REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

January 1, 2020 to March 31, 2020

RAKBANK

Simply Better

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

TABLE OF CONTENTS

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 2020 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
30 April 2020

Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates

PricewaterhouseCoopers (Ras Al Khaimah Branch), License no. 41548
Julphar Towers, Level 24, Office No. 2402, Ras Al Khaimah -United Arab Emirates
T: +971 (0) 7 226 0222, F: +971 (0) 7 226 0555, www.pwc.com/me

Condensed consolidated interim statement of financial position as at 31 March 2020

Loans and advances, net	7	[illegible]	[illegible]
Investment securities, net	6	**7,941,544**	8,141,433
[illegible]		[illegible]	[illegible]
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	9	**6,615,167**	4,977,055
Deposits from customers	10	**37,800,246**	36,826,360
Customer acceptances		**409,510**	424,265
Debt securities issued and other long term borrowing	11	**4,890,007**	4,888,881
Insurance contract liabilities and payables		**557,878**	556,374
Other liabilities	12	**2,189,061**	1,453,357
Total liabilities		**52,610,462**	49,278,002
Equity			
Share capital	13	**1,676,245**	1,676,245
Equity attributable to owners of the Bank		**7,108,434**	7,803,729
Non-controlling interests		**37,288**	37,828
Total equity		**7,145,722**	7,841,557

....
Peter William England

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 2020 to 31 March 2020

	Notes	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Interest income	16	**729,269**	780,980
Interest expense	16	**(143,510)**	(172,595)
Net interest income		**585,759**	608,385
Income from Islamic financing	17	**151,982**	111,573
Distribution to depositors	17	**(41,622)**	(36,157)
Net income from Islamic financing		**110,360**	75,416
Net interest income and net income from Islamic financing		**696,119**	683,801
Net fees and commission income	18	**190,189**	200,584
Foreign exchange & derivative income		**59,816**	65,822
Gross insurance underwriting profit		**11,967**	12,631
Investment income	19	**25,462**	16,816
Other operating income		**17,606**	21,359
Non-interest income		**305,040**	317,212
Operating income		**1,001,159**	1,001,013
General and administrative expenses	20	**(367,261)**	(384,530)
Operating profit before provision for credit loss		**633,898**	616,483
Provision for credit loss, net	21	**(480,400)**	(346,323)
Profit for the period		**153,498**	270,160
Attributed to:			
Owners of the Bank		**153,099**	269,738
Non-controlling interests		**399**	422
Profit for the period		**153,498**	270,160
Earnings per share:			
Basic and diluted in AED	22	**0.09**	0.16

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 2020 to 31 March 2020

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Profit for the period	**153,498**	270,160
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Loss on sale of equity investments held at fair value through other comprehensive income	-	(10,514)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments)	**(64,684)**	8,788
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments)	**(307,079)**	30,893
Net changes in fair value arising from cash flow hedges	**25,303**	11,943
Other comprehensive income for the period	**(346,460)**	41,110
Total comprehensive income for the period	**(192,962)**	311,270
Attributed to:		
Owners of the Bank	**(192,422)**	310,488
Non-controlling interests	**(540)**	782
Total comprehensive income for the period	**(192,962)**	311,270

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 2020 to 31 March 2020

	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 2018 (audited)	1,676,245	950,431	1,479,856	3,007,575	7,114,107	45,868	7,159,975
Prior years adjustment related to insurance business	-	-	(25,427)	-	(25,427)	(6,665)	(32,092)
Restated balance at 1 January 2019	1,676,245	950,431	1,454,429	3,007,575	7,088,680	39,203	7,127,883
Profit for the period	-	-	269,738	-	269,738	422	270,160
Other comprehensive income	-	-	(10,514)	51,264	40,750	360	41,110
Total comprehensive income for the period	-	-	259,224	51,264	310,488	782	311,270
Directors' remuneration	-	-	(4,673)	-	(4,673)	-	(4,673)
Dividend paid	-	-	(502,873)	-	(502,873)	-	(502,873)
At 31 March 2019 (un-audited)	1,676,245	950,431	1,206,107	3,058,839	6,891,622	39,985	6,931,607
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**

