

# **United Arab Bank P.J.S.C.**

## **Review report and condensed interim financial statements**

**For the nine months period ended 30 September 2023**

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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 2023 and the related interim income statement and comprehensive income statement for three-month and nine-month periods then ended and the interim statement of cash flows and changes in equity for the nine-month periods 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



Signed by:  
Anthony O'Sullivan  
Partner  
Registration No: 687

24 October 2023

Sharjah, United Arab Emirates

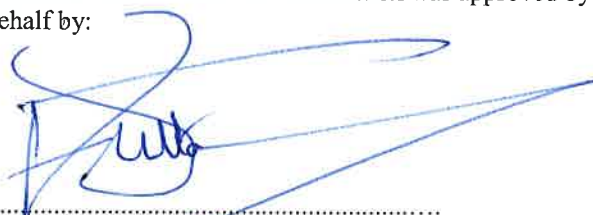
# United Arab Bank P.J.S.C.

## INTERIM STATEMENT OF FINANCIAL POSITION

For the nine months period ended 30 September 2023 (Unaudited)

		<i>Unaudited</i> 30 September 2023 AED'000	<i>Audited</i> 31 December 2022 AED'000
	<i>Note</i>		
<b>ASSETS</b>			
Cash and balances with UAE Central Bank	5	1,351,859	1,207,589
Due from banks	6	216,517	302,772
Loans and advances and Islamic financing receivables	7	7,703,176	7,604,300
Investments and Islamic instruments	8	4,673,435	3,887,476
Property, equipment and capital work-in-progress		182,036	295,696
Other assets		609,347	782,589
<b>TOTAL ASSETS</b>		<b>14,736,370</b>	<b>14,080,422</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to banks	9	2,819,443	3,272,443
Customer deposits and Islamic customer deposits	10	9,175,100	8,568,587
Other liabilities		583,047	740,056
<b>TOTAL LIABILITIES</b>		<b>12,577,590</b>	<b>12,581,086</b>
<b>Equity</b>			
Share capital	4	2,062,550	2,062,550
Treasury shares		(2,347)	-
Tier 1 instrument		548,283	-
Special reserve		22,491	22,491
Statutory reserve		51,415	51,415
General reserve		9,311	9,311
Cumulative changes in fair value		(227,224)	(153,621)
Accumulated losses		(305,699)	(492,810)
<b>TOTAL EQUITY</b>		<b>2,158,780</b>	<b>1,499,336</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,736,370</b>	<b>14,080,422</b>

This condensed interim financial information was approved by the Board of Directors on 24 October 2023 and signed on its behalf by:



Sheikh Faisal Bin Sultan Bin Salem Al Qassimi  
Chairman



Shirish Bhide  
Chief Executive Officer

# United Arab Bank P.J.S.C.

## INTERIM STATEMENT OF INCOME

For the nine months period ended 30 September 2023 (Unaudited)

	Notes	Three month period ended 30 September (Unaudited)		Nine month period ended 30 September (Unaudited)	
		2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Interest income		215,497	121,560	615,685	349,571
Income from Islamic financing products		16,787	33,036	50,193	45,700
<b>Total interest income and income from Islamic financing products</b>		<b>232,284</b>	154,596	<b>665,878</b>	395,271
Interest expense		(110,845)	(59,496)	(318,383)	(140,652)
Distribution to depositors – Islamic products		(19,108)	(11,856)	(52,958)	(30,453)
<b>Total interest expense and distribution to depositors</b>		<b>(129,953)</b>	(71,352)	<b>(371,341)</b>	(171,105)
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>102,331</b>	83,244	<b>294,537</b>	224,166
Net fees and commission income		19,407	16,430	59,932	54,121
Foreign exchange income		6,205	5,357	20,115	14,589
Other operating income		46,294	3,215	72,234	58,084
<b>Total operating income</b>		<b>174,237</b>	108,246	<b>446,818</b>	350,960
Employee benefit expenses		(46,165)	(37,458)	(133,331)	(104,452)
Other operating expenses		(24,482)	(24,330)	(60,322)	(62,240)
Depreciation		(5,662)	(6,098)	(16,911)	(17,235)
<b>Total operating expenses</b>		<b>(76,309)</b>	(67,886)	<b>(210,564)</b>	(183,927)
<b>Profit before impairment loss</b>		<b>97,928</b>	40,360	<b>236,254</b>	167,033
Net impairment loss	11	(9,430)	(4,568)	(27,232)	(47,969)
<b>Net profit for the period</b>		<b>88,498</b>	35,792	<b>209,022</b>	119,064
<b>Basic and Diluted earnings per share (in AED)</b>	4	<b>0.04</b>	0.02	<b>0.10</b>	0.06

