



REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

January 1, 2023 to March 31, 2023



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



TABLE OF CONTENTS

<u>Review report on condensed consolidated interim financial information</u>	<u>1</u>
<u>Condensed consolidated interim statement of financial position</u>	<u>2</u>
<u>Condensed consolidated interim statement of profit or loss (un-audited)</u>	<u>3</u>
<u>Condensed consolidated interim statement of comprehensive income (un-audited)</u>	<u>4</u>
<u>Condensed consolidated interim statement of changes in equity</u>	<u>5</u>
<u>Condensed consolidated interim statement of cash flows (un-audited)</u>	<u>6</u>
<u>Notes to the condensed consolidated interim financial information</u>	<u>7 – 51</u>



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.) and its subsidiaries (the 'Group') as at 31 March 2023 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended and notes, comprising significant accounting policies and other explanatory notes. The Directors are responsible for the preparation and presentation of this 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 this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of 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 International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers
26 April 2023

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

Condensed consolidated interim statement of financial position as at 31 March 2023

	Notes	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000 <i>Restated</i>
ASSETS			
Cash and balances with UAE Central Bank	4	5,643,110	4,713,892
Due from other banks, net	5	11,936,623	11,456,321
Investment securities measured at fair value	6	4,680,432	4,242,242
Investment securities measured at amortised cost	6	7,589,452	7,221,806
Loans and advances, net	7	36,444,415	36,071,267
Insurance contract assets and receivables, net		146,816	144,188
Customer acceptances		87,332	145,973
Other assets	8	1,406,362	1,417,219
Property and equipment		463,737	454,134
Right-of-use assets	31	109,566	112,657
Goodwill and intangible assets		370,225	370,497
Total assets		68,878,070	66,350,196
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	9	6,771,179	6,191,834
Deposits from customers	10	46,365,520	44,871,310
Customer acceptances		87,332	145,973
Debt securities issued and other long term borrowing	11	4,004,589	3,999,743
Insurance contract liabilities and payables		353,864	334,642
Other liabilities	12	1,762,797	1,683,131
Lease liabilities	32	101,084	102,912
Total liabilities		59,446,365	57,329,545
EQUITY			
Share capital	13	1,676,245	1,676,245
Legal reserve		950,431	950,431
Retained earnings		3,843,490	3,392,307
Other reserves		2,935,939	2,975,326
Equity attributable to owners of the Bank		9,406,105	8,994,309
Non-controlling interests		25,600	26,342
Total equity		9,431,705	9,020,651
Total Liabilities and Equity		68,878,070	66,350,196



Raheel Ahmed
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 2023 to 31 March 2023

	Notes	Three months period ended 31 March	
		2023	2022
		(un-audited) AED'000	(un-audited) AED'000
Interest income	16	886,554	493,252
Interest expense	16	(203,256)	(50,746)
Net interest income		683,298	442,506
Income from Islamic financing	17	140,593	113,924
Distribution to depositors	17	(35,050)	(16,006)
Net income from Islamic financing		105,543	97,918
Net interest income and net income from Islamic financing		788,841	540,424
Net fees and commission income	18	162,405	170,992
Foreign exchange & derivative income/(loss)		81,229	(14,185)
Net insurance underwriting profit		2,983	5,435
Investment income	19	26,195	8,342
Other operating income		11,556	15,920
Non-interest income		284,368	186,504
Operating income		1,073,209	726,928
General and administrative expenses	20	(388,977)	(372,374)
Operating profit before provision for credit loss		684,232	354,554
Provision for credit loss, net	21	(233,912)	(134,493)
Profit for the period		450,320	220,061
Attributed to:			
Owners of the Bank		451,209	220,820
Non-controlling interests		(889)	(759)
Profit for the period		450,320	220,061
Earnings per share:			
Basic and diluted in AED	22	0.27	0.13

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 2023 to 31 March 2023

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Profit for the period	450,320	220,061
Other comprehensive (loss)/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)	(33,210)	55,890
Loss on sale of equity investments held at fair value through other comprehensive income	(32)	-
<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)	(4,010)	(61,532)
Loss on sale of debt instruments transferred to profit and loss	-	(4,861)
Net changes in fair value arising from cash flow hedges	(2,014)	(13,833)
Other comprehensive loss for the period	(39,266)	(24,336)
Total comprehensive income for the period	411,054	195,725
Attributed to:		
Owners of the Bank	411,796	197,495
Non-controlling interests	(742)	(1,770)
Total comprehensive income for the period	411,054	195,725

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 2023 to 31 March 2023

	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 2021 (audited)	1,676,245	950,431	2,584,864	3,131,076	8,342,616	39,226	8,381,842
<i>Profit for the period</i>	-	-	220,820	-	220,820	(759)	220,061
<i>Other comprehensive loss</i>	-	-	-	(23,325)	(23,325)	(1,011)	(24,336)
<i>Total comprehensive income for the period</i>	-	-	220,820	(23,325)	197,495	(1,770)	195,725
At 31 March 2022(un-audited)	1,676,245	950,431	2,805,684	3,107,751	8,540,111	37,456	8,577,567
Balance at 31 December 2022 (audited)	1,676,245	950,431	3,395,839	2,975,326	8,997,841	27,267	9,025,108
<i>Impact of adopting IFRS 17</i>	-	-	(3,532)	-	(3,532)	(925)	(4,457)
Restated as at 1 January 2023	1,676,245	950,431	3,392,307	2,975,326	8,994,309	26,342	9,020,651
<i>Profit for the period</i>	-	-	451,209	-	451,209	(889)	450,320
<i>Other comprehensive loss</i>	-	-	(26)	(39,387)	(39,413)	147	(39,266)
<i>Total comprehensive income for the period</i>	-	-	451,183	(39,387)	411,796	(742)	411,054
At 31 March 2023 (un-audited)	1,676,245	950,431	3,843,490	2,935,939	9,406,105	25,600	9,431,705

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 2023 to 31 March 2023

	Three months period ended	
	31 March	
	2023	2022
	(un-audited)	(un-audited)
	AED'000	AED'000
<i>Cash flows from operating activities</i>		
Profit for the period	450,320	220,061
Adjustments:		
Provision for credit losses, net	233,912	134,493
Depreciation of property and equipment	27,943	30,128
Net changes in fair value arising from hedge and forex revaluation	(18,341)	96,613
Depreciation of Right-of-use assets	5,815	8,540
Interest cost on lease liability	1,029	1,587
Foreign currency translation adjustment	309	-
Gain on disposal of property and equipment	(55)	(11)
Amortization of discount relating to investments securities	(25,034)	(11,844)
Gain on sale of investment securities	(4,528)	(6,830)
Fair value (loss)/gain on held for trading investment securities	(8,477)	9,189
Amortisation of discount of debt securities	2,698	3,406
	665,591	485,332
Changes in operating assets and liabilities		
Increase in deposits with the UAE Central Bank	(187,750)	(32,162)
Increase in due from other banks (original maturities of three month or over)	(851,949)	(928,222)
Increase in loans and advances, net	(623,312)	(1,732,616)
Increase in insurance contract assets & receivables	(2,666)	(7,427)
Decrease/(Increase) in other assets	67,982	(48,782)
Increase in due to other banks and UAE Central Bank	579,345	1,124,321
Increase in deposits from customers	1,494,210	810,957
Increase in insurance contract liabilities and payables	18,429	27,792
Increase in other liabilities	22,994	124,944
Net cash generated from /(used) in operating activities	1,182,874	(175,863)
<i>Cash flows from investing activities</i>		
Purchase of investment securities	(4,370,635)	(2,894,246)
Proceeds from maturity/disposal of investment securities	3,588,089	2,758,400
Purchase of property and equipment	(37,336)	(14,501)
Proceeds from disposal of property and equipment	116	48
Net cash used in investing activities	(819,766)	(150,299)
<i>Cash flows from financing activities</i>		
Payment for rentals on lease contracts	(4,685)	(9,851)
Net cash used in financing activities	(4,685)	(9,851)
Net increase /(decrease) in cash and cash equivalents	358,423	(336,013)
Cash and cash equivalents, beginning of the period	4,329,226	3,324,614
Cash and cash equivalents, end of the period (Note 24)	4,687,649	2,988,601