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 2020 to 31 March 2020

	Three months period ended 31 March	
	2020	2019
	(un-audited)	(un-audited)
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**153,498**	270,160
Adjustments:		
Provision for credit losses, net	**480,400**	346,323
Depreciation of property and equipment	**28,354**	27,508
Net changes in fair value arising from hedge and forex revaluation	**(52,211)**	(18,270)
Depreciation of Right-of-use assets	**9,248**	8,500
Interest cost on lease liability	**1,837**	1,941
Amortization of intangible assets	**-**	802
Gain on disposal of property and equipment	**1**	(60)
Amortization of discount relating to investments securities	**(47,123)**	(26,736)
Gain on sale of investment securities	**(37,542)**	(4,891)
Fair value loss /(gain) of investment securities	**21,168**	(1,808)
Amortisation of discount of debt securities	**1,127**	10,273
	558,757	613,742
Changes in operating assets and liabilities		
(Increase) in deposits with the UAE Central Bank	**(259,578)**	(22,282)
(Increase) in due from other banks with original maturities of three month or over	**(999,173)**	(234,544)
(Increase) in loans and advances, net	**(243,383)**	(279,098)
(Increase) in insurance contract assets & receivables	**(20,945)**	(12,279)
(Increase) in other assets	**(386,858)**	(79,709)
Decrease / (increase) in due to other banks	**1,638,112**	(514,582)
Increase in deposits from customers	**973,886**	1,306,881
Increase /(decrease) in insurance contract liabilities and payables	**1,503**	(292)
Increase in right-of-use assets	**-**	-
Increase in lease liability	**-**	-
Increase in other liabilities	**248,264**	67,451
Net cash generated from operating activities	**1,510,585**	845,288
Cash flows from investing activities		
Purchase of investment securities	**(2,481,553)**	(1,795,076)
Proceeds from maturity/disposal of investment securities	**2,424,499**	1,144,460
Purchase of property and equipment	**(18,335)**	(22,231)
Proceeds from disposal of property and equipment	**5**	60
Net cash used from investing activities	**(75,384)**	(672,787)
Cash flows from financing activities		
Dividends paid	**-**	(502,873)
Directors' remuneration	**-**	(4,673)
Payment for rentals on lease contracts	**(4,316)**	(5,701)
Payment of debt security and other borrowings	**-**	-
Issue of debt security and other borrowings	**-**	(29,624)
Net cash used from financing activities	**(4,316)**	(542,871)
Net increase / (decrease) in cash and cash equivalents	**1,430,885**	(370,370)
Cash and cash equivalents, beginning of the period	**1,903,424**	2,422,692
Cash and cash equivalents, end of the period (Note 24)	**3,334,309**	2,052,322

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 2020 to 31 March 2020

1. Incorporation and Principal Activities

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

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

At 31 March 2020, 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 2020 comprises the Bank and following direct subsidiaries:

Subsidiary	*Authorized & issued capital*	*Ownership interest*	*Incorporated*	*Principal Activities*
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 2020, 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.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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:

New and revised IFRSs	***Effective for annual periods beginning on or after***
IFRS 17 Insurance Contracts 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.	January 1, 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 are prepared under the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2019.

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 2019. In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(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.

4. Cash and balances with UAE Central Bank

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Cash in hand	**960,788**	867,233
Balances with the UAE Central Bank	**1,148,154**	279,364
Statutory deposit with the UAE Central Bank (a)	**3,298,485**	3,238,907
Certificates of deposit with the UAE Central Bank	**600,000**	400,000
	6,007,427	4,785,504

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

5. Due from other banks, net

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Placements with other banks	**619,576**	447,445
Demand deposits	**1,137,197**	455,628
Banker's acceptances	**3,154,561**	2,812,694
Syndicated loans	**3,132,647**	2,845,259
Other	**46,045**	61,287
Total due from other banks	**8,090,026**	6,622,313
Provision for credit loss	**(36,536)**	(29,080)
Net due from other banks	**8,053,490**	6,593,233

The below represents deposits and balances due from:

Banks in UAE	**582,926**	478,977
Banks outside UAE	**7,507,100**	6,143,336
Total due from other banks	**8,090,026**	6,622,313

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 31 March 2020 (continued)

6 Investment securities, net

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Securities at fair value through other comprehensive income (FVOCI)		
Quoted equity securities	**198,917**	161,776
Unquoted equity securities	**2,612**	2,612
Quoted debt securities*	**2,343,945**	2,453,870
	2,545,474	2,618,258
Securities at fair value through profit or loss (FVPL)		
Quoted funds	**30,198**	37,641
Unquoted funds	**42,779**	42,083
Quoted debt securities	**21,803**	257,418
	94,780	337,142
Securities held at amortised cost		
Quoted debt securities*	**4,379,842**	4,749,913
Unquoted debt securities	**948,837**	464,386
	5,328,679	5,214,299
Total investment securities	**7,968,933**	8,169,699
Provision for credit loss	**(27,389)**	(28,266)
Net investment securities	**7,941,544**	8,141,433

*As at 31 March 2020, quoted debt securities with fair value of AED 2,377 million (31 December 2019: AED 1,637 million) have been given as collateral against repo borrowings of AED 2,316 million (31 December 2019: AED 1,594 million) [Note 9].

