

United Arab Bank P.J.S.C.

Review report and condensed interim financial statements

For the nine months period ended 30 September 2024

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED ARAB BANK P.J.S.C

Introduction

We have reviewed the accompanying condensed interim financial statements of United Arab Bank P.J.S.C. (the “Bank”), which comprise the interim statement of financial position as at 30 September 2024 and the related interim income statement and comprehensive income statement for the three-month and nine-month then ended and the interim statement of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed interim financial statements 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 interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Anthony O’Sullivan
Registration No: 687

20 October 2024

Sharjah, United Arab Emirates

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
	Notes		
Assets			
Cash and balances with UAE Central Bank	5	1,985,837	2,001,080
Due from banks, net	6	585,722	456,567
Loans and advances and Islamic financing receivables, net	7	10,754,428	9,357,293
Investments and Islamic instruments, net	8	5,683,126	5,089,861
Property, equipment and capital work-in-progress		185,268	181,351
Customer Acceptances		410,469	203,728
Other assets, net	9	410,857	357,968
TOTAL ASSETS		20,015,707	17,647,848
Liabilities and Equity			
Liabilities			
Due to banks	10	3,772,760	3,729,435
Customer deposits and Islamic customer deposits	11	12,031,045	10,237,502
Medium term borrowings	12	734,600	734,600
Customer Acceptances		410,469	203,728
Other liabilities	13	489,408	452,838
Total liabilities		17,438,282	15,358,103
Equity			
Share capital	14	2,062,550	2,062,550
Treasury shares		(8,156)	(3,885)
Tier 1 instrument	14	550,875	550,875
Special reserve		48,022	48,022
Statutory reserve		76,946	76,946
General reserve		9,311	9,311
Cumulative changes in fair value	14	(6,041)	(119,170)
Accumulated losses		(156,082)	(334,904)
Total Equity		2,577,425	2,289,745
TOTAL LIABILITIES AND EQUITY		20,015,707	17,647,848

This condensed interim financial information was approved by the Board of Directors on 20 October 2024 and signed on its behalf by:


 HH Sheikh Mohammed Bin Faisal Bin Sultan Al Qassimi
 Chairman


 Shirish Bhide
 Chief Executive Officer

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF INCOME

For the nine month period ended 30 September 2024

	<i>Notes</i>	<i>Three month period ended 30 September (Unaudited)</i>		<i>Nine month period ended 30 September (Unaudited)</i>	
		<i>2024 AED'000</i>	<i>2023 AED'000</i>	<i>2024 AED'000</i>	<i>2023 AED'000</i>
Interest income		273,219	215,497	816,019	615,685
Income from Islamic financing products		28,898	16,787	86,144	50,193
Total interest income and income from Islamic financing products		302,117	232,284	902,163	665,878
Interest expense		(162,730)	(110,845)	(461,706)	(318,383)
Distribution to Islamic depositors		(28,269)	(19,108)	(86,671)	(52,958)
Total interest expense and distribution to depositors		(190,999)	(129,953)	(548,377)	(371,341)
Net interest income and income from Islamic products net of distribution to depositors		111,118	102,331	353,786	294,537
Net fees and commission income		22,417	18,514	64,969	59,932
Foreign exchange income		9,850	6,205	22,690	20,115
Other operating income		8,269	47,187	10,678	72,234
Total operating income		151,654	174,237	452,123	446,818
Employee benefit expenses		(51,188)	(46,165)	(150,607)	(133,331)
Other operating expenses		(18,718)	(24,482)	(57,119)	(60,322)
Depreciation		(5,244)	(5,662)	(15,891)	(16,911)
Total operating expenses		(75,150)	(76,309)	(223,617)	(210,564)
Operating profit before impairment loss		76,504	97,928	228,506	236,254
Net impairment reversal/(loss)	15	4,530	(9,430)	4,724	(27,232)
Net profit for the period before tax		81,034	88,498	233,230	209,022
Tax expense	16	(7,294)	-	(20,971)	-
Net profit for the period		73,740	88,498	212,259	209,022
Earnings per share (basic and diluted in AED)	4	0.04	0.04	0.10	0.10

The notes on pages 8 to 27 form an integral part of the condensed interim financial information. The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine month period ended 30 September 2024

	<i>Three month period ended 30 September (Unaudited)</i>		<i>Nine month period ended 30 September (Unaudited)</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Net profit for the period	73,740	88,498	212,259	209,022
Other comprehensive income				
Items that may be reclassified to the income statement:				
FVOCI Investments:				
Net change in fair value	157,055	(68,979)	161,761	(95,866)
Reclassified to the income statement	(57,000)	20,553	(52,375)	19,395
Cash flow hedge:				
Effective portion of changes in fair value	3,672	2,868	3,743	2,868
Total items that may be reclassified to the income statement	103,727	(45,558)	113,129	(73,603)
Total comprehensive income for the period	177,467	42,940	325,388	135,419