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 2023 to 31 March 2023

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, commercial banking and treasury services through a network of twenty branches in the UAE. The Bank is controlled by the Government of Ras Al-Khaimah by majority of voting rights.

At 31 March 2023 The National Bank of Ras Al-Khaimah (P.S.C.) comprises the Bank and seven subsidiaries (together referred to as the “Group”). The consolidated financial statements for the three months period ended 31 March 2023 comprises the Bank and following direct subsidiaries:

<i>Subsidiary</i>	<i>Authorized & Ownership issued capital interest</i>		<i>Incorporated</i>	<i>Principal Activities</i>
Ras Al Khaimah National Insurance Company PSC	AED 121.275 million	79.23%	UAE	Underwriting all types 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.
RAK Financial Services Limited	USD 1,300,000	100%	Dubai International Financial Centre, UAE	Arranging and advising on Financial products, Investments and custody.
Protego Insurance Brokers L.L.C.	AED 3,000,000	100%	UAE	Insurance brokerage

* 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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023 have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs and interpretations 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.

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.

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.

Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2, The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

Definition of accounting estimates – Amendments to IAS 8, The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

3. Significant accounting policies

(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 2022.

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 2022. In addition, results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The Group has applied IFRS 17 *Insurance contracts* (IFRS 17) for annual reporting periods commencing on 1 January 2023. On transition to IFRS17 a full retrospective approach was applied to the insurance contracts in force, as a result of which condensed consolidated statement of financial statement have been accordingly restated. The accounts impacted by the restatement on the transition as disclosed in Note 35 remain unaudited.

(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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

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 interim 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.

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Unit of account

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group determines at what level of granularity it has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - i. the beginning of the coverage period of the group; and
 - ii. the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;
- unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised. Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
 - i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts (continued)

Measurement

The general measurement model (“GMM”), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the risk-adjusted present value of an entity’s rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk.

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage (“LRC”) is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Group uses the PAA for measuring contracts with a coverage period of one year or less. The Group is adopting the PAA measurement model for the measurement of LRC for all its insurance contracts and reinsurance contracts. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the Liability for Incurred Claims (“LIC”), comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts (continued)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period, if any; and
- decreased for the expected amounts of ceding premiums and broker fees, if any, recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less. The Group adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

There are no investment components within insurance contracts issued by the Group.

Liability for Incurred Claims "LIC"

The Group estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk.

The LIC will be adjusted for the time value of money except for those incurred claims which are expected to be paid out in less than one year.

Onerous contract

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts (continued)

Onerous contract (continued)

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims for the period.
- other incurred directly attributable expenses.
- insurance acquisition cash flows expense.
- changes that relate to past service – changes in the FCF relating to the LIC.
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Insurance acquisition costs

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Group allocates the attributable costs based on a number of drivers. Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Group will expense its insurance acquisition cash flows for its insurance products line immediately upon payment.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

3. Significant accounting policies (continued)

(e) IFRS 17: Insurance Contracts (continued)

Insurance finance income or expenses (continued)

The Group will disaggregate the change in risk adjustment for nonfinancial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively. The Group will include all insurance finance income or expenses for the period in profit or loss.

Net income (expenses) from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

4. Cash and balances with UAE Central Bank

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Cash in hand	762,209	711,362
Balances with the UAE Central Bank	-	109,379
Overnight Deposits with the UAE central Bank	2,500,000	1,700,000
Statutory deposit with the UAE Central Bank (a)	2,380,901	2,193,151
	5,643,110	4,713,892

The Central Bank of the UAE has prescribed reserve requirements on the deposits, 1% (31 December 2021: 1%) for time deposits and 7% (31 December 2021: 7%) on current, saving, call and similar accounts. These are only available for day-to-day operations under certain specified conditions. The Central Bank of the UAE (CBUAE), as part of its exit strategy from the Targeted Economic Support Scheme (TESS), has scheduled an increase of the ratios applicable to reserve requirements for deposit-taking licensed financial institutions. The CBUAE intends to implement this decision gradually, and as a first step, the new ratios applicable to demand and time deposits shall be of 11% and 1%, respectively, effective from 12 April 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

5. Due from other banks, net

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Placements with other banks	1,454,545	514,066
Demand deposits	939,851	1,626,926
Banker's acceptances	2,859,281	3,958,875
Syndicated loans	4,213,332	3,664,294
Trade loans	2,484,030	1,724,013
Other	31,484	25,445
Total due from other banks	11,982,523	11,513,619
Provision for credit loss	(45,900)	(57,298)
Net due from other banks	11,936,623	11,456,321

The below represents deposits and balances due from:

Banks in UAE	651,721	357,897
Banks outside UAE	11,330,802	11,155,722
Total due from other banks	11,982,523	11,513,619

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

6. Investment securities, net

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Securities at fair value through other comprehensive income (FVOCI)		
Quoted equity securities	422,239	437,494
Unquoted equity securities	5,240	5,240
Quoted debt securities*	3,896,733	3,655,522
Unquoted debt securities	234,576	36,490
	4,558,788	4,134,746
Securities at fair value through profit or loss (FVPL)		
Quoted funds	67,389	66,071
Unquoted funds	44,893	41,425
Quoted equity securities	3,453	-
Quoted debt securities	5,909	-
	121,644	107,496
Investment securities measured at fair value	4,680,432	4,242,242
Securities held at amortised cost		
Quoted debt securities*	7,642,962	7,163,089
Unquoted debt securities	-	115,841
	7,642,962	7,278,930
Provision for credit loss for securities held at amortised cost	(53,510)	(57,124)
Investment securities measured at amortised cost	7,589,452	7,221,806
Net investment securities	12,269,884	11,464,048

* As at 31 March 2023, quoted debt securities with fair value of AED 2,733 million (31 December 2022: AED 3,046 million) have been given as collateral against repo borrowings of AED 2,358 (31 December 2022: AED 2,639 million) [Note 9].