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

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Federal and local Government – UAE	**434,487**	441,515
Government related entity – UAE	**997,505**	1,088,673
Government - GCC	**670,717**	1,165,760
Government - other	**1,914,869**	1,528,764
Banks and financial institutions - UAE	**549,115**	713,749
Banks and financial institutions - GCC	**320,942**	244,607
Banks and financial institutions - other	**1,395,824**	1,265,947
Public limited companies – UAE	**457,383**	458,536
Public limited companies – GCC	**289,835**	294,522
Public limited companies – other	**663,750**	723,514
Total Debt securities	**7,694,427**	7,925,587
Quoted equity securities	**198,917**	161,776
Quoted funds	**30,198**	37,641
Unquoted funds	**42,779**	42,083
Unquoted equity securities	**2,612**	2,612
Total investment securities	**7,968,933**	8,169,699

7 Loans and advances, net

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
(a) Loans and advances:		
Retail banking loans	**18,292,748**	18,715,661
Wholesale banking loans	**9,920,555**	9,418,423
Business banking loans	**8,010,452**	8,128,044
Total loans and advances [Note 7(b)]	**36,223,755**	36,262,128
Provision for credit loss [Note 7(c)]	**(1,904,152)**	(1,711,565)
Net loans and advances	**34,319,603**	34,550,563
(b) Analysis of loans and advances:		
Personal loans	**7,144,556**	7,222,957
Mortgage loans	**5,431,017**	5,380,041
Credit cards	**2,891,523**	3,121,075
Auto loans	**767,749**	868,125
Business banking RAK finance loans	**4,018,506**	4,099,197
Business banking other loans	**3,991,946**	4,028,847
Wholesale banking loans	**9,920,555**	9,418,423
Other retail loans	**2,057,903**	2,123,463
Total loans and advances	**36,223,755**	36,262,128
(c) Provision for credit loss:		
Balance at the beginning of the period/year	**1,711,565**	1,966,612
Impairment allowance for the period/year	**500,181**	1,399,022
Written-off during the period/year	**(307,594)**	(1,654,069)
Balance at the end of the period/year	**1,904,152**	1,711,565

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

	31 March 2020 (un-audited) AED'000	31 March 2019 (un-audited) AED'000
Impairment allowance for the period	**500,181**	366,242
Net recovery during the period	**(25,838)**	(24,790)
Net impairment charge for the period (Note 21)	**474,343**	341,452

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 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
i) Islamic financing assets		
Islamic retail financing assets	**3,490,033**	3,508,781
Islamic business banking assets	**2,126,928**	2,043,967
Islamic wholesale banking assets	**1,298,383**	1,083,011
Total Islamic financing assets	**6,915,344**	6,635,759
Provision for credit loss	**(317,798)**	(288,385)
	6,597,546	6,347,374

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
ii) Analysis of Islamic financing assets		
Islamic Salam Personal finance	**2,396,857**	2,390,269
Islamic Auto Murabaha	**134,862**	160,162
Islamic Business banking Finance	**2,126,928**	2,043,967
Islamic Ijara Property Finance	**876,126**	869,109
Islamic Credit Cards	**80,033**	86,731
Islamic wholesale banking	**1,298,383**	1,083,011
Islamic finance - other	**2,155**	2,510
	6,915,344	6,635,759

8 Other assets

	31March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest receivable	**324,392**	322,003
Profit receivable on Islamic financing assets	**62,678**	63,618
Prepayments and deposits	**82,285**	48,231
Interest rate swaps and other derivatives	**613,550**	338,403
Insurance related receivables and assets	**31,185**	42,312
Gold on hand	**78,432**	33,069
Islamic profit paid in advance	**12,866**	18,977
Other	**205,350**	142,512
	1,410,738	1,009,125

9 Due to other banks

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Term borrowings	**4,262,681**	3,306,567
Repurchase agreements (Note 6)	**2,315,717**	1,593,659
Demand deposits	**36,769**	76,829
	6,615,167	4,977,055

10 Deposits from customers

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Time deposits	**13,989,643**	13,891,359
Current accounts	**18,934,036**	18,434,769
Saving deposits	**3,471,903**	3,275,754
Call deposits	**1,404,664**	1,224,478
	37,800,246	36,826,360