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2024

		<i>Nine month period ended 30 September</i>	
	<i>Notes</i>	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES			
Net profit for the period		212,259	209,022
Adjustments for:			
Depreciation		15,891	16,911
Provision for corporate tax		20,971	-
Gain on sale of property and equipment		(104)	(54,495)
Gain on sale of assets acquired in settlement of debt		-	(4,194)
Impairment on assets acquired in settlement of debt		5,500	3,500
Net credit impairment losses		16,592	86,724
Amortization of commission paid on Medium term borrowing		1,377	-
Amortisation of premium paid on investments		2,931	3,596
Loss on fixed assets written off		4,417	-
Net fair value (gain)/loss on disposal of investments and Islamic instruments		(328)	107
Operating cash flows before movements in working capital		279,506	261,171
Changes in operating assets and liabilities:			
Loans and advances and Islamic financing receivables		(1,414,334)	(195,780)
Balances with the UAE Central Bank maturing after three months		(165,394)	(182,065)
Due from banks maturing after three months		(7,730)	(17,454)
Other assets		(268,415)	105,780
Due to banks maturing after three months		(1,193,837)	(794,650)
Customer deposits and Islamic customer deposits		1,793,543	606,513
Other liabilities		203,580	(157,770)
Net cash used in operating activities		(773,081)	(374,255)
INVESTING ACTIVITIES			
Purchase of property, equipment and capital work-in-progress		(22,342)	(20,835)
Purchase of investments		(950,802)	(969,767)
Proceeds from redemption / sale of investments		498,554	182,391
Proceeds from sale of property and equipment		129	167,000
Proceeds from sale of assets acquired in settlement of debt		-	8,700
Net cash used in investing activities		(474,461)	(632,511)
FINANCING ACTIVITIES			
Proceeds from Tier 1 instrument		-	550,875
Tier 1 instrument issuance cost		-	(2,592)
Net purchase of treasury shares		(4,387)	(2,347)
Coupon paid on Tier 1 instrument		(44,420)	(22,200)
Net cash (used in)/from financing activities		(48,807)	523,736
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,296,349)	(483,030)
Cash and cash equivalents at 1 January		1,182,622	(1,275)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		(113,727)	(484,305)
Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:			
Cash and balances with UAE Central Bank		1,365,551	912,131
Due from banks		576,518	199,251
Due to banks		(2,055,796)	(1,595,687)
		(113,727)	(484,305)

The notes on pages 8 to 27 form an integral part of the condensed interim financial information. The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2024

	<i>Share capital AED'000 (Unaudited)</i>	<i>Tier 1 instrument AED'000 (Unaudited)</i>	<i>Special reserve AED'000 (Unaudited)</i>	<i>Statutory reserve AED'000 (Unaudited)</i>	<i>General reserve AED'000 (Unaudited)</i>	<i>Treasury shares AED'000 (Unaudited)</i>	<i>Cumulative changes in fair value AED'000 (Unaudited)</i>	<i>Accumulated losses AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>
At 1 January 2024 (audited)	2,062,550	550,875	48,022	76,946	9,311	(3,885)	(119,170)	(334,904)	2,289,745
Net profit for the period	-	-	-	-	-	-	-	212,259	212,259
Other comprehensive income for the period	-	-	-	-	-	-	113,129	-	113,129
Total comprehensive income for the period	-	-	-	-	-	-	113,129	212,259	325,388
Coupon payable to Tier 1 instrument holders and others	-	-	-	-	-	-	-	(33,321)	(33,321)
Treasury shares acquired	-	-	-	-	-	(4,271)	-	(116)	(4,387)
Balance at 30 September 2024 (unaudited)	2,062,550	550,875	48,022	76,946	9,311	(8,156)	(6,041)	(156,082)	2,577,425
At 1 January 2023 (audited)	2,062,550	-	22,491	51,415	9,311	-	(153,621)	(492,810)	1,499,336
Net profit for the period	-	-	-	-	-	-	-	209,022	209,022
Other comprehensive loss for the period	-	-	-	-	-	-	(73,603)	-	(73,603)
Total comprehensive income for the period	-	-	-	-	-	-	(73,603)	209,022	135,419
Tier 1 instrument	-	550,875	-	-	-	-	-	-	550,875
Tier 1 instrument issuance cost	-	-	-	-	-	-	-	(2,592)	(2,592)
Coupon payable to Tier 1 instrument holders	-	-	-	-	-	-	-	(22,200)	(22,200)
Treasury shares acquired	-	-	-	-	-	(2,347)	-	289	(2,058)
Balance at 30 September 2023 (unaudited)	2,062,550	550,875	22,491	51,415	9,311	(2,347)	(227,224)	(308,291)	2,158,780