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

6. Investment securities, net (continued)

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

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Federal and local Government – UAE	3,105,260	2,605,832
Government related entity – UAE	806,351	862,482
Government - GCC	820,403	572,937
Government - other	634,130	850,247
Banks and financial institutions - UAE	843,739	635,725
Banks and financial institutions - GCC	912,384	1,014,027
Banks and financial institutions - other	1,937,960	1,827,012
Public limited companies – UAE	379,480	381,795
Public limited companies – GCC	731,197	716,984
Public limited companies – other	1,609,276	1,503,901
Total Debt securities	11,780,180	10,970,942
Quoted equity securities	425,692	437,494
Quoted funds	67,389	66,071
Unquoted funds	44,893	41,425
Unquoted equity securities	5,240	5,240
Total investment securities	12,323,394	11,521,172

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

7. Loans and advances, net

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
(a) Loans and advances:		
Retail banking loans	19,101,461	18,815,285
Wholesale banking loans	10,281,556	10,279,813
Business banking loans	9,313,236	9,049,221
Total loans and advances [Note 7(b)]	38,696,253	38,144,319
Provision for credit loss [Note 7(c)]	(2,251,838)	(2,073,052)
Net loans and advances	36,444,415	36,071,267
(b) Analysis of loans and advances:		
Personal loans	5,561,490	5,545,961
Mortgage loans	8,037,980	7,670,327
Credit cards	2,195,456	2,196,406
Auto loans	425,878	400,301
RAK Business loans	3,584,635	3,404,286
Other Business banking loans	5,728,601	5,644,935
Wholesale banking loans	10,281,556	10,279,813
Other retail loans	2,880,657	3,002,290
Total loans and advances	38,696,253	38,144,319
(c) Provision for credit loss:		
Balance at the beginning of the period/year	2,073,052	1,893,208
Impairment allowance for the period/year	279,139	702,030
Written-off during the period/year	(100,353)	(522,186)
Balance at the end of the period/year	2,251,838	2,073,052
(d) Provision for credit loss on loans and advances, net of recovery - for the three months period ended:		
	31 March 2023 (un-audited) AED'000	31 March 2022 (un-audited) AED'000
Impairment allowance for the period	279,139	93,546
Net recovery during the period	(28,975)	(22,970)
Net impairment charge for the period (Note 21)	250,164	70,576

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (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 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
<i>i) Islamic financing assets</i>		
Islamic retail financing assets	3,407,285	3,445,674
Islamic business banking assets	2,291,611	2,252,856
Islamic wholesale banking assets	361,644	412,679
Total Islamic financing assets	6,060,540	6,111,209
Provision for credit loss	(411,788)	(394,217)
	5,648,752	5,716,992

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
<i>ii) Analysis of Islamic financing assets</i>		
Islamic Salam Personal finance	2,054,039	2,082,846
Islamic Auto Murabaha	42,252	38,586
Islamic Business banking Finance	2,291,611	2,252,856
Islamic Ijara Property Finance	1,268,172	1,278,451
Islamic Credit Cards	41,004	43,995
Islamic wholesale banking	361,644	412,679
Islamic finance - other	1,818	1,796
	6,060,540	6,111,209

8. Other assets

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000 <i>Restated</i>
Interest receivable	425,840	446,933
Profit receivable on Islamic financing assets	63,748	64,310
Prepayments	52,771	39,927
Foreign exchange and other derivative contracts (Note 15)	523,382	563,489
Insurance related receivables and assets	2,249	2,510
Gold on hand	78,898	38,684
Islamic profit paid in advance	14,220	14,195
Assets acquired in settlements of debts*	11,395	11,395
Other	233,859	235,776
	1,406,362	1,417,219

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

8. Other assets (continued)

* AED 11.395 million represents the fair value of the asset acquired in settlement of debts. The carrying amount will be recovered principally through a sale transaction rather than through continuing use. It is subject to revaluation on a half yearly basis, and the related fair value gain/(loss) would be accounted for in the statement of profit or loss.

9. Due to other banks

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Term borrowings	1,846,367	3,289,580
Repurchase agreements (Note 6)	2,357,601	2,638,670
UAE Central Bank current account	2,159,054	-
Demand deposits	408,157	263,584
	6,771,179	6,191,834

10. Deposits from customers

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Time deposits	13,691,853	13,287,179
Current accounts	27,993,234	27,088,001
Saving deposits	3,241,779	3,269,816
Call deposits	1,438,654	1,226,314
	46,365,520	44,871,310

Deposits include AED 1,660 million (31 December 2022: AED 1,509 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 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Wakala deposits	1,606,700	1,756,700
Mudaraba term investment deposits	11,665	11,401
Murabaha Term Deposit	1,430,881	1,465,862
Qard-E-Hassan - current accounts	1,127,127	987,471
Mudaraba - current accounts	537,672	526,405
Mudaraba - saving accounts	204,708	197,140
Mudaraba - call deposits	16,748	20,442
	4,935,501	4,965,421

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

11. Debt securities in issue and other long term borrowings

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	1,835,252	1,834,955
USD 145 million private placement net of discount (a)	532,118	531,557
USD 75 million private placement (a)	275,475	275,475
USD 75 million private placement (a)	275,475	275,475
USD 100 million bilateral borrowing (b)	367,300	367,300
USD 125 million bilateral borrowing (c)	459,125	459,125
USD 75 million bilateral borrowing (d)	275,475	275,475
Less: Debt securities and other borrowing issue costs	(6,313)	(8,153)
Fair value adjustment on hedged medium term note	(9,318)	(11,466)
	4,004,589	3,999,743

(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.

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

The Group issued USD 75 million of floating rate notes on 24 May 2021 through a private placement with an interest rate of USD 3 months LIBOR +1% which matures on 24 November 2023.

The Group issued USD 75 million of floating rate notes on 27 May 2021 through a private placement with an interest rate of USD 3 months LIBOR +1% which matures on 27 November 2023.

(b) In August 2021 the Group borrowed USD 100 million at an interest rate of 1.35% per annum which matures in August 2023.

(c) In October 2021 the Group borrowed USD 125 million at an interest rate of 3 months LIBOR +0.80% per annum which matures in October 2023.

(d) In November 2021 the Group borrowed USD 75 million at an interest rate of 3 months LIBOR +0.80% per annum which matures in November 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

12. Other liabilities

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000 <i>Restated</i>
Interest payable	195,144	170,772
Profit distributable on Islamic deposits	32,366	31,391
Accrued expenses	332,841	348,881
Provision for employees' end-of-service benefits	128,515	125,496
Foreign exchange and other derivatives derivative contracts	488,476	524,049
Credit card payables and liabilities	39,277	41,014
Managers cheques issued	255,998	185,479
Mortgage payables and liabilities	24,788	17,809
Insurance related payables and liabilities	19,479	18,717
Provision for credit loss on contingent assets and customer acceptances	25,866	27,700
Other	220,047	191,823
	1,762,797	1,683,131

13. Share capital and dividend

At 31 March 2023, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares of AED 1 each (31 December 2022: 1,676 million shares of AED 1 each).

At the meeting held on 13 February 2023, the Board of Directors proposed a cash dividend of 34% amounting to AED 569.9 million of the issued and paid up capital in respect of the year ended 31 December 2022 (2021: 22.5% amounting to AED 377.2 million). Subsequently the shareholders of the Bank have approved cash dividend of 34% amounting to AED 569.9 million on 10 April 2023.

