,335	102,348

33. Seasonality of results

Dividend income of AED 9.1 million (31 March 2020: AED 9.1 million) of seasonal nature was recorded in the condensed consolidated interim financial information for the period.

34. Risk management in the current economic scenario

Risk management in the current economic scenario

The economic fallout of COVID-19 crisis is expected to be significant and continues to evolve rapidly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. In the year 2020, the Central Bank of UAE (“CBUAE”) had taken multiple measures and incentives totalling to AED 256 billion to help banks support the economic sectors and individuals in the UAE impacted by this crisis.

COVID-19 impact on measurement of ECL

IFRS9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times. Specifically, all aspects of the IFRS 9 framework are overseen by an IFRS 9 Steering Committee with participation from the Chief Risk Officer, Chief Financial Officer and other members from Risk and Finance functions. The Bank, through this committee, reviews the appropriateness of inputs and methodology for IFRS 9 ECL, effectiveness and reliability of the reporting under IFRS 9 and other relevant matters pertaining to IFRS 9 on an ongoing basis.

The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. Vaccine development and roll out of vaccination programs throughout geographies is expected to have some mitigating impact. Notwithstanding this, recognizing that the outbreak continues to have an impact on the macro-economic environment, which is having an impact on the bank’s portfolio & performance. The Group, based on historical analysis determines key economic variables that impacts the credit risk of its various portfolios and uses macro-economic forecasts for these variables to estimate the PD’s. The Group employs experts who use external and internal information to generate 3 scenarios viz. Baseline, Upturn and Downturn, in accordance with IFRS 9 requirements. In accordance with the Joint Guidance Note issued by CBUAE, Dubai Financial Services Authority (“DFSA”) and the Financial Services Regulatory Authority (the “FSRA”) the group has used the updated macro-economic forecasts for Q4’20 ECL, which incorporates the impact of Covid-19 on the bank’s ECL numbers, and hence the increase in the probability of pessimistic scenario has been discontinued from Q4’20. The Bank is currently using the weightings of (40/30/30) of Base/upside /downturn in its model, consistent with 31 December 2020. The sensitivity to 10% increase in Adverse Scenario, with a corresponding decrease of 10% in Upturn scenario is AED 64.2m as at Q1’21.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in risk profile as well as any actual and expected increase in credit risk. This assessment includes detailed review of potential impacts of COVID-19 on individual clients as well as on various industries.

34. Risk management in the current economic scenario (continued)

As per the requirement of the Joint Guidance, the Bank has started grouping of the customers receiving the payment deferrals, into two groups (Group 1 and Group 2) based on the estimated extent of impact of this pandemic on the particular customer; Group 1 classification for the mildly impacted customers and Group 2 classification for the borrowers whose credit profile has deteriorated materially.

The grouping decisions are being taken based on relevant product or portfolio, for example; for Non Retail portfolio (Wholesale banking & Business Banking clients), the grouping exercise is being done on a case-by-case assessment of the borrower & the underlying business including the impact of the externalities on the underlying business (cash-flows, turnover, repayment capacity, etc.) of the borrower and based on a combination of certain other criteria (like job loss, reduction in salary, level of business operations whether normalcy has reached or not) for retail and small and medium enterprise portfolios. These grouping decisions are iterative and are being reviewed on ongoing basis & may change based on the evolving external situations. The Bank has put an internal governance framework around grouping evaluation. With economic activities resuming bank is seeing a reduction in the portfolio under payment deferral.

The Bank is continuously monitoring the current situation, which is unprecedented and is working very closely with its customers and extending required support in these uncertain and evolving times and has also reassessed its staging of the portfolio as at 31 December 2020. This included evaluating whether the investment and Financial Institutions' portfolio has suffered a significant increase in credit risk.

The Bank continues to work with CBUAE and other regulatory authorities in the jurisdictions it operates to refine and operationalize relief schemes being deployed to assist clients impacted by COVID-19. This includes the Targeted Economic Support Scheme ("TESS") announced in UAE in March 2020 and subsequently updated on 6 April 2020 and 6 August 2020. More than twentytwo thousand of the Bank's retail, SME and corporate clients have subscribed to these schemes as at 31 March 2021.