The notes on pages 7 to 23 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 1.

# United Arab Bank P.J.S.C.

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months period ended 30 September 2023 (Unaudited)

	<i>Three month period ended 30 September (Unaudited)</i>		<i>Nine month period ended 30 September (Unaudited)</i>	
	<b>2023</b> <i>AED'000</i>	2022 <i>AED'000</i>	<b>2023</b> <i>AED'000</i>	2022 <i>AED'000</i>
<b>Net profit for the period</b>	<b>88,498</b>	35,792	<b>209,022</b>	119,064
Other comprehensive income / (loss)				
<i>Items that are or may be reclassified subsequently to the statement of income</i>				
<b>Fair value through other comprehensive income (FVOCI):</b>				
Net change in fair value during the period	<b>(66,110)</b>	(102,594)	<b>(92,998)</b>	(420,645)
Change in allowance for expected credit losses	-	(10)	-	5,973
Reclassified to the income statement	<b>20,552</b>	48,248	<b>19,395</b>	166,744
Other comprehensive loss for the period	<b>(45,558)</b>	(54,356)	<b>(73,603)</b>	(247,928)
<b>Total comprehensive income /(loss) for the period</b>	<b>42,940</b>	(18,564)	<b>135,419</b>	(128,864)

# United Arab Bank P.J.S.C.

## INTERIM STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2023 (Unaudited)

	<i>Nine months period ended 30 September (unaudited)</i>	
	2023 AED'000	2022 AED'000
<b>Operating activities</b>		
Net profit for the period	209,022	119,064
Adjustments for:		
Depreciation	16,911	17,235
Gain on sale of property and equipment	(54,495)	-
Gain on sale of assets acquired in settlement of debt	(4,194)	(14,143)
Impairment on assets acquired in settlement of debt	11 3,500	2,286
Net credit impairment losses	11 23,732	45,683
Amortisation of premium paid on investments	3,596	7,414
Net fair value gain on disposal of investments and Islamic instruments	107	221
Operating cash flows before movements in working capital	198,179	177,760
Changes in operating assets and liabilities:		
Loans and advances and Islamic financing receivables	(132,788)	379,576
Balances with the UAE Central Bank maturing after three months	(182,065)	4,559
Cash margin held by counterparty banks against borrowings and derivative transactions	(17,454)	81,367
Other assets	105,780	(241,528)
Due to banks maturing after three months	(794,650)	(345,054)
Customer deposits and Islamic customer deposits	10 606,513	(1,165,469)
Other liabilities	(157,770)	246,054
<b>Net cash used in operating activities</b>	(374,255)	(862,735)
<b>Investing activities</b>		
Purchase of property, equipment and capital work-in-progress	(20,835)	(11,215)
Purchase of investments	(969,767)	(531,563)
Proceeds from redemption / sale of investments	182,391	201,774
Proceeds from sale of property and equipment	167,000	-
Proceeds from sale of assets acquired in settlement of debt	8,700	71,525
<b>Net cash used in investing activities</b>	(632,511)	(269,479)
<b>Financing activities</b>		
Proceeds from Tier 1 instrument	550,875	-
Tier 1 instrument issuance cost	(2,592)	-
Net purchase of treasury shares	(2,347)	-
Coupon paid on Tier 1 instrument	(22,200)	-
<b>Net cash from financing activities</b>	523,736	-
<b>Net decrease in cash and cash equivalents</b>	(483,030)	(1,132,214)
Cash and cash equivalents as at 1 January	(1,275)	1,680,891
<b>Cash and cash equivalents as at 30 September</b>	(484,305)	548,677
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	912,131	1,177,251
Due from other banks	199,251	138,351
Due to banks	(1,595,687)	(766,925)
	(484,305)	548,677