14. Contingencies and commitments

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Irrevocable commitments to extend credit	4,741,480	4,492,089
Letters of guarantee - Financial	264,526	340,684
Letters of guarantee – Non Financial	870,727	804,121
Letters of credit	117,986	94,792
Capital commitments and others	43,415	35,870
	6,038,134	5,767,556

The Group is holding AED 25 million (31 December 2022: AED 27 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 7,973 million (31 December 2022: AED 7,398 million) are revocable at the option of the Group and not included in the above table.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

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 2023 and 31 December 2022 are as follows:

	Fair Values		
	Assets AED'000	Liability AED'000	Notional AED'000
31 March 2023			
Foreign exchange contracts	47,787	40,371	16,229,900
Interest rate swaps	448,680	349,580	14,726,443
Other derivative contracts	26,915	98,525	6,708,212
	523,382	488,476	37,664,555
31 December 2022			
Foreign exchange contracts	43,103	45,079	12,723,002
Interest rate swaps	512,124	382,118	14,408,288
Other derivative contracts	8,262	96,852	5,305,900
	563,489	524,049	32,437,190

16. Interest income and expense

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Interest income		
Personal loans	60,414	55,775
Mortgage loans	55,716	37,773
Credit cards	77,048	79,443
Auto loans	5,576	4,968
RAK Business loans	101,240	76,886
Wholesale banking loans	147,759	51,492
Other Business banking loans	98,670	66,924
Other retail banking loans	39,759	15,832
Investment securities	121,984	63,511
Deposits with the U.A.E. Central Bank	21,255	261
Other banks	157,133	40,387
	886,554	493,252
Interest expense		
Due to customers	99,410	18,448
Debt securities issued and other borrowings	39,152	24,854
Borrowings from other banks	64,694	7,444
	203,256	50,746

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

17. Income from Islamic Financing and distribution to depositors

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
<i>Income from Islamic financing</i>		
Islamic Salam personal finance	38,099	36,457
Islamic Auto Murabaha	665	654
Islamic business banking finance	67,537	53,531
Islamic wholesale banking finance	8,615	4,712
Islamic Ijara property finance	15,048	9,508
Islamic Investment Income	10,629	9,062
	140,593	113,924
<i>Distribution to depositors</i>		
Distribution of profit on Islamic term investment deposits	34,748	6,525
Distribution of profit on Islamic demand deposits	302	230
Bilateral long term borrowing	-	9,251
	35,050	16,006

18. Net fees and commission income

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Personal loans	3,348	3,575
Mortgage loans	5,441	3,266
Credit cards	54,644	62,811
Auto loans	1,536	2,105
RAK Business loans	12,552	11,776
Wholesale banking loans	20,777	14,942
Other Business banking	41,113	43,408
Fiduciary income	13,140	18,077
Bancassurance	6,607	6,055
Other	3,247	4,977
	162,405	170,992

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

19. Investment income

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Dividend income	13,190	10,701
Net gain on disposal of investments	4,528	7,199
Fair value gain /(loss)	8,477	(9,558)
	26,195	8,342

20. General and administrative expenses

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Staff costs	222,235	204,747
Outsourced staff costs	8,958	8,978
Occupancy costs	14,298	18,962
Marketing expenses	7,420	6,308
Depreciation and amortisation	27,943	30,128
Communication costs	11,953	13,984
Credit card expenses	33,716	29,303
Information and technology expenses	22,293	28,080
Other	40,161	31,884
	388,977	372,374

21. Provision for credit loss, net

	Three months period ended 31 March	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Net impairment charge on loans and advances	250,164	70,576
Net impairment charge /(release) on due from other banks	(11,398)	2,335
Net impairment charge /(release) on Investment securities measured at fair value through OCI	(856)	46,650
Net impairment charge /(release) on Investment securities measured at amortised cost	(3,614)	9,496
Net impairment charge /(release) on insurance contracts	1,450	(495)
Net impairment release on customer acceptances	(92)	(56)
Net impairment charge /(release) on off balance sheet items	(1,742)	5,987
Net impairment charge for the period	233,912	134,493

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

21. Provision for credit loss, net (continued)

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 2022 AED'000	Net provided / (released) during the period AED'000	Other movement during the period AED'000	At 31 March 2022 AED'000
Due from other banks	57,298	(11,398)	-	45,900
Loans and advances	2,073,052	279,139	(100,353)	2,251,838
Investment Securities – FVOCI	144,128	(856)	308	143,580
Investment Securities – Amortised cost	57,124	(3,614)		53,510
Insurance contract assets and other receivables *	29,048	1,450	(14)	30,484
Customer acceptances	682	(92)		590
Off balance sheet items	27,018	(1,742)		25,276
Total	2,388,350	262,887	(100,059)	2,551,178

* Break up of Insurance contract assets and other receivables

	At 31 December 2022 AED'000	Net provided / (released) during the period AED'000	Other movement during the period AED'000	At 31 March 2022 AED'000
Premium receivable	19,165	793	(14)	19,944
Reinsurance assets	5,526	38	-	5,564
Other insurance receivables	4,357	619	-	4,976
Total	29,048	1,450	(14)	30,484

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	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Profit for the period (attributed to owners of the Bank)	451,209	220,820
Weighted average number of shares in issue (in thousands)	1,676,245	1,676,245
Basic and diluted earnings per share (AED)	0.27	0.13

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 31 March 2023, market value of such assets amounted to AED 5,325 million (31 December 2022: AED 5,147 million) and are excluded from the condensed consolidated interim financial information of the Group.

24. Cash and cash equivalents

	31 March 2023 (un-audited) AED'000	31 March 2022 (un-audited) AED'000
Cash in hand and balances with UAE Central Bank	3,262,209	1,691,087
Due from other banks	11,982,523	9,220,961
	15,244,732	10,912,048
Less: Due from other banks original maturity of three months or more	(10,557,083)	(7,923,447)
Cash and cash equivalents	4,687,649	2,988,601

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.