The notes on pages 8 to 27 form an integral part of the condensed interim financial information. The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

1 LEGAL STATUS AND ACTIVITIES

United Arab Bank P.J.S.C. (the “Bank”) was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness the Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank’s registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

The condensed interim financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Bank’s annual financial information for the year ended 31 December 2023. The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these condensed interim financial statements. Other amendments and interpretations apply for the first time in 2024, but do not have an impact on the Bank’s condensed interim financial statements.

Standards, amendments and interpretations that are effective for the Bank’s accounting period beginning on 1 January 2024

The following amendments to existing standards have been applied by the Bank in preparation of these condensed interim financial statements. The adoption of these new standards does not have significant impact on the condensed interim financial statements.

Description	Effective from
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a sale and lease back (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024

Standard Issued but not yet Effective

The new and amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank’s interim condensed consolidated financial statements are described below.

Description	Effective from
Lack of Exchangeability (amendments to IAS 21)	1 January 2025
Presentation and disclosures in financial statements (IFRS 18)	1 January 2027

The Bank is currently evaluating these amendments. The Bank will adopt it when the amendment becomes effective.

2.2 Key accounting estimates and judgments

The preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited financial statements as at and for the year ended 31 December 2023.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

The condensed interim financial information of the Bank has been prepared in accordance with the International Financial Reporting Standards (“IFRS”), International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB).

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Bank’s audited financial statements as at and for the year ended 31 December 2023. In addition, results for the nine months period ended 30 September 2024 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2024.

In preparing this condensed interim financial information, significant judgments made by the management in applying the Bank’s accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2023 as explained in Note 2.2.

Implementation of UAE Corporation Tax law and application of IAS 12 Income Taxes

On 9 December 2022, the UAE Ministry of Finance (“MOF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

As the Bank’s accounting year ends on 31 December, the first tax period will be 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The taxable income of the bank in scope for UAE CT purposes will be subject to the rate of 9% corporate tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Bank generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

As per the Bank’s assessment, there is no deferred tax impact on account of the CT Law in the condensed interim financial statements for the period ended 30 September 2024. However, the Bank will continue to monitor the publication of subsequent decisions and related guidelines, as well as continuing its more detailed review of its financial matters, to consider any changes to this position at subsequent reporting dates.

3.2 Material accounting policies

The accounting policies applied by the Bank in the preparation of the condensed interim financial statements are consistent with those applied by the Bank in the annual audited financial statements for the year ended 31 December 2023, except for changes in accounting policies explained in Note 2.1.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The calculations are as follows:

	<i>Nine month period ended 30 September</i>	
	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
Net profit for the period	212,259	209,022
<i>Number of ordinary shares:</i>		
Number of shares of AED 1 each outstanding for the period	2,055,964,510	2,060,792,856
Basic earnings per share	AED 0.10	AED 0.10

The diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have a dilutive impact on earnings per share if or when exercised.

5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	<i>30 September 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
Cash on hand	47,743	37,654
Balances and statutory reserve requirements with the UAE Central Bank*	1,288,094	313,426
Overnight Deposit Facility and Certificate of Deposits	650,000	1,650,000
	1,985,837	2,001,080

* The statutory reserve requirements which are kept with the UAE Central Bank are not available to finance the day to day operations of the Bank. The level of statutory reserve required changes periodically in accordance with the requirements of the Central Banks' directives.

The UAE Central Bank balances are high grade in nature. Cash and balances with the UAE Central Bank is classified under stage 1 as per IFRS 9. However, these are low credit risk and there are no expected credit losses and hence no provision has been recognised.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

6 DUE FROM BANKS

	<i>30 September 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
Demand deposits	285,948	256,768
Placements	300,000	200,000
Less: Expected credit loss	(226)	(201)
	585,722	456,567

Due from banks includes AED 258,375 thousand (31 December 2023: AED 239,197 thousand) placed with foreign banks outside the UAE. AED 9,430 thousand (31 December 2023: AED 1,700 thousand) is held with other banks as margin for derivative transactions. Due from Banks are classified under stage 1 as per IFRS 9.