Deposits include AED 1,488 million (31 December 2019: AED 1,420 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 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Wakala deposits	**4,028,407**	2,881,992
Mudaraba term investment deposits	**15,150**	15,690
Murabaha Term Deposit	**984,806**	1,184,065
Qard-E-Hassan - current accounts	**846,062**	831,169
Mudaraba - current accounts	**443,242**	451,227
Mudaraba - saving accounts	**287,836**	228,079
Mudaraba - call deposits	**16,458**	21,283
	6,621,961	**5,613,505**

11 Debt securities in issue and other long term borrowings

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	**1,831,861**	1,831,598
USD 50 million private placement at discount in July 2017 (a)	**183,288**	183,220
USD 145 million private placement net of discount (a)	**525,513**	524,996
USD 350 million syndicated borrowing (b)	**1,285,550**	1,285,550
USD 80 million bilateral borrowing (c)	**293,840**	293,840
SAR 800 million Islamic bilateral borrowing (d)	**782,114**	783,302
Less: Debt securities and other borrowing issue costs	**(12,159)**	(13,625)
	4,890,007	4,888,881

(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) During the third quarter of year 2017, the Group arranged a three year syndicated borrowing of USD 350 million maturing in 2020. This syndicated borrowing carries an interest rate of USD 3 months LIBOR + 1.55% per annum.

(c) In March 2018 the Group borrowed USD 80 million at an interest rate of USD 3 months LIBOR + 1.25% per annum which matures in March 2021.

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

12. Other liabilities

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest payable	**171,586**	180,647
Profit distributable on Islamic deposits	**89,766**	66,274
Accrued expenses	**171,616**	242,261
Provision for employees' end-of-service benefits	**117,246**	115,269
Foreign exchange and other derivatives derivative contracts	**703,647**	377,378
Credit card payables and liabilities	**21,529**	48,142
Managers cheques issued	**143,201**	157,663
Mortgage payables and liabilities	**6,935**	7,151
Asset based finance payables and liabilities	**8,262**	24,428
Insurance related payables and liabilities	**50,194**	48,213
Provision for credit loss on contingent assets and customer acceptances	**6,254**	11,138
Dividend payable	**502,873**	-
Other	**195,952**	174,793
	2,189,061	1,453,357

13. Share capital and dividend

At 31 March 2020, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares of AED 1 each (31 December 2019: 1,676 million shares of AED 1 each).

At the meeting held on 30 March 2020, the shareholders of the Bank approved a cash dividend of 30% amounting to AED 503 million of the issued and paid up capital in respect of the year ended 31 December 2019 (2018: 30% cash dividend amounting to AED 503 million).

14. Contingencies and commitments

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Irrevocable commitments to extend credit	**2,036,253**	2,597,848
Letters of guarantee	**1,034,660**	830,599
Letters of credit	**391,089**	328,514
Capital commitments and others	**36,285**	33,379
	3,498,287	3,790,340

The Group is holding AED 5.9 million (31 December 2019: AED 10.72 million) provision for credit loss on contingencies and commitments as per IFRS 9.

Commitments to extend credit shown above represent unfunded amounts out of approved limits offered to customers, which are irrevocable by the Group. Commitments to extend credit amounting to AED 7,149 million (31 December 2019: AED 7,661 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 2020 and 31 December 2019 are as follows:

	Fair Values		
	Assets AED'000	Liability AED'000	Notional AED'000
31 March 2020			
Foreign exchange contracts	**118,488**	**96,629**	**17,016,928**
Interest rate swaps	**439,560**	**585,183**	**10,080,521**
Other derivative contracts	**55,502**	**21,835**	**3,477,247**
	613,550	**703,647**	**30,574,696**
31 December 2019			
Foreign exchange contracts	127,052	109,746	12,472,086
Interest rate swaps	181,539	253,140	9,842,282
Other derivative contracts	29,812	14,492	5,585,298
	338,403	377,378	27,899,666

16. Interest income and expense

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Interest income		
Personal loans	**88,816**	90,973
Mortgage loans	**46,577**	47,395
Credit cards	**139,635**	163,327
Auto loans	**10,093**	17,462
Business banking RAK Finance loans	**121,177**	147,515
Wholesale banking loans	**91,712**	93,453
Business banking other loans	**67,325**	68,953
Other retail banking loans	**17,879**	17,974
Investment securities	**86,284**	79,130
Deposits with the U.A.E. Central Bank	**2,924**	4,508
Other banks	**56,847**	50,290
	729,269	780,980
Interest expense		
Due to customers	**76,828**	93,838
Debt securities issued and other borrowings	**40,629**	53,147
Borrowings from other banks	**26,053**	25,610
	143,510	172,595