25. Operating segments (continued)

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 2023 to 31 March 2023 (continued)

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 31 March 2023 and 2022 is as follows:

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
31 March 2023								
Net external interest income	202,833	228,768	185,685	67,933	3,467	(6,300)	912	683,298
Income from Islamic financing net of distribution to depositors	49,564	(15,971)	66,101	5,849	-	-	-	105,543
Internal revenue	(23,806)	(120,134)	84,846	(79,751)	-	138,845	-	-
Net interest income and net income from Islamic financing	228,591	92,663	336,632	(5,969)	3,467	132,545	912	788,841
Non-interest income	123,471	23,892	77,093	81,704	10,023	(28,489)	(3,326)	284,368
Operating income	352,062	116,555	413,725	75,735	13,490	104,056	(2,414)	1,073,209
Operating expense excluding depreciation & amortisation	(160,997)	(10,657)	(64,472)	(6,239)	(15,734)	(105,349)	2,414	(361,034)
Depreciation & amortisation	(8,398)	(324)	(2,220)	(981)	(579)	(15,441)	-	(27,943)
Total operating expense	(169,395)	(10,981)	(66,692)	(7,220)	(16,313)	(120,790)	2,414	(388,977)
Impairment charge, net	(65,514)	(44,194)	(127,107)	4,362	(1,459)	-	-	(233,912)
Net profit	117,153	61,380	219,926	72,877	(4,282)	(16,734)	-	450,320
Segment assets	19,046,395	19,613,762	8,643,460	20,037,399	580,243	1,269,980	(313,169)	68,878,070
Segment liabilities	16,759,469	11,205,162	19,857,141	10,317,491	443,346	1,012,427	(148,671)	59,446,365

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

25. Operating segments (continued)

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
31 December 2021								
Net external interest income	187,307	78,366	141,110	33,560	2,110	-	53	442,506
Income from Islamic financing net of distribution to depositors	45,921	(1,148)	53,403	(258)	-	-	-	97,918
Internal revenue	(40,712)	(18,760)	19,998	27,013		12,461		-
Net interest income and net income from Islamic financing	192,516	58,458	214,511	60,315	2,110	12,461	53	540,424
Non-interest income	121,733	15,665	72,620	(27,130)	8,517	(2,863)	(2,038)	186,504
Operating income	314,249	74,123	287,131	33,185	10,627	9,598	(1,985)	726,928
Operating expense excluding depreciation & amortisation	(155,212)	(11,029)	(66,511)	(5,739)	(14,142)	(91,598)	1,985	(342,246)
Depreciation & amortisation	(9,909)	(470)	(1,843)	(817)	(643)	(16,446)	-	(30,128)
Total operating expense	(165,121)	(11,499)	(68,354)	(6,556)	(14,785)	(108,044)	1,985	(372,374)
Impairment charge, net	(40,426)	(1,409)	(30,341)	(56,231)	503	(6,589)	-	(134,493)
Net profit	108,702	61,215	188,436	(29,602)	(3,655)	(105,035)		220,061
As at 31 December 2022								
Segment assets	18,842,431	19,485,537	8,464,319	18,140,049	562,283	1,173,963	(318,386)	66,350,196
Segment liabilities	15,787,793	12,680,445	18,614,076	9,015,413	421,799	963,897	(153,878)	57,329,545

The comparative figures of 31 March 2022 and 31 December 2022 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 2023 to 31 March 2023 (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	
	2023	2022
	(un-audited)	(un-audited)
	AED'000	AED'000
<i>Transactions during the period</i>		
Interest income	12,389	2,597
Interest expense	16,717	1,612
Commission income	433	86
Directors' and key management personnel's remuneration, sitting and other expenses	15,704	12,909
	31 March	31 December
	2023	2022
	(un-audited)	(audited)
	AED'000	AED'000
<i>Balances</i>		
<i>Loans and advances:</i>		
- Shareholders and their related companies	587,579	753,948
- Directors and their related companies	149,552	134,178
- Key management personnel	5,637	6,994
	742,768	895,120
<i>Deposits</i>		
- Shareholders and their related companies	2,581,362	2,768,984
- Directors and their related companies	11,734	15,448
- Key management personnel	14,284	20,269
	2,607,380	2,804,701
<i>Irrevocable commitments and contingent liabilities and forward contracts</i>		
- Shareholders and their related companies	55,595	66,923
- Directors and their related companies	40	40
	55,635	66,963
	31 March	31 December
	2023	2022
	(un-audited)	(audited)
	AED'000	AED'000
<i>Insurance related receivables</i>		
Due from policy holders	28,301	11,715
<i>Insurance related payables</i>		
Due to policy holders	65	862

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 31 March 2023

The Bank is required to report capital resources and risk-weighted assets under the Basel III from February 2017. Capital structure and capital adequacy as per Basel III requirement as at 31 March 2023 and 31 December 2022 (after applying prudential filter) is given below:

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED '000
Tier 1 capital		
Ordinary share capital	1,676,245	1,676,245
Legal and other reserves	3,988,873	3,990,045
Retained earnings	3,431,675	2,225,576
Current year profit	454,602	1,206,099
Dividend	(569,923)	(569,923)
Tier 1 capital base	8,981,472	8,528,042
Total regulatory adjustments	(360,223)	(362,295)
Tier 1 Capital base after Regulatory adjustments	8,621,249	8,165,747
Tier 2 capital base	609,437	601,194
Total capital base	9,230,686	8,766,941
Risk weighted assets		
Credit risk	48,754,951	48,095,557
Market risk	1,765,115	1,649,697
Operational risk	4,278,459	3,628,998
Total risk weighted assets	54,798,525	53,374,252
Capital adequacy ratio on Tier 1 capital	15.73%	15.30%
Capital adequacy ratio on Tier 2 capital	1.11%	1.13%
Total Capital adequacy ratio	16.84%	16.43%

As per the Central Bank of UAE Regulation for Basel III, the Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2023. Additionally, Central Bank of UAE 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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

28. Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms. At 31 March 2023, 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 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Assets				
Loan and advances	36,801,880	36,317,835	36,444,415	36,071,267
Investment securities measured at fair value	4,680,432	4,242,242	4,680,432	4,242,242
Investment securities measured at amortised cost	7,427,142	7,050,475	7,589,452	7,221,806
Cash and balances with the UAE Central Bank	5,643,110	4,713,892	5,643,110	4,713,892
Due from other banks	11,672,046	11,282,514	11,936,623	11,456,321
Total financial assets	66,224,610	63,606,958	66,294,032	63,705,528
Liabilities				
Due to other banks	6,877,636	6,286,678	6,771,179	6,191,834
Deposits from customer	46,400,753	44,887,239	46,365,520	44,871,310
Debt securities issued and other borrowing	4,064,200	4,050,230	4,004,589	3,999,743
Total financial liabilities	57,342,589	55,224,147	57,141,288	55,062,887

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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

29. Fair value hierarchy (continued)

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.

	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 2023 (un-audited)				
Assets at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	3,896,733	234,576	-	4,131,309
Investment securities - equity	422,239	-	5,240	427,479
Foreign exchange contracts	-	47,787	-	47,787
Derivative financial instruments	-	475,595	-	475,595
<i>(Through profit and loss)</i>				
Investment market fund	67,389	-	44,893	112,282
Investment market - equity	3,453	-	-	3,453
Investment - debt securities	5,909	-	-	5,909
<i>(Held at amortised cost)</i>				
Investment securities - debt	7,427,142	-	-	7,427,142
	11,822,865	757,958	50,133	12,630,956
Liabilities at fair value				
Foreign exchange contracts	-	40,371	-	40,371
Derivative financial instruments	-	448,105	-	448,105
	-	488,476	-	488,476

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (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
<i>31 December 2022</i>				
<i>Assets at fair value</i>				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	3,655,522	36,490	-	3,692,012
Investment securities - equity	437,494	-	5,240	442,734
Foreign exchange contracts	-	43,103	-	43,103
Derivative financial instruments	-	520,386	-	520,386
<i>(through profit and loss)</i>				
Investment market fund	66,071	-	41,425	107,496
<i>Investment- debt securities</i>				
<i>(Held at amortised cost)</i>				
Investment securities - debt	6,933,915	-	116,560	7,050,475
	<u>11,093,002</u>	<u>599,979</u>	<u>163,225</u>	<u>11,856,206</u>
<i>Liabilities at fair value</i>				
Foreign exchange contracts	-	45,079	-	45,079
Derivative financial instruments	-	478,970	-	478,970
	<u>-</u>	<u>524,049</u>	<u>-</u>	<u>524,049</u>