The notes on pages 7 to 23 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 1.

# United Arab Bank P.J.S.C.

## INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2023 (Unaudited)

	<i>Share capital AED'000</i>	<i>Tier 1 instrument AED'000</i>	<i>Special reserve AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Treasury shares AED'000</i>	<i>Cumulative Changes in fair value AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Total AED'000</i>
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 loss 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)
<b>At 30 September 2023 (unaudited)</b>	<b>2,062,550</b>	<b>548,283</b>	<b>22,491</b>	<b>51,415</b>	<b>9,311</b>	<b>(2,347)</b>	<b>(227,224)</b>	<b>(305,699)</b>	<b>2,158,780</b>
At 1 January 2022 (audited)	2,062,550	-	7,019	35,943	9,311	-	7,656	(610,587)	1,511,892
Net profit for the period	-	-	-	-	-	-	-	119,064	119,064
Other comprehensive loss for the period	-	-	-	-	-	-	(247,928)	-	(247,928)
Total comprehensive loss for the period	-	-	-	-	-	-	(247,928)	119,064	(128,864)
At 30 September 2022 (unaudited)	2,062,550	-	7,019	35,943	9,311	-	(240,272)	(491,523)	1,383,028

The notes on pages 7 to 23 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 1.



## 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 2022. 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 2023, 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 2023**

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
<b>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</b>	1 January 2023
<b>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</b>	1 January 2023
<b>Definition of Accounting Estimate (Amendments to IAS 8)</b>	1 January 2023
<b>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</b>	1 January 2023
<b>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</b>	1 January 2023

#### **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 condensed interim financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Description	Effective from
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</b>	Deferred indefinitely

There are no other applicable new standards and amendments to published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Bank’s financial year beginning on 1 January 2023 that would be expected to have a material impact on the Bank’s condensed interim financial statements.

## **2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)**

### **2.2 Key accounting estimates and judgments**

The preparation of the condensed interim financial information 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 2022.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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 2022. In addition, results for the nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2023.

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 2022 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 released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding AED 375,000 in same tax period. In addition, there are several other decisions that are to be finalised by the Cabinet in order for entities to determine their tax status and the taxable income. Given that the final tax guidelines are yet to be issued by the cabinet the Bank shall accordingly assess the possible impact on its financial statements from IAS 12 – Income Taxes perspective.

### **3.2 Significant 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 2022, except for changes in accounting policies explained in Note 2.1.

# United Arab Bank P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

### 4 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	<i>Unaudited nine months period ended 30 September</i>	
	<b>2023</b> <i>AED'000</i>	<b>2022</b> <i>AED'000</i>
Net profit for the period	<b>209,022</b>	119,064
<i>Weighted average number of ordinary shares:</i> Weighted average number of shares of AED 1 each outstanding for the period	<b>2,062,550,649</b>	2,062,550,649
Basic earnings per share	<b>AED 0.10</b>	AED 0.06

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

### 5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	<i>Unaudited 30 September 2023 AED'000</i>	<i>Audited 31 December 2022 AED'000</i>
	Cash on hand	<b>37,437</b>
Balances with UAE Central Bank:		
- Statutory and other deposits with UAE Central Bank*	<b>464,422</b>	312,780
- Overnight deposit facility and Certificate of Deposits	<b>850,000</b>	850,000
	<b>1,351,859</b>	1,207,589