Liquidity management

The CBUAE has continued to support the banking industry by extending the Targeted Economic Support Scheme (TESS), allowing UAE Banks to access zero cost funding from the CBUAE and pass on the benefit through allowing fresh funds, principal and/or interest deferrals to their clients. This further eased the liquidity scenario for the industry as a whole and provided the sector an appropriate cushion, the Bank in line ensured that its clients are appropriately supported.

The Bank continues to remain vigilant and is well prepared for any unexpected liquidity scenarios.

34. Risk management in the current economic scenario (continued)

Business continuity planning

The Bank's Management Committee (GMC) consisting of heads of all departments continues to closely monitor the situation and take appropriate actions in line with the guidance by NCEMA (National Emergency Crisis and Disasters Management Authority) to ensure safety and security of Bank staff and an uninterrupted service to our customers. Senior Management and about 60% of the staff members have started working from office and the teams working from office have been split at various locations. All required protocols by Department of Health (DHA) are being adhered to i.e. wearing of mask by staff members when on bank premises and maintaining social distance between workstations. Business Continuity Plans (BCP) for respective areas are in place and tested.

Remote access to workstations is protected using Virtual desktops (VDI) and Virtual private network (VPN) connectivity. The connectivity mandates two factor authentication using tokens. Specific cyber security awareness initiatives were rolled out for both staff and customers. All remote work capabilities enabled for staff are being monitored and all threat intelligence is intercepted and responded to by a 24x7 security operations centre.

The Bank is monitoring local developments that can have an impact on our operations. The Bank continues to promote usage of digital channels resulting in reduced footfall in Branches. All Branches are fully operational and customers are being serviced. Social distancing and queues are being managed as per local authority guidelines. The Bank has taken measures to monitor service levels and the Bank continues to meet the expectations of our clients and support them effectively during these times.

Bank management has been encouraging staff members to get themselves vaccinated to support the vaccination drive by the UAE Government. HR is also in the process of organizing vaccination camp on Bank premises with support from Department of Health.

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34. Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE

Gross loans and advances to customers by product and/or industry

	Gross loans and advances (Un-Audited)				ECL on loans and advances (Un-Audited)	
	Gross loans	Deferred Amount	Deferrals under TESS/Non Tess (exposure)	%	No of Customers in deferral	Total ECL
As at 31 March 2021 (un-audited)	AED'000	AED'000	AED'000			AED'000
Retails banking loans:						
Personal loans	6,167,374	3,188	142,430	2.3%	573	561,081
Mortgage loans	5,643,676	-	-	0.0%	-	161,969
Credit cards	2,125,458	-	-	0.0%	-	292,049
Auto loans	487,024	62	1,423	0.3%	4	13,856
Other retail loans	2,752,410					9,903
Total retail banking loans	17,175,942	3,250	143,853	0.8%	577	1,038,858
Business banking loans:						
RAK business loans	3,277,128	480	11,793	0.4%	12	572,112
Other business banking loans	5,002,960	3,506	11,828	0.2%	4	365,536
Total business banking loans	8,280,088	3,986	23,621	0.3%	16	937,648
Wholesale banking loans	7,276,272	2,693	407,761	5.6%	3.00	238,074
Total loans and advances	32,732,302	9,929	575,235	1.8%	596	2,214,580

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Gross loans and advances to customers by product and/or industry/Group

	Group 1		Deferrals under TESS / Non-TESS			
			Group 2			
	Gross loans	No of	ECL	Gross loans	No of	ECL
As at 31 March 2021 (un-audited)	AED'000	customers	AED'000	AED'000	customers	AED'000
<i>Retails banking loans:</i>						
Personal loans	100,346	414	3,472	42,085	159	22,563
Mortgage loans	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Auto loans	124	2	1	1,299	2	273
Other retail loans						
Total retail banking loans	100,470	416	3,473	43,384	161	22,836
<i>Business banking loans:</i>						
RAK business loans	2,592	4	153	9,201	8	5,024
Other business banking loans	5,501	1	12	6,327	3	178
Total business banking loans	8,093	5	165	15,528	11	5,202
Wholesale banking loans	390,604	2	592	17,157	1	1,679
Total loans and advances	499,167	423	4,230	76,069	173	29,717