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

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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

31. Right-of-use assets

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Balance at the beginning of the period	112,657	134,424
Additions during the period	-	29,847
Increase /(decrease) due to changes in lease liability and contract period and early termination of contract	2,724	(21,918)
Depreciation for the period	(5,815)	(29,696)
Balance at the closing of the period	109,566	112,657

32. Lease liabilities

	31 March 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Balance at the beginning of the period	102,912	130,600
Additions during the period	-	29,847
Increase /(decrease) due to changes in lease contract amount and contract period and early termination of contract	1,828	(31,345)
Interest cost on lease liability for the period	1,029	5,387
Less: payments made during the period	(4,685)	(31,577)
Balance at the closing of the period	101,084	102,912

33. Seasonality of results

Dividend income of AED 13.2 million (31 March 2022: AED 10.7 million) of seasonal nature was recorded in the condensed consolidated interim financial information for the period.

34. Risk management

The Group monitors credit risk per class of financial instrument. Following are the identified classes of financial instruments.

- Due from other banks;
- Debt investment securities carried at FVOCI and amortised cost;
- Loans and advances to customers;
- Insurance assets and receivables;
- Customer acceptances and other financial assets;
- Loan commitments; and
- Financial guarantees and contracts.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

Measurement of Expected Credit loss (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 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 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 Probability of Defaults (“PDs”). The Group employs experts who use external and internal information to generate 3 scenarios viz. Baseline, Upside and Downside, in accordance with the IFRS 9 requirements.

The Group has used the updated macro-economic forecasts for the year ended 31 December 2022 and is currently using the weightings of (40:30:30) for Baseline: Upside: Downside scenarios. The sensitivity to 10% increase in Downside Scenario, with a corresponding decrease of 10% in Upside scenario is AED 29 million as of 31 March 2023.

For the purpose of IFRS 9 related notes and disclosures, Non-Retail portfolio means Wholesale and Business Banking Loans excluding RAK Business Loans. An analysis of the Group’s credit risk exposures of major classes of financial instruments without taking into account the effects of any collateral or other credit enhancement is provided in the following tables.

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

	31 March 2023 (un-audited)			Total AED’000
	Stage 1 12-month AED’000	Stage 2 Lifetime AED’000	Stage 3 Lifetime AED’000	
Gross carrying amount as at 1 January 2023	35,631,176	1,310,642	1,202,501	38,144,319
Transfer from Stage 1 to Stage 2	(444,853)	444,853	-	-
Transfer from Stage 2 to Stage 3	-	(225,474)	225,474	-
Transfer from Stage 2 to Stage 1	86,432	(86,432)	-	-
Transfer from Stage 3 to Stage 2	-	15,357	(15,357)	-
Change in Exposures during the year	(5,124,701)	(115,803)	(94,196)	(5,334,700)
New financial assets originated	5,934,546	47,398	5,043	5,986,987
Write-offs	-	-	(100,353)	(100,353)
Gross carrying amount as at 31 March 2023	36,082,600	1,390,541	1,223,112	38,696,253

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

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

Loans and advances	31 December 2022 (audited)			AED '000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening Balance 1 January 2022	32,305,320	1,696,188	1,454,947	35,456,455
Stage Transfer				
Stage 1 to Stage 2 Transfer	(1,178,528)	1,178,528	-	-
Stage 2 to Stage 3 Transfer	-	(627,848)	627,848	-
Stage 2 to Stage 1 Transfer	358,719	(358,719)	-	-
Stage 3 to Stage 2 Transfer	-	42,874	(42,874)	-
Change in Exposures during the year	(11,339,403)	(837,137)	(446,360)	(12,622,900)
New Financial Assets Originated	15,485,068	216,756	131,126	15,832,950
Write offs	-	-	(522,186)	(522,186)
Closing Balance 31 December 2022	35,631,176	1,310,642	1,202,501	38,144,319

Changes in the gross carrying for due from banks

	31 March 2023 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
Gross carrying amount as at 1 January 2023	11,510,110	3,509	-	11,513,619
Due to changes in PD's/ LGD's/ EAD	(3,215,425)	(2,964)	-	(3,218,389)
Due to new financial assets originated	3,687,293	-	-	3,687,293
Gross carrying amount as at 31 March 2023	11,981,978	545	-	11,982,523

Due from banks	31 December 2022(audited)			AED '000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening balance 1 January 2022	7,780,561	687,562	-	8,468,123
Stage Transfers				
Stage 2 to Stage 1 transfer	616,932	(616,932)	-	-
Change in Exposures during the year	(3,157,673)	(67,121)	-	(3,224,794)
New Financial Assets Originated	6,270,290	-	-	6,270,290
Closing Balance 31 December 2022	11,510,110	3,509	-	11,513,619

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

Changes in the gross carrying for Investment securities – FVOCI*

	31 March 2023 (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 2023	3,653,255	-	182,885	3,836,140
Change in Exposures during the year	(447,012)	-	8,318	(438,694)
New Financial Assets Originated	877,444	-	-	877,444
Gross carrying amount as at 31 March 2023	4,083,687	-	191,203	4,274,890
	31 December 2022 (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 2022	4,147,291	157,630	-	4,304,921
Stage 1 to Stage 2 Transfer	(37,475)	37,475	-	-
Stage 2 to Stage 3 Transfer	-	(74,984)	74,984	-
Stage 2 to Stage 1 Transfer	82,646	(82,646)	-	-
Change in Exposures during the year	(1,686,898)	(37,475)	107,901	(1,616,472)
New Financial Assets Originated	1,147,691	-	-	1,147,691
Gross carrying amount as at 31 December 2022	3,653,255	-	182,885	3,836,140

* Exposures are gross of IFRS 9 provisions held

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

Changes in the gross carrying for Investment securities - Amortized Cost

	31 March 2023 (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 2023	7,224,475	17,447	37,008	7,278,930
Change in Exposures during the year	(1,634,121)	(2,443)	(14)	(1,636,578)
New Financial Assets Originated	2,000,610	-	-	2,000,610
Gross carrying amount as at 31 March 2023	7,590,964	15,004	36,994	7,642,962

	31 December 2022 (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 2022	4,418,527	173,469	-	4,591,996
Stage 2 to Stage 3 Transfer	-	(37,184)	37,184	-
Stage 2 to Stage 1 Transfer	81,908	(81,908)	-	-
Change in Exposures during the year	(767,495)	(36,930)	(176)	(804,601)
New Financial Assets Originated	3,491,535	-	-	3,491,535
Gross carrying amount as at 31 December 2022	7,224,475	17,447	37,008	7,278,930