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>30 September 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
The composition of the loans and advances portfolio is as follows:		
By type:		
Overdrafts	922,055	1,393,589
Term loans (medium and short term)	9,604,063	7,923,093
Loans against trust receipts	550,980	456,828
Bills discounted	155,844	128,415
Other cash advances	22,069	26,252
Bills drawn under letters of credit	76,989	83,758
Gross amount of loans and advances and Islamic financing receivables	11,332,000	10,011,935
Less: Provision for impairment on loans and advances and Islamic financing receivables	(577,572)	(654,642)
Net loans and advances and Islamic financing receivables	10,754,428	9,357,293

Includes retail loans of AED 1,803,608 thousand (31 December 2023: AED 1,182,830 thousand)

Islamic financing gross receivables amount to AED 749,176 thousand (31 December 2023: AED 798,878 thousand) recognized through the Bank's Shari'a - compliant Islamic window.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Grading of gross balances of loans and advances along with stages

	<i>30 September 2024 (Unaudited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	367,305	-	-	367,305
Standard	10,276,783	106,397	-	10,383,180
Watchlist	-	120,275	-	120,275
Default	-	-	461,240	461,240
Total gross carrying amount	10,644,088	226,672	461,240	11,332,000
Expected credit loss	(123,373)	(132,004)	(322,195)	(577,572)
As at 30 September 2024 (unaudited)	10,520,715	94,668	139,045	10,754,428
	<i>31 December 2023 (Audited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	1,834	-	-	1,834
Standard	9,042,229	326,068	-	9,368,297
Watchlist	-	145,142	-	145,142
Default	-	-	496,662	496,662
Total gross carrying amount	9,044,063	471,210	496,662	10,011,935
Expected credit loss	(130,431)	(169,779)	(354,432)	(654,642)
As at 31 December 2023 (audited)	8,913,632	301,431	142,230	9,357,293

Movement in the gross balances of loans and advances and Islamic financing receivables

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2023	9,044,063	471,210	496,662	10,011,935
Net of new assets originated and assets repaid	1,540,780	(85,990)	(74,518)	1,380,272
Write-offs	-	-	(60,207)	(60,207)
Transferred from Stage 1	(7,247)	5,600	1,647	-
Transferred from Stage 2	66,492	(166,944)	100,452	-
Transferred from Stage 3	-	2,796	(2,796)	-
As at 30 September 2024 (unaudited)	10,644,088	226,672	461,240	11,332,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Movement in the gross balances of loans and advances and Islamic financing receivables (continued)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
Gross carrying amount as at 31 December 2022	6,929,373	636,456	673,806	8,239,635
Net of new assets originated or purchased	2,255,079	(182,925)	(201,266)	1,870,888
Write-offs	-	-	(98,588)	(98,588)
Transferred from Stage 1	(154,613)	149,228	5,385	-
Transferred from Stage 2	14,224	(138,576)	124,352	-
Transferred from Stage 3	-	7,027	(7,027)	-
As at 31 December 2023 (audited)	<u>9,044,063</u>	<u>471,210</u>	<u>496,662</u>	<u>10,011,935</u>

Movement in provision for impairment of loans and advances:

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2023	130,431	169,779	354,432	654,642
Transferred from 12 month ECL	(20,400)	8,077	12,323	-
Transferred from lifetime ECL not credit impaired	8,702	(37,908)	29,206	-
Transferred from lifetime ECL credit impaired	-	880	(880)	-
Transferred to ECL on commitments and contingent liabilities	(10,395)	-	4,780	(5,615)
Charge to income statement	15,035	(8,824)	5,940	12,151
Release to income statement	-	-	(23,399)	(23,399)
Write-offs	-	-	(60,207)	(60,207)
As at 30 September 2024 (unaudited)	<u>123,373</u>	<u>132,004</u>	<u>322,195</u>	<u>577,572</u>

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2022	93,109	245,401	296,825	635,335
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from 12 month ECL	(33,660)	31,654	2,006	-
Transferred from lifetime ECL not credit-impaired	96	(115,324)	115,228	-
Transferred from lifetime ECL credit-impaired	-	2,427	(2,427)	-
Transferred to ECL on commitments and contingent liabilities	-	-	(2,546)	(2,546)
Charge to income statement	70,886	5,621	43,934	120,441
Write-offs	-	-	(98,588)	(98,588)
As at 31 December 2023 (audited)	<u>130,431</u>	<u>169,779</u>	<u>354,432</u>	<u>654,642</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

8 INVESTMENTS AND ISLAMIC INSTRUMENTS

	<i>Unaudited</i> 30 September 2024			<i>Audited</i> 31 December 2023		
	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Debt:						
FVOCI						
Local	2,231,056	-	2,231,056	2,288,599	-	2,288,599
Overseas	2,247,081	-	2,247,081	1,568,926	-	1,568,926
Amortised cost						
Local	285,735	-	285,735	513,605	-	513,605
Overseas	920,954	-	920,954	720,431	-	720,431
Total debt securities	5,684,826	-	5,684,826	5,091,561	-	5,091,561
Equity:						
FVOCI						
Local	-	466	466	-	466	466
Overseas	-	76	76	-	76	76
Total equities	-	542	542	-	542	542
Total investments	5,684,826	542	5,685,368	5,091,561	542	5,092,103
Expected credit loss			(2,242)			(2,242)
Net investments			5,683,126			5,089,861

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 29,260 thousand as at 30 September 2024 (31 December 2023: AED 29,260 thousand).