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Change in gross carrying amount and expected credit losses

	Gross carrying amount			ECL on loans and advances (un-audited)		
	31-Mar-21 Un-audited AED'000	31-Dec-20 Audited AED'000	% Change	31-Mar-21 Un-audited AED'000	31-Dec-20 Audited AED'000	% Change
Retails banking loans:						
Personal loans	6,167,374	6,259,453	(1.5%)	561,081	494,801	13.4%
Mortgage loans	5,643,676	5,596,742	0.8%	161,969	133,896	21.0%
Credit cards	2,125,458	2,203,728	(3.6%)	292,049	340,045	-14.1%
Auto loans	487,024	538,080	(9.5%)	13,856	16,868	-17.9%
Other retail loans	2,752,410	2,124,956	29.5%	9,903	11,020	-10.1%
Total retail banking loans	17,175,942	16,722,959	2.7%	1,038,858	996,630	4.2%
Business banking loans:						
RAK business loans	3,277,128	3,443,069	(4.8%)	572,112	574,554	-0.4%
Other business banking loans	5,002,960	4,872,461	(2.7%)	365,536	368,067	-0.7%
Total business banking loans	8,280,088	8,315,530	(0.4%)	937,648	942,621	-0.5%
Wholesale banking loans:						
Total wholesale banking loans	7,276,272	7,162,423	1.6%	238,074	220,191	8.1%
Total loans and advances	32,732,302	32,200,912	1.7%	2,214,580	2,159,442	2.6%

During the Q1'21 the Non-Retail portfolio underwent a re-segmentation exercise pursuant to which, Wholesale banking portfolio, has reduced due to certain Commercial Banking clients being re-segmented to Business Banking segment (SME). Due to this re-segmentation, the relevant comparative figures & disclosure notes have been regrouped. Note: The above disclosures are in respect of Active Deferrals as at 31 March 2021.

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Changes in the gross carrying for loans and advances at amortized cost

	31 March 2021 (un-audited)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Gross carrying amount as at 1 January 2021	28,007,194	2,419,703	1,774,015	32,200,912
Transfer from Stage 1 to Stage 2	(1,077,252)	1,077,252	-	-
Transfer from Stage 1 to Stage 3	(146,170)	-	146,170	-
Transfer from Stage 2 to Stage 3	-	(352,687)	352,687	-
Transfer from Stage 2 to Stage 1	229,495	(229,495)	-	-
Transfer from Stage 3 to Stage 2	-	39,234	(39,234)	-
Change in Exposures during the year	(3,702,471)	(462,463)	(97,901)	(4,262,835)
New financial assets originated	5,108,500	-	-	5,108,500
Write-offs	-	-	(314,275)	(314,275)
Gross carrying amount as at 31 March 2021	28,419,296	2,491,544	1,821,462	32,732,302

	31 December 2020 (audited)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Gross carrying amount as at 1 January 2020	32,600,836	2,268,213	1,393,079	36,262,128
Transfer from Stage 1 to Stage 2	(2,241,894)	2,241,894	-	-
Transfer from Stage 1 to Stage 3	(1,262,090)	-	1,262,090	-
Transfer from Stage 2 to Stage 3	-	(668,903)	668,903	-
Transfer from Stage 2 to Stage 1	470,322	(470,322)	-	-
Transfer from Stage 3 to Stage 2	-	62,517	(62,517)	-
Change in Exposures during the year	(10,843,064)	(1,013,696)	(235,883)	(12,092,643)
New financial assets originated	9,283,084	-	-	9,283,084
Write-offs	-	-	(1,251,657)	(1,251,657)
Gross carrying amount as at 31 December 2020	28,007,194	2,419,703	1,774,015	32,200,912

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Changes in the gross carrying for due from banks

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	5,516,681	1,081,528	-	6,598,209
Transfer from Stage 1 to Stage 2	(241,191)	241,191	-	-
Change in Exposures during the year	(210,767)	(249,970)	-	(460,737)
New financial assets originated	1,831,242	-	-	1,831,242
Gross carrying amount as at 31 March 2021	6,895,965	1,072,749	-	7,968,714