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

	31 March 2023 (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 2023	10,015,021	102,710	162,082	10,279,813
Transfer from Stage 1 to Stage 2	(8,206)	8,206	-	-
Change in Exposures during the year	(2,838,344)	(20,594)	(480)	(2,859,418)
New financial assets originated	2,852,955	8,206	-	2,861,161
Gross carrying amount as at 31 March 2023	10,021,426	98,528	161,602	10,281,556

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

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

	31 December 2022 (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 2022	8,119,997	377,497	193,253	8,690,747
Stage 1 to Stage 2 Transfer	(23,303)	23,303	-	-
Stage 2 to Stage 3 Transfer	-	(56,126)	56,126	-
Stage 2 to Stage 1 Transfer	117,977	(117,977)	-	-
Change in Exposures during the year	(3,966,229)	(141,292)	(90,128)	(4,197,649)
New Financial Assets Originated	5,766,579	17,305	4,711	5,788,595
Write offs	-	-	(1,880)	(1,880)
Gross carrying amount as at 31 December 2022	10,015,021	102,710	162,082	10,279,813

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

	31 March 2023 (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 2023	7,661,162	839,224	548,835	9,049,221
Stage 1 to Stage 2 Transfer	(185,213)	185,213	-	-
Stage 2 to Stage 3 Transfer	-	(162,017)	162,017	-
Stage 2 to Stage 1 Transfer	4,609	(4,609)	-	-
Stage 3 to Stage 2 Transfer	-	1,215	(1,215)	-
Change in Exposures during the year	(725,852)	(58,879)	(65,906)	(850,637)
New Financial Assets Originated	1,131,527	23,186	4,912	1,159,625
Write offs	-	-	(44,973)	(44,973)
Gross carrying amount as at 31 March 2023	7,886,233	823,333	603,670	9,313,236

	31 December 2022 (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 2022	6,544,039	918,063	591,099	8,053,201
Stage 1 to Stage 2 Transfer	(659,269)	659,269	-	-
Stage 2 to Stage 3 Transfer	-	(262,601)	262,601	-
Stage 2 to Stage 1 Transfer	103,479	(103,479)	-	-
Stage 3 to Stage 2 Transfer	-	9,273	(9,273)	-
Change in Exposures during the year	(2,043,351)	(504,461)	(153,963)	(2,701,775)
New Financial Assets Originated	3,716,264	123,160	84,591	3,924,015
Write offs	-	-	(226,220)	(226,220)
Gross carrying amount as at 31 December 2022	7,661,162	839,224	548,835	9,049,221

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

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

	31 March 2023 (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 2023	17,954,994	368,708	491,583	18,815,285
Stage 1 to Stage 2 Transfer	(251,434)	251,434	-	-
Stage 2 to Stage 3 Transfer	-	(63,457)	63,457	-
Stage 2 to Stage 1 Transfer	81,823	(81,823)	-	-
Stage 3 to Stage 2 Transfer	-	14,142	(14,142)	-
Change in Exposures during the year	(1,560,506)	(36,330)	(27,809)	(1,624,645)
New Financial Assets Originated	1,950,064	16,006	131	1,966,201
Write offs	-	-	(55,380)	(55,380)
Gross carrying amount as at 31 March 2023	18,174,941	468,680	457,840	19,101,461
	31 December 2022 (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 2022	17,641,284	400,628	670,595	18,712,507
Stage 1 to Stage 2 Transfer	(495,956)	495,956	-	-
Stage 2 to Stage 3 Transfer	-	(309,121)	309,121	-
Stage 2 to Stage 1 Transfer	137,263	(137,263)	-	-
Stage 3 to Stage 2 Transfer	-	33,601	(33,601)	-
Change in Exposures during the year	(5,329,822)	(191,384)	(202,270)	(5,723,476)
New Financial Assets Originated	6,002,225	76,291	41,824	6,120,340
Write offs	-	-	(294,086)	(294,086)
Gross carrying amount as at 31 December 2022	17,954,994	368,708	491,583	18,815,285

Loss allowance for loans and advances measured at amortized cost

	31 March 2023 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL allowance as at 1 January 2023	703,593	475,638	893,821	2,073,052
Stage 1 to Stage 2 Transfer	(41,476)	41,476	-	-
Stage 2 to Stage 3 Transfer	-	(82,189)	82,189	-
Stage 2 to Stage 1 Transfer	41,374	(41,374)	-	-
Stage 3 to Stage 2 Transfer	-	6,655	(6,655)	-
Due to changes in PD's/ LGD's/ EAD	81,123	34,053	43,397	158,573
Due to new financial assets originated	97,088	19,106	4,372	120,566
Write offs	-	-	(100,353)	(100,353)
ECL allowance as at 31 March 2023	881,702	453,365	916,771	2,251,838

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

Loss allowance for loans and advances measured at amortized cost (continued)

	31 December 2022 (Audited)			Grand Total AED'000
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	
ECL allowance as at 1 January 2022	682,854	300,583	909,771	1,893,208
Stage 1 to Stage 2 Transfer	(288,982)	288,982	-	-
Stage 2 to Stage 3 Transfer	-	(205,887)	205,887	-
Stage 2 to Stage 1 Transfer	51,123	(51,123)	-	-
Stage 3 to Stage 2 Transfer	-	22,322	(22,322)	-
Due to changes in PD's/ LGD's/ EAD	(24,466)	38,749	209,980	224,263
Due to new financial assets originated	283,064	82,012	112,691	477,767
Write offs	-	-	(522,186)	(522,186)
ECL allowance as at 31 December 2022	<u>703,593</u>	<u>475,638</u>	<u>893,821</u>	<u>2,073,052</u>

Loss allowance for due from Banks

	31 March 2023 (un-audited)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
	ECL allowance as at 1 January 2023	57,153	145	-
Change in Exposures during the year	(18,117)	(121)	-	(18,238)
New Financial Assets Originated	6,840	-	-	6,840
ECL allowance as at 31 March 2023	<u>45,876</u>	<u>24</u>	<u>-</u>	<u>45,900</u>

	31 December 2022 (audited)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
	ECL allowance as at 1 January 2022	33,549	5,720	-
Stage 2 to Stage 1 transfer	3,991	(3,991)	-	-
Due to changes in PD's/ LGD's/ EAD	(6,627)	(1,584)	-	(8,211)
Due to new financial assets originated	26,240	-	-	26,240
ECL allowance as at 31 December 2022	<u>57,153</u>	<u>145</u>	<u>-</u>	<u>57,298</u>

Loss allowance for Investment securities - FVOCI

	31 March 2023 (un-audited)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
	ECL allowance as at 1 January 2023	7,816	-	136,312
Due to changes in PD's/ LGD's/ EAD	(1,481)	-	309	(1,172)
Due to new financial assets originated	624	-	-	624
ECL allowance as at 31 March 2023	<u>6,959</u>	<u>-</u>	<u>136,621</u>	<u>143,580</u>

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

Loss allowance for Investment securities – FVOCI (continued)

	31 December 2022 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2022	10,943	13,986	
Stage 1 to Stage 2 Transfer	(106)	106	-	-
Stage 2 to Stage 3 Transfer	-	(13,670)	13,670	-
Stage 2 to Stage 1 Transfer	317	(317)	-	-
Due to changes in PD's/ LGD's/ EAD	(4,659)	(105)	122,642	117,878
Due to new financial assets originated	1,321	-	-	1,321
ECL allowance as at 31 December 2022	<u>7,816</u>	<u>-</u>	<u>136,312</u>	<u>144,128</u>