Included in the above are investment securities amounting to AED 1,958,848 thousand (31 December 2023: AED 2,137,230 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 5,106 thousand (31 December 2023: AED 6,436 thousand) on these investment securities secured under repurchase agreements.

Grading of gross balances of investment securities (FVOCI and Amortised Cost) along with stages:

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	2,281,914	-	-	2,281,914
Standard	3,403,454	-	-	3,403,454
Total gross carrying amount	5,685,368	-	-	5,685,368
Expected credit loss	(31,502)	-	-	(31,502)
As at 30 September 2024 (unaudited)	5,653,866	-	-	5,653,866

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

8 INVESTMENTS AND ISLAMIC INSTRUMENTS (continued)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	1,439,995	-	-	1,439,995
Standard	3,652,108	-	-	3,652,108
Total gross carrying amount	5,092,103	-	-	5,092,103
Expected credit loss	(31,502)	-	-	(31,502)
As at 31 December 2023 (audited)	5,060,601	-	-	5,060,601

9 OTHER ASSETS

	<i>30 September</i> <i>2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED'000</i> <i>(Audited)</i>
Interest receivable	175,534	142,660
Positive fair value of derivatives (Note 21)	30,985	57,482
Prepayments and other assets	144,960	91,041
Right-of-use assets	5,898	7,805
Assets repossessed in settlement of debts	53,480	58,980
	410,857	357,968

10 DUE TO BANKS

	<i>30 September</i> <i>2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED'000</i> <i>(Audited)</i>
Demand deposits	16,151	57,725
Term deposits	3,756,609	3,671,710
	3,772,760	3,729,435

Term deposits include borrowings through repurchase agreements of AED 1,641,008 thousand (31 December 2023: AED 1,764,647 thousand). Demand deposits include AED 6,986 thousand (2023: AED 53,198 thousand) held as margin for derivative transactions.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

11 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	30 September 2024	31 December 2023
	AED'000	AED'000
	(Unaudited)	(Audited)
Term deposits	7,966,714	6,497,281
Current accounts	3,927,781	3,560,296
Call and savings accounts	136,550	179,925
	12,031,045	10,237,502

Customer' deposits include Islamic customer deposits amounting to AED 1,730,615 thousand (31 December 2023: AED 1,436,478 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

12 MEDIUM TERM BORROWINGS

The Bank has arranged a term loan facility amounting to AED 734,600 thousand during 2023. The facility carries a floating interest rate, being margin over EIBOR and is repayable in full in December 2025.

13 OTHER LIABILITIES

	30 September 2024	31 December 2023
	AED'000	AED'000
	(Unaudited)	(Audited)
Interest payable	188,547	132,692
ECL on off-balance sheet exposures	100,264	89,667
Un-presented cheques	52,433	54,559
Accrued expenses	24,740	62,972
Staff related provisions	20,984	18,886
Negative fair value of derivatives (Note 21)	6,300	11,448
Lease liability	5,388	8,280
Others	90,752	74,334
	489,408	452,838

14 SHARE CAPITAL AND RESERVES*a) Share capital*

The authorised paid up share capital of the Bank is 2,750,067,532 (2023: 2,750,067,532) shares of AED 1 each. The issued and fully paid up share capital of the Bank comprises 2,062,550,649 (2023: 2,062,550,649) shares of AED 1 each.

b) Tier 1 instrument

On 30 March 2023, the Bank has issued a perpetual, non-callable 5.5 years Tier 1 Instrument ("instrument") of USD 150 million (AED 551 Million) which qualifies to be included as regulatory Tier 1 capital. The instrument constitutes direct, unsecured, non-convertible and sub-ordinated obligations of the Bank. Under the terms and conditions of the issue, the Bank may elect not to pay a coupon and has the option to call back the Instrument at the contractual reset date subject to Central Bank of UAE approval.

c) Cumulative changes in fair value

Cumulative changes in fair value reserve includes the net change in fair value of FVOCI assets and the net effective portion of changes in fair value of cash flow hedges. This reserve has a balance of AED (6,041) thousand (2023: AED (119,170) thousand) as of 30 September 2024.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

15 NET IMPAIRMENT LOSSES

Provision for credit losses recognized in the condensed interim statement of income is as follows:

	<i>Nine month period ended 30 September</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	(11,585)	(89,768)
Contingent liabilities (Note 17)	(4,982)	3,168
Due from banks	(25)	(124)
Recovery on bad debts written-off	26,816	62,992
Impairment of non-financial assets	(5,500)	(3,500)
Net impairment reversal/(loss)	4,724	(27,232)

16 TAX EXPENSE

The Bank calculates the period income tax expense using the tax rate that would be applicable to the expected total earnings. The major components of income tax expense in the condensed interim financial statement of profit or loss are:

	<i>Nine month period ended 30 September</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Income taxes:		
Current income tax expense	20,971	-
Deferred income tax expense	-	-
Income Tax Expense	20,971	-

Reconciliation of Bank's tax on profit based on accounting and profit as per tax law is as follows:

	<i>Nine month period ended 30 September</i>	
	<i>2024</i>	<i>2023</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit before tax	233,230	209,022
Effect of CIT @ 9% (w.e.f. 2024)	20,991	-
Tax effects of:		
Expense not deductible for tax purpose	14	-
Effect of standard exemption	(34)	-
Income Tax Expense	20,971	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

17 COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities represent credit related commitments under letters of credit and guarantees that are designed to meet the requirements of the Bank's customers towards third parties. Commitments represent credit facilities that are undrawn as on the date of the condensed interim statement of financial position. The Bank has the following gross credit related commitments:

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
<i>Contingent liabilities</i>		
Letters of credit	413,480	232,761
Guarantees	2,263,390	1,959,570
	<u>2,676,870</u>	<u>2,192,331</u>
<i>Commitments</i>		
Undrawn loan commitments	<u>1,929,233</u>	<u>2,584,525</u>

Grading of gross balances of contingent liabilities along with stages

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
High	4,262	-	-	4,262
Standard	2,484,492	53,202	-	2,537,694
Watchlist	-	27,218	-	27,218
Default	-	-	107,696	107,696
Total gross carrying amount	<u>2,488,754</u>	<u>80,420</u>	<u>107,696</u>	<u>2,676,870</u>
Expected credit loss	<u>(4,576)</u>	<u>(16,448)</u>	<u>(79,240)</u>	<u>(100,264)</u>
As at 30 September 2024 (unaudited)	<u>2,484,178</u>	<u>63,972</u>	<u>28,456</u>	<u>2,576,606</u>
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
High	4,262	-	-	4,262
Standard	1,853,944	145,221	-	1,999,165
Watchlist	-	54,259	-	54,259
Default	-	-	134,645	134,645
Total gross carrying amount	<u>1,858,206</u>	<u>199,480</u>	<u>134,645</u>	<u>2,192,331</u>
Expected credit loss	<u>(4,394)</u>	<u>(16,667)</u>	<u>(68,606)</u>	<u>(89,667)</u>
As at 31 December 2023 (audited)	<u>1,853,812</u>	<u>182,813</u>	<u>66,039</u>	<u>2,102,664</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

17 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Movement in the gross balance of contingent liabilities

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2023	1,858,206	199,480	134,645	2,192,331
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(3,016)	2,882	134	-
Transferred from Stage 2	43,649	(55,368)	11,719	-
Transferred from Stage 3	-	-	-	-
Net of Originated / (expired) during the year	589,915	(66,574)	(38,802)	484,539
As at 30 September 2024 (unaudited)	2,488,754	80,420	107,696	2,676,870
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2022	1,987,916	242,727	137,295	2,367,938
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(6,099)	6,099	-	-
Transferred from Stage 2	-	(435)	435	-
Transferred from Stage 3	-	-	-	-
Net of Originated / (expired) during the year	(123,611)	(48,911)	(3,085)	(175,607)
As at 31 December 2023 (audited)	1,858,206	199,480	134,645	2,192,331

Movement in the provision for impairment of commitments and contingent liabilities

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2023	4,394	16,667	68,606	89,667
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from 12 month ECL	(517)	517	-	-
Transferred from lifetime ECL not credit impaired	74	(4,482)	4,408	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from ECL on loans and advances	-	1,746	3,869	5,615
Net charge to income statement (Note 15)	625	2,000	2,357	4,982
As at 30 September 2024 (unaudited)	4,576	16,448	79,240	100,264

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

17 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Movement in the provision for impairment of commitments and contingent liabilities (continued)

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2022	6,416	26,113	55,389	87,918
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from 12 month ECL	(438)	438	-	-
Transferred from lifetime ECL not credit impaired	-	-	-	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from lifetime ECL credit-impaired on loans and advances	-	-	2,546	2,546
Net charge to income statement	(1,584)	(9,884)	10,671	(797)
As at 31 December 2023 (audited)	<u>4,394</u>	<u>16,667</u>	<u>68,606</u>	<u>89,667</u>

In the normal course of business, certain litigations were filed by or against the Bank. However, based on management assessment, none of the litigations have a material impact on Bank's financial results.