	31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	5,824,760	797,553	-	6,622,313
Transfer from Stage 1 to Stage 2	(1,068,183)	1,068,183	-	-
Transfer from Stage 2 to Stage 1	109,339	(109,339)	-	-
Change in Exposures during the year	(1,907,132)	(674,869)	-	(2,582,001)
New financial assets originated	2,557,897	-	-	2,557,897
Gross carrying amount as at 31 December 2020	5,516,681	1,081,528	-	6,598,209

Changes in the gross carrying for Investment securities – FVOCI

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	2,978,737	224,332	11,516	3,214,585
Change in Exposures during the year	(640,965)	(19,646)	196	(660,415)
New financial assets originated	1,393,706	-	-	1,393,706
Gross carrying amount as at 31 March 2021	3,731,478	204,686	11,712	3,947,876

	31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	2,426,272	18,963	12,801	2,458,036
Transfer from Stage 1 to Stage 2	(270,055)	270,055	-	-
Change in Exposures during the year	(267,304)	(64,686)	(1,285)	(333,275)
New financial assets originated	1,089,824	-	-	1,089,824
Gross carrying amount as at 31 December 2020	2,978,737	224,332	11,516	3,214,585

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Changes in the gross carrying for Investment securities - Amortized Cost

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	3,861,486	462,223	-	4,323,709
Change in Exposures during the year	(505,847)	54,465	-	(451,382)
New financial assets originated	282,568	-	-	282,568
Gross carrying amount as at 31 March 2021	3,638,207	516,688	-	4,154,895

	31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	4,622,930	591,369	-	5,214,299
Transfer from Stage 1 to Stage 2	(180,495)	180,495	-	-
Change in Exposures during the year	(2,083,822)	(309,641)	-	(2,393,463)
New financial assets originated	1,502,873	-	-	1,502,873
Gross carrying amount as at 31 December 2020	3,861,486	462,223	-	4,323,709

Changes in the gross carrying for loans and advances at amortized cost - Wholesale Banking segment

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	6,655,171	256,056	251,196	7,162,423
Transfer from Stage 1 to Stage 2	(188,597)	188,597	-	-
Change in Exposures during the year	(1,445,245)	(149,308)	(822)	(1,595,375)
New financial assets originated	1,709,224	-	-	1,709,224
Gross carrying amount as at 31 March 2021	6,730,553	295,345	250,374	7,276,272

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Changes in the gross carrying for loans and advances at amortized cost - Business Banking segment

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	6,303,700	1,395,243	616,587	8,315,530
Transfer from stage 1 to Stage 2	(334,443)	334,443	-	-
Transfer from stage 1 to Stage 3	(79,324)	-	79,324	-
Transfer from stage 2 to Stage 3	-	(146,972)	146,972	-
Transfer from Stage 2 to Stage 1	83,973	(83,973)	-	-
Transfer from Stage 3 to Stage 2	-	1,228	(1,228)	-
Change in Exposures during the year	(732,907)	(244,937)	(31,309)	(1,009,153)
New financial assets originated	1,074,466	-	-	1,074,466
Write-offs	-	-	(100,755)	(100,755)
Gross carrying amount as at 31 March 2021	6,315,465	1,255,032	709,591	8,280,088

Changes in the gross carrying for loans and advances at amortized cost - Retail Banking segment

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	15,048,322	768,405	906,232	16,722,959
Transfer from stage 1 to Stage 2	(554,212)	554,212	-	-
Transfer from stage 1 to Stage 3	(66,846)	-	66,846	-
Transfer from stage 2 to Stage 3	-	(205,715)	205,715	-
Transfer from Stage 2 to Stage 1	145,522	(145,522)	-	-
Transfer from Stage 3 to Stage 2	-	38,006	(38,006)	-
Change in Exposures during the year	(1,524,319)	(68,219)	(65,770)	(1,658,308)
New financial assets originated	2,324,811	-	-	2,324,811
Write-offs	-	-	(213,520)	(213,520)
Gross carrying amount as at 31 March 2021	15,373,278	941,167	861,497	17,175,942