Loss allowance for Investment securities - Amortized Cost

	31 March 2023 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2023	18,557	9,183	
Due to changes in PD's/ LGD's/ EAD	(13,177)	(1)	-	(13,178)
Due to new financial assets originated	9,564	-	-	9,564
ECL allowance as at 31 March 2023	<u>14,944</u>	<u>9,182</u>	<u>29,384</u>	<u>53,510</u>

	31 December 2022 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2022	9,957	14,983	
Stage 2 to Stage 3 Transfer	-	(3,474)	3,474	-
Stage 2 to Stage 1 Transfer	1,146	(1,146)	-	-
Due to changes in PD's/ LGD's/ EAD	(1,556)	(1,180)	25,910	23,174
Due to new financial assets originated	9,010	-	-	9,010
ECL allowance as at 31 December 2022	<u>18,557</u>	<u>9,183</u>	<u>29,384</u>	<u>57,124</u>

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

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

	31 March 2023 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2023	109,951	20,118	
Transfer from Stage 1 to Stage 2	(898)	898	-	-
Due to changes in PD's/ LGD's/ EAD	53,482	(1,097)	(473)	51,912
Due to new financial assets originated	3,564	898	-	4,462
ECL allowance as at 31 March 2023	166,099	20,817	146,049	332,965

	31 December 2022 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2022	70,572	38,820	
Transfer from Stage 1 to Stage 2	(6,860)	6,860	-	-
Transfer from Stage 2 to Stage 3	-	(13,821)	13,821	-
Transfer from Stage 2 to Stage 1	3,026	(3,026)	-	-
Due to changes in PD's/ LGD's/ EAD	17,586	(10,858)	(4,194)	2,534
Due to new financial assets originated	25,627	2,143	4,711	32,481
Write-offs	-	-	(1,880)	(1,880)
ECL allowance as at 31 December 2022	109,951	20,118	146,522	276,591

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

	31 March 2023 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2023	248,321	261,011	
Transfer from Stage 1 to Stage 2	(18,935)	18,935	-	-
Transfer from Stage 2 to Stage 3	-	(52,994)	52,994	-
Transfer from Stage 2 to Stage 1	3,837	(3,837)	-	-
Transfer from Stage 3 to Stage 2	-	1,046	(1,046)	-
Due to changes in PD's/ LGD's/ EAD	67,209	(6,906)	26,870	87,173
Due to new financial assets originated	46,608	6,267	4,255	57,130
Write-offs	-	-	(44,973)	(44,973)
ECL allowance as at 31 March 2023	347,040	223,522	502,463	1,073,025

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

34. Risk management (continued)

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

	31 December 2022 (audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
ECL allowance as at 1 January 2022	246,888	139,258	479,800	865,946
Transfer from Stage 1 to Stage 2	(176,248)	176,248	-	-
Transfer from Stage 2 to Stage 3	-	(112,372)	112,372	-
Transfer from Stage 2 to Stage 1	13,757	(13,757)	-	-
Transfer from Stage 3 to Stage 2	-	8,051	(8,051)	-
Due to changes in PD's/ LGD's/ EAD	40,086	35,176	30,531	105,793
Due to new financial assets originated	123,838	28,407	75,931	228,176
Write-offs	-	-	(226,220)	(226,220)
ECL allowance as at 31 December 2022	<u>248,321</u>	<u>261,011</u>	<u>464,363</u>	<u>973,695</u>

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

	31 March 2023 (un-audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
ECL allowance as at 1 January 2023	345,321	194,509	282,936	822,766
Transfer from Stage 1 to Stage 2	(21,643)	21,643	-	-
Transfer from Stage 2 to Stage 3	-	(29,195)	29,195	-
Transfer from Stage 2 to Stage 1	37,537	(37,537)	-	-
Transfer from Stage 3 to Stage 2	-	5,609	(5,609)	-
Due to changes in PD's/ LGD's/ EAD	(39,569)	42,057	17,000	19,488
Due to new financial assets originated	46,916	11,941	117	58,974
Write-offs	-	-	(55,380)	(55,380)
ECL allowance as at 31 March 2023	<u>368,562</u>	<u>209,027</u>	<u>268,259</u>	<u>845,848</u>

	31 December 2022 (audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
ECL allowance as at 1 January 2022	365,394	122,505	295,907	783,806
Transfer from Stage 1 to Stage 2	(105,874)	105,874	-	-
Transfer from Stage 2 to Stage 3	-	(79,694)	79,694	-
Transfer from Stage 2 to Stage 1	34,340	(34,340)	-	-
Transfer from Stage 3 to Stage 2	-	14,271	(14,271)	-
Due to changes in PD's/ LGD's/ EAD	(82,138)	14,431	183,643	115,936
Due to new financial assets originated	133,599	51,462	32,049	217,110
Write-offs	-	-	(294,086)	(294,086)
ECL allowance as at 31 December 2022	<u>345,321</u>	<u>194,509</u>	<u>282,936</u>	<u>822,766</u>

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 31 March 2023 (continued)

35. Restatement of comparative figures

The Group has applied IFRS 17 on 1 January 2023, using full retrospective approach. Due to the transition from IFRS 4 to IFRS 17, there are reclassification within assets & liabilities and between assets, liabilities and equity. The reclassification had an impact of AED 4,457 thousand on total shareholder's equity.

The impact of the restatements has set out below:

	As previously Reported AED'000	Restatement Increase / (Decrease) AED'000	As restated AED'000
<i>Statement of financial position as at 31 December 2022</i>			
Assets			
Insurance contract assets and receivables Net	280,928	(136,740)	144,188
Other assets	1,434,125	(16,906)	1,417,219
Total assets	1,715,053	(153,646)	1,561,407
Liabilities			
Insurance contract liabilities and payables	464,491	(129,849)	334,642
Other liabilities	1,702,471	(19,340)	1,683,131
Total	2,166,962	(149,189)	2,017,773
Equity			
<i>Equity attributable to owners of the Bank</i>			
Retained earnings	3,395,839	(3,532)	3,392,307
Non-controlling interests	27,267	(925)	26,342
Total equity	3,423,106	(4,457)	3,418,649
Total Liabilities and Equity	5,590,068	(153,646)	5,436,422

The disclosure above indicates the impact of transition to IFRS 17 for the Group. The management will continue to assess the IFRS 17 transition related disclosures for the users of the condensed consolidated interim financial statements.

36. UAE Corporate Income Tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Law”) to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime will become effective for the accounting periods beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. Management acknowledges that a number of regulations with regards to the application of tax legislation are yet to be published and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax implications on the Group.

37. Subsequent Events

At the meeting held on 10 April 2023, the shareholders of the Bank approved a cash dividend of 34% amounting to AED 569.9 million of the issued and paid up capital in respect of the year ended 31 December 2022 (2021: 22.5% amounting to AED 377.2 million).

38. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved on **26 April 2023**.