17. Income from Islamic Financing and distribution to depositors

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Income from Islamic financing		
Islamic Salam personal finance	**56,556**	50,175
Islamic Auto Murabaha	**2,302**	4,537
Islamic business banking finance	**63,601**	38,407
Islamic wholesale banking finance	**12,615**	9,640
Islamic Ijara property finance	**10,290**	8,814
Islamic Investment Income	**6,618**	-
	151,982	111,573
Distribution to depositors		
Distribution of profit on Islamic term investment deposits	**33,886**	35,502
Distribution of profit on Islamic demand deposits	**656**	655
Debt securities Cost-Bilateral borrowing	**7,080**	-
	41,622	36,157

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 31 March 2020 (continued)

18. Net fees and commission income

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Personal loans	**13,555**	15,656
Mortgage loans	**5,373**	6,486
Credit cards	**65,203**	69,730
Auto loans	**2,778**	3,527
RAK Finance business loans	**11,514**	11,274
Wholesale banking loans	**10,683**	17,436
Business banking loans	**40,386**	37,943
Fiduciary income	**14,782**	12,045
Bancassurance	**12,964**	14,721
Other	**12,951**	11,766
	190,189	**200,584**

19. Investment income

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Fair value (loss) / income	**(21,168)**	1,808
Dividend income	**9,087**	8,802
Net gain on disposal of Investments	**37,543**	6,206
	25,462	16,816

20. General and administrative expenses

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Staff costs	**212,930**	220,134
Outsourced staff costs	**11,484**	3,892
Occupancy costs	**21,777**	24,630
Marketing expenses	**9,601**	9,586
Depreciation and amortisation	**28,354**	28,310
Communication costs	**13,154**	11,952
Legal and collection charges	**8,996**	13,950
Information and technology expenses	**27,350**	26,615
Other	**33,615**	45,461
	367,261	384,530

21. Provision for credit loss, net

	Three months period ended 31 March 2020 (un-audited) AED'000	2019 (un-audited) AED'000
Net impairment charge on loans and advances	**474,343**	341,452
Net impairment charge on due from other banks	**7,456**	539
Net impairment on investment securities	**888**	3,550
Net impairment charge on insurance contracts	**2,597**	2,064
Net impairment charge /(release)on customer acceptances	**(63)**	372
Net impairment release on off balance sheet items	**(4,821)**	(1,654)
Net impairment charge for the period	**480,400**	346,323

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 2019 AED'000	Net provided / (released) during the period AED'000	Other movement during the period AED'000	At 31 March 2020 AED'000
Due from other banks	**29,080**	**7,456**	**-**	**36,536**
Loans and advances	**1,711,565**	**500,181**	**(307,594)**	**1,904,152**
Investment securities	**32,432**	**888**	**-**	**33,320**
Insurance contract assets and receivables	**38,637**	**2,560**	**-**	**41,197**
Customer acceptances	**421**	**(63)**	**-**	**358**
Off balance sheet items	**10,717**	**(4,821)**	**-**	**5,896**
Total	**1,822,852**	**506,201**	**(307,594)**	**2,021,459**

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	
	2020 (un-audited) AED'000	2019 (un-audited) AED'000
Profit for the period (attributed to owners of the Bank)	**153,099**	269,738
Weighted average number of shares in issue (in thousands)	**1,676,245**	1,676,245
Basic and diluted earnings per share (AED)	**0.09**	0.16

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 31 March 2020, market value of such assets amounted to AED 1,767 million (31 December 2019: AED 2,178 million) and are excluded from the condensed consolidated interim financial information of the Group.

24. Cash and cash equivalents

	31 March 2020 (un-audited) AED'000	31 March 2019 (un-audited) AED'000
Cash in hand and current account with UAE Central Bank	**2,108,942**	1,460,814
Due from other banks	**8,090,026**	4,496,539
	10,198,968	5,957,353
Less: Due from other banks with original maturity of three months or more	**(6,864,659)**	(3,905,031)
Cash and cash equivalents	**3,334,309**	2,052,322

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.