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Loss allowance for loans and advances measured at amortized cost

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	683,535	581,402	894,505	2,159,442
Transfer from Stage 1 to Stage 2	(161,346)	161,346	-	-
Transfer from Stage 1 to Stage 3	(63,963)	-	63,963	-
Transfer from Stage 2 to Stage 3	-	(148,230)	148,230	-
Transfer from Stage 2 to Stage 1	95,423	(95,423)	-	-
Transfer from Stage 3 to Stage 2	-	15,752	(15,752)	-
Due to changes in PD's/LGD's/EAD	(101,119)	52,859	195,460	147,200
New financial assets originated	222,213	-	-	222,213
Write-offs	-	-	(314,275)	(314,275)
Gross carrying amount as at 31 March 2021	674,743	567,706	972,131	2,214,580

	31 December 2020 (audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	658,857	425,666	627,042	1,711,565
Transfer from Stage 1 to Stage 2	(226,561)	226,561	-	-
Transfer from Stage 1 to Stage 3	(303,408)	-	303,408	-
Transfer from Stage 2 to Stage 3	-	(214,762)	214,762	-
Transfer from Stage 2 to Stage 1	55,951	(55,951)	-	-
Transfer from Stage 3 to Stage 2	-	14,443	(14,443)	-
Due to changes in PD's/LGD's/EAD	(67,560)	185,445	1,015,393	1,133,278
New financial assets originated	566,256	-	-	566,256
Write-offs	-	-	(1,251,657)	(1,251,657)
Gross carrying amount as at 31 December 2020	683,535	581,402	894,505	2,159,442

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Loss allowance for due from Banks

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	17,427	18,391	-	35,818
Transfer from Stage 1 to Stage 2	(3,756)	3,756	-	-
Due to changes in PD's/LGD's/EAD	3,113	(5,655)	-	(2,542)
New financial assets originated	10,293	-	-	10,293
Gross carrying amount as at 31 March 2021	27,077	16,492	-	43,569

	31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	19,437	9,643	-	29,080
Transfer from Stage 1 to Stage 2	(9,336)	9,336	-	-
Transfer from Stage 2 to Stage 1	2,384	(2,384)	-	-
Due to changes in PD's/LGD's/EAD	(8,947)	1,796	-	(7,151)
New financial assets originated	13,889	-	-	13,889
Gross carrying amount as at 31 December 2020	17,427	18,391	-	35,818

Loss allowance for Investment securities - FVOCI

	31 March 2021 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	9,295	13,384	241	22,920
Due to changes in PD's/LGD's/EAD	(3,049)	(1,307)	(29)	(4,385)
New financial assets originated	7,157	-	-	7,157
Gross carrying amount as at 31 March 2021	13,403	12,077	212	25,692

	31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	3,843	428	-	4,271
Transfer from Stage 1 to Stage 2	(1,562)	1,562	-	-
Due to changes in PD's/LGD's/EAD	748	11,394	4,041	16,183
New financial assets originated	6,266	-	-	6,266
Less: other movements	-	-	(3,800)	(3,800)
Gross carrying amount as at 31 December 2020	9,295	13,384	241	22,920

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Loss allowance for Investment securities - Amortized Cost

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	5,997	16,048	-	22,045
Due to changes in PD's/LGD's/EAD	(1,721)	(1,585)	-	(3,306)
New financial assets originated	2,266	-	-	2,266
Gross carrying amount as at 31 March 2021	6,542	14,463	-	21,005

	31 December 2020 (audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2020	13,564	14,597	-	28,161
Transfer from Stage 1 to Stage 2	(1,332)	1,332	-	-
Due to changes in PD's/LGD's/EAD	(9,014)	119	-	(8,895)
New financial assets originated	2,779	-	-	2,779
Gross carrying amount as at 31 December 2020	5,997	16,048	-	22,045

Loss allowance for loans and advances measured at amortized cost – Wholesale Banking

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	47,582	17,543	155,066	220,191
Transfer from Stage 1 to Stage 2	(15,121)	15,121	-	-
Due to changes in PD's/LGD's/EAD	(4,443)	3,916	(407)	(934)
New financial assets originated	18,817	-	-	18,817
Gross carrying amount as at 31 March 2021	46,835	36,580	154,659	238,074