\* includes statutory reserve requirement of AED 439,729 thousand (31 December 2022: AED 257,665 thousand)

### 6 DUE FROM BANKS

	<i>Unaudited 30 September 2023 AED'000</i>	<i>Audited 31 December 2022 AED'000</i>
	Demand deposits	<b>216,706</b>
Less: Expected Credit Loss	<b>(189)</b>	(65)
	<b>216,517</b>	302,772

Due from other banks include AED 192,050 thousand (31 December 2022: AED 292,803 thousand) placed with foreign banks outside the UAE. AED 17,454 thousand (31 December 2022: AED Nil thousand) is held as margin for derivative transactions.

**7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES**

	<i>Unaudited</i> <b>30 September</b> <b>2023</b> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <b>2022</b> <b>AED'000</b>
The composition of the loans and advances portfolio is as follows:		
Overdrafts	<b>1,027,100</b>	1,134,946
Term loans (medium and short term)*	<b>6,727,247</b>	6,480,812
Loans against trust receipts	<b>413,128</b>	440,195
Bills discounted	<b>92,059</b>	124,604
Other cash advances	<b>25,205</b>	27,302
Bills drawn under letters of credit	<b>50,425</b>	31,776
	<hr/>	<hr/>
Gross amount of loans and advances and Islamic financing receivables	<b>8,335,164</b>	8,239,635
Less: Provision for impairment on loans and advances and Islamic financing receivables	<b>(631,988)</b>	(635,335)
	<hr/>	<hr/>
Net loans and advances and Islamic financing receivables	<b>7,703,176</b>	7,604,300
	<hr/> <hr/>	<hr/> <hr/>

\* Includes retail loans of AED 1,171,740 thousand (31 December 2022: AED 1,341,125 thousand)

Islamic financing receivables amount to AED 468,371 thousand (31 December 2022: AED 426,824 thousand) recognized through the Bank's Shari'a – compliant Islamic window.

At 30 September 2023, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 533,617 thousand (31 December 2022: AED 673,806).

**Grading of gross balances of loans and advances and Islamic financing receivables along with stages**

	<i>Stage 1</i> <b>AED'000</b>	<i>Stage 2</i> <b>AED'000</b>	<i>Stage 3</i> <b>AED'000</b>	<i>Total</i> <b>AED'000</b>
High	<b>17,069</b>	-	-	<b>17,069</b>
Standard	<b>7,327,068</b>	<b>231,970</b>	-	<b>7,559,038</b>
Watchlist	-	<b>225,440</b>	-	<b>225,440</b>
Default	-	-	<b>533,617</b>	<b>533,617</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Total gross carrying amount	<b>7,344,137</b>	<b>457,410</b>	<b>533,617</b>	<b>8,335,164</b>
Expected credit loss	<b>(106,478)</b>	<b>(210,409)</b>	<b>(315,101)</b>	<b>(631,988)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 September 2023 (unaudited)</b>	<b>7,237,659</b>	<b>247,001</b>	<b>218,516</b>	<b>7,703,176</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>Stage 1</i> <b>AED'000</b>	<i>Stage 2</i> <b>AED'000</b>	<i>Stage 3</i> <b>AED'000</b>	<i>Total</i> <b>AED'000</b>
High	20,296	-	-	20,296
Standard	6,909,077	423,000	-	7,332,077
Watchlist	-	213,456	-	213,456
Default	-	-	673,806	673,806
	<hr/>	<hr/>	<hr/>	<hr/>
Total gross carrying amount	6,929,373	636,456	673,806	8,239,635
Expected credit loss	(93,109)	(245,401)	(296,825)	(635,335)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2022 (audited)</b>	<b>6,836,264</b>	<b>391,055</b>	<b>376,981</b>	<b>7,604,300</b>
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**7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)**