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 31 March 2020 and 2019 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 2020 (unaudited)								
Net interest income	278,151	97,187	176,120	31,223	-	2,270	808	585,759
Net income from Islamic financing net of distribution to depositors	63,422	(14,803)	61,564	(196)	-	-	373	110,360
Transfer pricing income	(74,590)	(21,981)	(4,454)	59,716	41,309	-	-	-
Net interest income and income from Islamic financing	266,983	60,403	233,230	90,743	41,309	2,270	1,181	696,119
Non-interest income	145,443	11,598	67,102	69,269	43	15,206	(3,621)	305,040
Operating income	412,426	72,001	300,332	160,012	41,352	17,476	(2,440)	1,001,159
General and administrative expenses excluding depreciation and amortisation	(168,278)	(13,315)	(68,239)	(6,058)	(73,392)	(12,065)	2,440	(338,907)
Depreciation and amortisation	(9,385)	(457)	(403)	(194)	(17,008)	(907)	-	(28,354)
Total general and administrative expenses	(177,663)	(13,772)	(68,642)	(6,252)	(90,400)	(12,972)	2,440	(367,261)
Provision for credit loss, net	(258,776)	(35,519)	(182,196)	(1,328)	-	(2,582)	-	(480,400)
Net profit	(24,013)	22,710	49,494	152,432	(49,048)	1,922	-	153,498
Segment assets	17,510,021	16,208,482	7,770,519	15,139,650	2,525,072	816,392	(213,952)	59,756,184
Total assets	17,510,021	16,208,482	7,770,519	15,139,650	2,525,072	816,392	(213,952)	59,756,184
Segment liabilities	11,612,225	13,274,497	14,214,244	11,654,008	1,281,017	629,975	(55,504)	52,610,462
Total liabilities	11,612,225	13,274,497	14,214,244	11,654,008	1,281,017	629,975	(55,504)	52,610,462

Notes to the condensed consolidated interim financial information for the period from 1 January 2020 to 31 March 2020 (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 2019 (unaudited)								
Net interest income	309,155	69,360	204,065	22,943	-	2,547	315	608,385
Net income from Islamic financing net of distribution to depositors	56,072	(7,372)	32,233	(5,707)	-	-	190	75,416
Transfer pricing income	(79,530)	(4,565)	17,970	5,693	60,432	-	-	-
Net interest income and income from Islamic financing	285,697	57,423	254,268	22,929	60,432	2,547	505	683,801
Non-interest income	150,689	18,521	68,108	67,196	(700)	15,960	(2,562)	317,212
Operating income	436,386	75,944	322,376	90,125	59,732	18,507	(2,057)	1,001,013
General and administrative expenses excluding depreciation and amortisation	(193,300)	(10,775)	(48,676)	(4,608)	(87,422)	(13,496)	2,057	(356,220)
Depreciation and amortisation	(9,386)	(363)	(306)	(214)	(16,303)	(936)	(802)	(28,310)
Total general and administrative expenses	(202,686)	(11,138)	(48,982)	(4,822)	(103,725)	(14,432)	1,255	(384,530)
Provision for credit loss, net	(157,846)	(43,343)	(140,876)	(2,216)		(2,042)	-	(346,323)
Net profit	75,854	21,463	132,518	83,087	(43,993)	2,033	(802)	270,160
31 December 2019								
Segment assets	18,658,865	15,222,530	7,850,779	13,169,569	1,610,472	823,743	(216,399)	57,119,559
Total assets	18,658,865	15,222,530	7,850,779	13,169,569	1,610,472	823,743	(216,399)	57,119,559
Segment liabilities	11,794,122	12,454,860	14,181,327	9,455,469	815,449	634,726	(57,951)	49,278,002
Total liabilities	11,794,122	12,454,860	14,181,327	9,455,469	815,449	634,726	(57,951)	49,278,002

The comparative figures of 31 March 2020 and 31 December 2019 have been reclassified between operating segments due to movement of accounts among segments.

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	
	2020	2019
	(un-audited)	(un-audited)
	AED'000	AED'000
Transactions during the period		
Interest income	**3,428**	3,001
Interest expense	**8,394**	6,690
Commission income	**116**	282
Directors' and key management personnel's remuneration, sitting and other expenses	**17,813**	18,216

	31 March	31 December
	2020	2019
	(un-audited)	(audited)
	AED'000	AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	**354,160**	376,207
- Directors and their related companies	**4,752**	6,312
- Key management personnel	**6,431**	6,549
	365,343	389,068
Deposits		
- Shareholders and their related companies	**2,332,918**	2,218,798
- Directors and their related companies	**14,119**	10,712
- Key management personnel	**21,595**	16,882
	2,368,632	2,246,392
Irrevocable commitments and contingent liabilities and forward contracts		
- Shareholders and their related companies	**169,517**	182,520
- Directors and their related companies	**40**	40
	169,557	182,560

26. Related parties (continued)

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Insurance related receivables		
Due from policy holders	**8,314**	10,351
Insurance related payables		
Due to policy holders	**108**	134

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 31 March 2020

The Bank is required to report capital resources and risk-weighted assets under the Basel III from January 2019. Capital structure and capital adequacy as per Basel III requirement as at 31 March 2020 and 31 December 2019 is given below:

	31 March 2020 (un-audited) AED'000	**31 March 2020 (un-audited) (after applying prudential filter) AED'000**	31 December 2019 (audited) AED'000
Tier 1 capital			
Ordinary share capital	**1,676,245**	**1,676,245**	1,676,245
Legal and other reserves	**3,730,203**	**3,907,102**	4,077,839
Retained earnings	**1,520,645**	**1,520,645**	919,100
Current year profit	**151,575**	**151,575**	1,104,419
Dividend	**-**	-	(502,874)
Tier 1 capital base	**7,078,668**	**7,255,567**	7,274,729
Tier 2 capital base	**541,709**	**543,920**	526,496
Total capital base	**7,620,377**	**7,799,487**	7,801,225
Risk weighted assets			
Credit risk	**43,336,711**	**43,513,610**	42,119,704
Market risk	**872,665**	**872,665**	1,178,301
Operational risk	**3,044,186**	**3,044,186**	3,044,186
Total risk weighted assets	**47,253,562**	**47,430,461**	46,342,191
Capital adequacy ratio on Tier 1 capital	**14.98%**	**15.30%**	15.70%
Capital adequacy ratio on Tier 2 capital	**1.15%**	**1.14%**	1.13%
Total Capital adequacy ratio	**16.13%**	**16.44%**	16.83%

As per UAE Central Bank Regulation for Basel III, Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2020. New UAE CB regulation dated 22 April 2020 provides for a "Prudential Filter" that permits Banks and Finance Companies to add back increases in IFRS 9 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 2020, 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 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000	**31 March 2019 (un-audited) AED'000**	31 December 2019 (audited) AED'000
Assets				
Loan and advances	**34,603,712**	34,906,646	**34,319,603**	34,550,563
Investment securities	**7,748,953**	8,284,077	**7,941,544**	8,141,433
Cash and balances with the UAE Central Bank	**6,013,268**	4,789,244	**6,007,427**	4,785,504
Due from other banks	**7,997,946**	6,530,790	**8,053,490**	6,593,233
Total financial assets	**56,363,879**	54,510,757	**56,322,064**	54,070,733
Liabilities				
Due to other banks	**6,629,211**	4,973,965	**6,615,167**	4,977,055
Deposits from customer	**37,797,044**	36,843,560	**37,800,246**	36,826,360
Debt securities issued and other borrowing	**4,906,558**	4,895,514	**4,890,007**	4,888,881
Total financial liabilities	**49,332,813**	46,713,039	**49,305,420**	46,692,296

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 2020 to 31 March 2020 (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 2020 (un-audited)				
Assets at fair value				
(Through other comprehensive income)				
Investment securities - debt	**2,343,945**	**-**	**-**	**2,343,945**
Investment securities - equity	**198,917**	**-**	**2,612**	**201,529**
Foreign exchange contracts	**-**	**118,488**	**-**	**118,488**
Derivative financial instruments	**-**	**495,062**	**-**	**495,062**
(Through profit and loss)				
Investment market fund	**30,198**	**-**	**42,779**	**72,977**
Investment - debt securities	**21,803**	**-**	**-**	**21,803**
(Held at amortised cost)				
Investment securities - debt	**4,184,489**	**-**	**924,210**	**5,108,699**
	6,779,352	**613,550**	**969,601**	**8,362,503**
Liabilities at fair value				
Foreign exchange contracts	**-**	**96,629**	**-**	**96,629**
Derivative financial instruments	**-**	**607,018**	**-**	**607,018**
	-	**703,647**	**-**	**703,647**

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
31 December 2019				
Assets at fair value				
(Through other comprehensive income)				
Investment securities - debt	2,453,870	-	-	2,453,870
Investment securities - equity	161,776	-	2,612	164,388
Foreign exchange contracts	-	127,052	-	127,052
Derivative financial instruments	-	211,351	-	211,351
(through profit and loss)				
Investment mutual fund	295,059	-	42,083	337,142
(Held at amortised cost)				
Investment securities - debt	4,865,024	-	463,653	5,328,677
	7,775,729	338,403	508,348	8,622,480
Liabilities at fair value				
Foreign exchange contracts	-	(109,746)	-	(109,746)
Derivative financial instruments	-	(267,632)	-	(267,632)
	-	(377,378)	-	(377,378)

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, the 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 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Balance at the beginning of the period	**176,939**	-
Impact of adoption of IFRS 16 1 January 2019	**-**	225,191
Additions during the period	**909**	
Decrease due to changes in lease liability	**(1,547)**	(10,333)
Depreciation for the period	**(9,248)**	(37,919)
Balance at the closing of the period	**167,053**	176,939

32. Lease liabilities

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Balance at the beginning of the period	**151,710**	-
Impact of adoption of IFRS 16 - 1 January 2019	**-**	195,885
Additions during the period	**909**	
Decrease due to changes in lease contract amount	**(1,547)**	(10,511)
Interest cost on lease liability for the period	**1,837**	7,520
Less: payments made during the period	**(4,316)**	(41,184)
Balance at the closing of the period	**148,593**	151,710

33. Seasonality of results

Dividend income of AED 9.1 million (31 March 2019 AED 8.8 million) of seasonal nature was recorded in the condensed consolidated interim financial information for the period.