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

Loss allowance for loans and advances measured at amortized cost - Business Banking

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	269,053	300,768	372,800	942,621
Transfer from Stage 1 to Stage 2	(56,382)	56,382	-	-
Transfer from Stage 1 to Stage 3	(49,796)	-	49,796	-
Transfer from Stage 2 to Stage 3	-	(69,499)	69,499	-
Transfer from Stage 2 to Stage 1	45,214	(45,214)	-	-
Transfer from Stage 3 to Stage 2	-	942	(942)	-
Due to changes in PD's/LGD's/EAD	(60,713)	(13,760)	69,835	(4,638)
New financial assets originated	100,420	-	-	100,420
Write-offs	-	-	(100,755)	(100,755)
Gross carrying amount as at 31 March 2021	247,796	229,619	460,233	937,648

Loss allowance for loans and advances measured at amortized cost – Retail Banking

	31 March 2021 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2021	366,900	263,091	366,639	996,630
Transfer from Stage 1 to Stage 2	(89,843)	89,843	-	-
Transfer from Stage 1 to Stage 3	(14,167)	-	14,167	-
Transfer from Stage 2 to Stage 3	-	(78,731)	78,731	-
Transfer from Stage 2 to Stage 1	50,209	(50,209)	-	-
Transfer from Stage 3 to Stage 2	-	14,810	(14,810)	-
Due to changes in PD's/LGD's/EAD	(35,963)	62,703	126,032	152,772
New financial assets originated	102,976	-	-	102,976
Write-offs	-	-	(213,520)	(213,520)
Gross carrying amount as at 31 March 2021	380,112	301,507	357,239	1,038,858

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

34 Risk management in the current economic scenario (continued)

Quantitative disclosures as required by the Joint Guidance issued by the CBUAE (continued)

ECL charge (flow) for the year 2021

	Non-credit impaired		Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
Retail Banking segment Loans	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED'000	AED'000	AED'000	AED'000
ECL allowance as at 1 January 2021	366,900	263,091	366,639	996,630
Credit Cards	16,305	(14,225)	(50,076)	(47,996)
Housing Loans	7,975	9,757	10,342	28,074
Personal Loans	(11,150)	43,623	33,808	66,281
Auto Loans	(345)	(1,032)	(1,635)	(3,012)
Other Retail Loans	427	293	(1,839)	(1,119)
ECL allowance as at 31 March 2021	380,112	301,507	357,239	1,038,858

	Non-credit impaired		Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
Business Banking segment Loans	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED'000	AED'000	AED'000	AED'000
ECL allowance as at 1 January 2021	269,053	300,768	372,800	942,621
RAK Business Banking Loans	(21,951)	(60,182)	79,691	(2,442)
Other Business Banking Loans	694	(10,967)	7,742	(2,531)
ECL allowance as at 31 March 2021	247,796	229,619	460,233	937,648

	Non-credit impaired		Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
Wholesale Banking segment Loans	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED'000	AED'000	AED'000	AED'000
ECL allowance as at 1 January 2021	47,582	17,543	155,066	220,191
Federal Government	(639)	-	-	(639)
GREs (Gov ownership >50%)	(1,316)	(12)	-	(1,328)
Corporate with Govt ownership <50%	3,751	-	-	3,751
Other Corporates	(5,073)	11,770	1,054	7,751
High Net Worth Individuals	(492)	-	-	(492)
SMEs	1,267	7,312	8	8,587
Banks	2,047	(3)	-	2,044
NBFI	(310)	-	-	(310)
Others	18	(30)	(1,469)	(1,481)
ECL allowance as at 31 March 2021	46,835	36,580	154,659	238,074

Notes to the condensed consolidated interim financial information for the period from 1 January 2021 to 31 March 2021 (continued)

35. Subsequent Events

At the meeting held on 11 April 2021, the shareholders of the Bank approved a cash dividend of 15% amounting to AED 251.4 million of the issued and paid up capital in respect of the year ended 31 December 2020 (2019: 30% cash dividend amounting to AED 503 million).

36. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved on **27 April 2021**