The bank seeks to comply with all applicable laws and regulations by which it is governed and is not aware of any material fines or penalties that warrant disclosure in the financial statements.

18 SEGMENTAL INFORMATION

For the purposes of reporting to the chief operating decision makers, the Bank is organized into three segments:

Wholesale banking	-	principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Retail banking	-	principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services
Treasury and capital markets	-	principally managing the Bank's portfolio of investments and interbank treasury operations including transactions for foreign exchange, derivatives, margin FX and hedging strategies

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2024

18 SEGMENTAL INFORMATION (continued)

Segmental information for the nine months period ended 30 September 2024 is as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury and capital markets AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	201,773	34,126	117,887	353,786
Other operating income	67,588	7,562	23,187	98,337
Operating expenses	(126,693)	(41,528)	(55,396)	(223,617)
Net impairment losses	527	4,077	120	4,724
Net profit for the period before tax	143,195	4,237	85,798	233,230
Capital expenditure - Property and equipment	11,083	2,011	9,248	22,342
As at 30 September 2024				
Segment assets	9,928,733	1,801,304	8,285,670	20,015,707
Segment liabilities	10,297,380	2,639,842	4,501,060	17,438,282

Segmental information for the nine months period ended 30 September 2023 was as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury and capital markets AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	157,094	44,921	92,522	294,537
Other operating income	95,183	12,396	44,702	152,281
Operating expenses	(113,585)	(43,206)	(53,773)	(210,564)
Net impairment losses	(24,213)	(1,835)	(1,184)	(27,232)
Net profit for the period before tax	114,479	12,276	82,267	209,022
Capital expenditure - Property and equipment	10,248	1,629	8,958	20,835
As at 31 December 2023				
Segment assets	10,070,727	1,289,839	6,287,282	17,647,848
Segment liabilities	9,577,061	2,193,662	3,587,380	15,358,103

The Bank operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

19 RELATED PARTY TRANSACTIONS

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly.

The significant balances outstanding are as follows:

	<i>30 September 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
<u>Shareholders:</u>		
Due from banks	1	1,014
Due to banks	7,961	3,608
Commitments and contingencies	6,000	5,000
Tier 1 Instrument	550,875	550,875
Coupon on Tier 1 instrument	-	33,300
<u>Directors:</u>		
Loans and advances	1,801	12,132
Customer deposits	15,499	22,816
Commitments and contingencies	45	4,803
<u>Other related entities of shareholders and directors:</u>		
Loans and advances	74,985	52,318
Due from banks	11	8
Due to banks	843	700
Customer deposits	220,676	266,416
Commitments and contingencies	31,623	45,543
<u>Key management personnel of the Bank:</u>		
Loans and advances	11,722	7,782
Customers' deposits	6,827	6,243
<u>Shareholders, directors, their related entities and key management personnel:</u>		
Accrued interest income	860	249
Accrued interest expense	1,410	1,410

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

19 RELATED PARTY TRANSACTIONS (continued)

The income, expenses, purchase and sale of investments in respect of related parties during the period included in the interim statement of income are as follows:

	<i>Nine month period ended 30 September</i>	
	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
<u>Shareholders, directors and their related entities</u>		
Interest income	4,509	5,760
Interest expense	2,575	2,082
Professional fees	142	127
<u>Key management personnel of the Bank:</u>		
Salaries and other short term benefits	15,437	16,808
Employees' end of service benefits	687	377
Total compensation to key management personnel	16,124	17,185
Interest income	517	56
Interest expense	129	54
Expected credit loss – charge to / (release) from income statement	910	(2,163)

Terms and conditions of transactions with related parties

The Bank has leased office space in various premises owned by a related party. The property leases and associated expenses for the nine month's period ended 30 September 2024 amounted to AED 1,159 thousand (30 September 2023: AED 1,159 thousand). The property rentals are negotiated each year at market rates

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

19 RELATED PARTY TRANSACTIONS (continued)

Movement in the gross balances of all related party loans and advances

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2023	54,781	17,451	-	72,232
Net of new assets originated and assets repaid	13,340	2,936	-	16,276
As at 30 September 2024 (unaudited)	68,121	20,387	-	88,508

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2022	119,032	56,983	-	176,015
Net of new assets originated and assets repaid	(64,251)	(39,532)	-	(103,783)
As at 31 December 2023 (audited)	54,781	17,451	-	72,232