**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 2022	<b>6,929,373</b>	<b>636,456</b>	<b>673,806</b>	<b>8,239,635</b>
Net of new assets originated and assets repaid	<b>441,697</b>	<b>(170,934)</b>	<b>(82,388)</b>	<b>188,375</b>
Write-offs	-	-	<b>(92,846)</b>	<b>(92,846)</b>
Transferred to/(from) Stage 1	<b>(26,934)</b>	<b>17,286</b>	<b>9,648</b>	-
Transferred to/(from) Stage 2	-	<b>(30,507)</b>	<b>30,507</b>	-
Transferred to/(from) Stage 3	-	<b>5,110</b>	<b>(5,110)</b>	-
As at 30 September 2023	<b>7,344,136</b>	<b>457,411</b>	<b>533,617</b>	<b>8,335,164</b>

	<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 2021	7,262,783	616,877	1,034,082	8,913,742
Net of new assets originated and assets repaid	(211,969)	(166,841)	(97,975)	(476,785)
Write-offs	-	-	(197,322)	(197,322)
Transferred to/(from) Stage 1	(193,044)	157,404	35,640	-
Transferred to/(from) Stage 2	40,063	(158,079)	118,016	-
Transferred to/(from) Stage 3	31,540	187,095	(218,635)	-
As at 31 December 2022	<b>6,929,373</b>	<b>636,456</b>	<b>673,806</b>	<b>8,239,635</b>

**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 2022	<b>93,109</b>	<b>245,401</b>	<b>296,825</b>	<b>635,335</b>
Charge to income statement	<b>35,939</b>	<b>1,328</b>	<b>52,232</b>	<b>89,499</b>
Write-offs	-	-	<b>(92,846)</b>	<b>(92,846)</b>
Transferred from 12 month ECL	<b>(22,289)</b>	<b>19,101</b>	<b>3,188</b>	-
Transferred from lifetime ECL not credit-impaired	<b>79</b>	<b>(57,250)</b>	<b>57,171</b>	-
Transferred from lifetime ECL credit-impaired	-	<b>1,520</b>	<b>(1,520)</b>	-
Transferred from lifetime ECL credit-impaired on commitments and contingent liabilities	-	-	-	-
As at 30 September 2023 (unaudited)	<b>106,838</b>	<b>210,100</b>	<b>315,050</b>	<b>631,988</b>

	<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 2021	85,065	175,051	440,276	700,392
Charge to income statement	28,617	2,404	101,194	132,215
Write-offs	-	-	(197,322)	(197,322)
Transferred from 12 month ECL	(21,056)	21,056	-	-
Transferred from lifetime ECL not credit impaired	440	(440)	-	-
Transferred from lifetime ECL credit impaired	43	47,330	(47,373)	-
Transferred from lifetime ECL credit impaired on commitments and contingent liabilities	-	-	50	50
As at 31 December 2022 (audited)	<b>93,109</b>	<b>245,401</b>	<b>296,825</b>	<b>635,335</b>

**8 INVESTMENTS AND ISLAMIC INSTRUMENTS**

	<i>Unaudited</i> 30 September 2023			<i>Audited</i> 31 December 2022		
	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000
<b>Debt:</b>						
<b>FVOCI</b>						
Local	2,100,392	-	2,100,392	1,908,114	-	1,908,114
Overseas	1,399,384	-	1,399,384	1,151,576	-	1,151,576
<b>Amortised cost</b>						
Local	477,023	-	477,023	581,361	-	581,361
Overseas	698,228	-	698,228	248,013	-	248,013
<b>Total debt securities</b>	<b>4,675,027</b>	<b>-</b>	<b>4,675,027</b>	<b>3,889,064</b>	<b>-</b>	<b>3,889,064</b>
<b>Equity:</b>						
<b>FVOCI</b>						
Local	-	466	466	-	466	466
Overseas	108	76	184	112	76	188
<b>Total equities</b>	<b>108</b>	<b>542</b>	<b>650</b>	<b>112</b>	<b>542</b>	<b>654</b>
<b>Total investments</b>	<b>4,675,135</b>	<b>542</b>	<b>4,675,677</b>	<b>3,889,176</b>	<b>542</b>	<b>3,889,718</b>
Expected credit loss			(2,242)			(2,242)
<b>Net investments</b>			<b>4,673,435</b>			<b>3,887,476</b>

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 2023 (31 December 2022: AED 29,260 thousand).