34. Risk management in the current economic scenario

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving currently. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The Central Bank of UAE ("CBUAE") has also announced 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

IFRS 9 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 a 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 & 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 IFRS 9 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. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Bank has assessed the impact of an increase in probability for the pessimistic scenario in ECL measurement. The probability of pessimistic scenario was increased from 15% to 40% while the probability of the optimistic scenario was reduced to 0%. If the pessimistic scenario was further increased by 10%, ECL provision would increase by AED 35 million as at Q1'2020.

The Bank is continuously monitoring the current situation which is unprecedented and also working very closely with its customers and extending required support in these uncertain and evolving times and has also reassessed its portfolio of Stage 1 customers as at 31 March 2020 with none of its customers having experienced a significant increase in credit risk due to COVID-19. This included evaluating whether the investment and Financial Institutions' portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies, the Bank has concluded that there has not been a significant increase in credit risk other than what has already been considered

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 6th April 2020. Sixty of the Bank's clients had subscribed to these schemes as at 31 March 2020.The bank staff is in regular contact with customers to explain them about how can the customers claim relief under TESS.

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

Liquidity management

Global stress in the markets brought on by the COVID-19 crisis is being felt by the UAE banks through lack of liquidity in foreign funding markets. The decline in oil prices (from ~US$ 70 in January to currently ~US$21 per barrel) has also led to uncertainty about the oil rich GCC region's Governments' finances.

As the recent COVID 19 scenario panned out in mid-March we saw financial conditions tightening and impacting market liquidity. The US Fed cut rates to zero, in anticipation of market stresses but there was no respite as the LIBOR kept inching up, sharp selloff in global equity and other financial markets led the contagion to other financial assets which saw the short term funding markets seizing due to margin calls for investors. The global market liquidity crunch spilled over to the UAE markets and the Inter-bank liquidity dried up and as competition for liabilities amongst banks grew with liquidity conservation/ preservation becoming the need of the hour. As an appropriate response, the ALCO chair along with the relevant members heightened the monitoring around the liquidity position of the bank with multiple meetings held in March. There were multiple calls every day to establish and execute the requisite actions to address the situation at hand including regular updated to the Board of Directors. Accordingly, the bank secured the requisite liquidity in a timely manner, albeit at higher rates. The internal Funds Transfer Pricing was also amended with immediate effect to tighten assets disbursals and to encourage more deposits seeking to tide over the situation. The Bank effectively stopped all non-committed business which was not relationship driven or did not impact the Bank's franchise for a short period of time.

The CBUAE has adopted a proactive approach in order to ensure flow of credit to the economy, especially sectors severely impacted by the COVID-19 crisis. The CBUAE announced a comprehensive TESS on 15th March 2020 and revised TESS program on 6th April 2020, allowing UAE Banks to access zero cost funding and pass on the benefit through Principal or/and Interest deferrals to their clients.

CBUAE also reduced Reserve Requirement against CASA balances, providing an immediate boost to UAE Banks' liquidity. In order to allow Banks to utilize the liquidity thus released, the CBUAE reduced the liquidity ratios (LCR and ELAR) minimum threshold by 30%. The combination of above measures by the CBUAE along with prudent management of liquidity by the Bank will help ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption, even during a prolonged period of reduced access to the foreign funding markets.

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

Business continuity planning

The Bank is closely monitoring the situation and has invoked crisis management actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. A Crisis Management Committee with representation of heads of all departments of the Bank has been set up to monitor the COVID-19 situation and take timely decisions to resolve any concerns. Remote working arrangements have been tested and majority of the staff are currently working from home. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber risk during these times. The remote work capabilities were enabled for most of the staff and related risk and control measures were assessed to make sure they are fully protected using Multi-factor authentication ("MFA") and virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to withstand Distributed Denial of Service ("DDOS") attacks.

BCP for all units are updated and tested and the Bank is monitoring local developments that affect our offices. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are addressed, and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

35. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were approved on **30 April 2020**.