Movement in provision for impairment of related party loans and advances

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2023	287	329	-	616
Charge to income statement	17	893	-	910
As at 30 September 2024 (unaudited)	304	1,222	-	1,526

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2022	951	2,317	-	3,268
Release to income statement	(664)	(1,988)	-	(2,652)
As at 31 December 2023 (audited)	287	329	-	616

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - other techniques for which all inputs have a significant effect on the recorded fair value that are observable, either directly or indirectly; and
- Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
30 September 2024				
Investments	4,478,137	-	542	4,478,679
Derivative assets	-	30,985	-	30,985
	<u>4,478,137</u>	<u>30,985</u>	<u>542</u>	<u>4,509,664</u>
Derivative liabilities	-	6,300	-	6,300
	<u>-</u>	<u>6,300</u>	<u>-</u>	<u>6,300</u>
31 December 2023				
Investments	3,857,525	-	542	3,858,067
Derivative assets	-	57,482	-	57,482
	<u>3,857,525</u>	<u>57,482</u>	<u>542</u>	<u>3,915,549</u>
Derivative liabilities	-	11,448	-	11,448
	<u>-</u>	<u>11,448</u>	<u>-</u>	<u>11,448</u>

There was no movement between the levels of financial instruments during the year (2023: AED Nil).

Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from other banks, loans and advances, investments held at amortised cost, customer acceptances, other assets (excluding derivative assets), properties, equipment and capital work in progress due to banks, customer deposits, medium term borrowings and other liabilities (excluding derivative liabilities).

Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 30 September 2024 amounted to AED 1,238,989 thousand (31 December 2023: AED 1,237,044 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

21 DERIVATIVES

Derivatives held for risk management

The tables below show the fair values of derivative financial instruments held for trading purposes, recorded as assets and liabilities, together with their notional amounts.

30 September 2024

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity</i>			
				<i>Within 3 months AED'000</i>	<i>3-12 months AED'000</i>	<i>1-5 years AED'000</i>	<i>Over 5 years AED'000</i>
Forward contracts	5,367	(5,008)	1,825,358	1,525,725	299,633	-	-
Interest rate swaps	1,276	(1,292)	635,000	-	-	635,000	-
	<u>6,643</u>	<u>(6,300)</u>	<u>2,460,358</u>	<u>1,525,725</u>	<u>299,633</u>	<u>635,000</u>	<u>-</u>

31 December 2023

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity</i>			
				<i>Within 3 months AED'000</i>	<i>3-12 months AED'000</i>	<i>1-5 years AED'000</i>	<i>Over 5 years AED'000</i>
Forward contracts	4,311	(5,841)	2,649,252	721,977	1,651,930	275,345	-
Interest rate swaps	1,864	(1,864)	652,000	2,000	-	650,000	-
	<u>6,175</u>	<u>(7,705)</u>	<u>3,301,252</u>	<u>723,977</u>	<u>1,651,930</u>	<u>925,345</u>	<u>-</u>

As at 30 September 2024, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk, along with amounts relating to hedged items:

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amount AED'000</i>	<i>Notional amounts by term to maturity</i>			
				<i>Within 3 months AED'000</i>	<i>3-12 months AED'000</i>	<i>1-5 years AED'000</i>	<i>Over 5 years AED'000</i>
30 September 2024							
Hedge of investments	<u>24,342</u>	<u>-</u>	<u>1,242,289</u>	<u>91,812</u>	<u>223,846</u>	<u>834,818</u>	<u>91,813</u>
Cross currency swap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2023							
Hedge of investments	<u>51,307</u>	<u>-</u>	<u>1,504,331</u>	<u>-</u>	<u>343,379</u>	<u>995,689</u>	<u>165,263</u>
Cross currency swap	<u>-</u>	<u>(3,743)</u>	<u>163,772</u>	<u>-</u>	<u>163,772</u>	<u>-</u>	<u>-</u>

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totaling to AED 1,230,696 thousand (31 December 2023: AED 1,467,787 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2024

21 DERIVATIVES (continued)

The Bank has recognised the following gains relating to hedge ineffectiveness calculated as follows:

	30 September 2024		30 September 2023	
	<i>Change in value</i>	<i>Effectiveness recognised in profit and loss</i>	<i>Change in value</i>	<i>Effectiveness recognised in profit and loss</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
On hedging instruments	(26,966)	7,267	15,118	12,843
On hedged items	34,233	-	(2,275)	-

22 CAPITAL ADEQUACY RATIO

	Unaudited 30 September 2024	Audited 31 December 2023
Common equity tier 1 ratio	13.8%	13.5%
Tier 1 capital ratio	17.6%	17.8%
Capital adequacy ratio	18.8%	19.0%

23 COMPARATIVE FIGURES

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