Included in the above are investment securities amounting to AED 1,061,105 thousand (31 December 2022: AED 1,144,033 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 3,348 thousand (31 December 2022: AED 1,931 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> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	1,981,554	-	-	1,981,554
Standard	2,694,123	-	-	2,694,123
Total gross carrying amount	4,675,677	-	-	4,675,677
Expected credit loss	(31,502)	-	-	(31,502)
<b>As at 30 September 2023 (unaudited)</b>	<b>4,644,175</b>	<b>-</b>	<b>-</b>	<b>4,644,175</b>
	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	1,940,590	-	-	1,940,590
Standard	1,948,474	-	-	1,948,474
Total gross carrying amount	3,889,064	-	-	3,889,064
Expected credit loss	(31,502)	-	-	(31,502)
<b>As at 31 December 2022 (audited)</b>	<b>3,857,562</b>	<b>-</b>	<b>-</b>	<b>3,857,562</b>

**8 INVESTMENTS AND ISLAMIC INSTRUMENTS (continued)**

**Movement in the provision for impairment of investment securities (FVOCI and Amortised Cost):**

	<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	31,502	-	-	31,502
Net charge to income statement	-	-	-	-
<b>As at 30 September 2023 (unaudited)</b>	<b>31,502</b>	<b>-</b>	<b>-</b>	<b>31,502</b>

	<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 2021	25,502	-	-	25,502
Net release to income statement	6,000	-	-	6,000
<b>As at 31 December 2022 (Audited)</b>	<b>31,502</b>	<b>-</b>	<b>-</b>	<b>31,502</b>

**9 DUE TO BANKS**

	<i>Unaudited</i> <i>30 September</i> <i>2023</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>AED'000</i>
Demand deposits	30,874	56,794
Term deposits	2,788,569	3,215,649
	<b>2,819,443</b>	<b>3,272,443</b>

Term deposits include borrowings through repurchase agreements of AED 911,854 thousand (31 December 2022: AED 1,038,860 thousand).

Demand deposits include AED 26,701 thousand (31 December 2022: AED 52,305 thousand) held as margin for derivative transactions.

**10 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS**

	<i>Unaudited</i> <i>30 September</i> <i>2023</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2022</i> <i>AED'000</i>
Term deposits	5,827,168	5,493,952
Current accounts	3,194,189	2,915,492
Call and savings accounts	153,743	159,143
	<b>9,175,100</b>	<b>8,568,587</b>

Customer's deposits include Islamic customer deposits amounting to AED 1,784,001 thousand (31 December 2022: AED 1,755,365 thousand) undertaken through the Bank's Shari'a – compliant Islamic window.

## 11 NET IMPAIRMENT LOSS

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

	<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	<b>89,768</b>	68,989
Contingent liabilities	<b>(3,168)</b>	1,588
Due from banks	<b>124</b>	(105)
Investments and Islamic instruments	-	6,000
Recovery on bad debts written-off	<b>(62,992)</b>	(30,789)
Net impairment of non-financial assets	<b>3,500</b>	2,286
<b>Net impairment loss</b>	<b>27,232</b>	47,969

## 12 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 interim statement of financial position. The Bank has the following gross credit related commitments:

	<i>Unaudited 30 September 2023 AED'000</i>	<i>Audited 31 December 2022 AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	<b>248,826</b>	295,245
Guarantees	<b>2,013,100</b>	2,072,693
	<b>2,261,926</b>	2,367,938
<i>Commitments</i>		
Undrawn loan commitments	<b>2,467,149</b>	2,295,621

The undrawn loan commitments of the Bank are all revocable and are not considered for ECL computation.



**12 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

**Grading of gross balances of contingent liabilities 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	9,063	-	-	9,063
Standard	1,904,119	169,637	-	2,073,756
Watchlist	-	44,439	-	44,439
Default	-	-	134,668	134,668
Total gross carrying amount	1,913,182	214,076	134,668	2,261,926
Expected credit loss	(5,888)	(16,472)	(62,390)	(84,750)
<b>As at 30 September 2023 (unaudited)</b>	<b>1,907,294</b>	<b>197,604</b>	<b>72,278</b>	<b>2,177,176</b>
	<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	4,307	-	-	4,307
Standard	1,983,609	175,290	-	2,158,899
Watchlist	-	67,437	-	67,437
Default	-	-	137,295	137,295
Total gross carrying amount	1,987,916	242,727	137,295	2,367,938
Expected credit loss	(6,416)	(26,113)	(55,389)	(87,918)
<b>As at 31 December 2022 (audited)</b>	<b>1,981,500</b>	<b>216,614</b>	<b>81,906</b>	<b>2,280,020</b>

**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 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 to/(from) Stage 1	(4,421)	4,421	-	-
Transferred to/(from) Stage 2	-	(435)	435	-
Transferred to/(from) Stage 3	-	-	-	-
Originated / (expired) during the year	(70,302)	(32,648)	(3,062)	(106,012)
<b>As at 30 September 2023</b>	<b>1,913,193</b>	<b>214,065</b>	<b>134,668</b>	<b>2,261,926</b>
	<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 2021	2,091,644	364,178	208,212	2,664,034
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred to/(from) Stage 1	(94,547)	94,547	-	-
Transferred to/(from) Stage 2	174,929	(180,986)	6,057	-
Transferred to/(from) Stage 3	-	3,698	(3,698)	-
Originated / (expired) during the year	(184,110)	(38,710)	(73,276)	(296,096)
<b>As at 31 December 2022</b>	<b>1,987,916</b>	<b>242,727</b>	<b>137,295</b>	<b>2,367,938</b>

**12 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

**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 2022	6,416	26,113	55,389	87,918
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred to/(from) Stage 1	(31)	31	-	-
Transferred to/(from) Stage 2	-	-	-	-
Transferred to/(from) Stage 3	-	-	-	-
Charge to income statement	(497)	(9,672)	7,001	(3,168)
<b>As at 30 September 2023 (unaudited)</b>	<b>5,888</b>	<b>16,472</b>	<b>62,390</b>	<b>84,750</b>
	<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 2021	8,990	44,510	47,032	100,532
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred to/(from) Stage 1	(4,153)	4,153	-	-
Transferred to/(from) Stage 2	1,605	(1,605)	-	-
Transferred to/(from) Stage 3	-	859	(859)	-
Charge to income statement	(26)	(21,804)	9,216	(12,614)
<b>As at 31 December 2022 (audited)</b>	<b>6,416</b>	<b>26,113</b>	<b>55,389</b>	<b>87,918</b>

**13 DIVIDENDS**

At the virtual Annual General Meeting of the shareholders held on 16 March 2023, no cash or scrip dividend was proposed or subsequently approved for the year ended 31 December 2022 (31 December 2021: Nil).

**14 SEGMENTAL INFORMATION**

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

Wholesale banking	-	principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. This segment also includes Financial Markets which is principally involved in providing money market, trading and treasury services, as well as the management of the Bank's funding operations
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

The interest from Treasury is credited and charged to respective business segments in order to reflect the allocation of funding costs and to match funding at transfer pricing rates.

# United Arab Bank P.J.S.C.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

At 30 September 2023 (Unaudited)

### 14 SEGMENTAL INFORMATION (continued)

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

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	249,644	44,893	294,537
Other operating income	139,885	12,396	152,281
Operating expenses	(166,115)	(44,449)	(210,564)
Net impairment losses	(25,397)	(1,835)	(27,232)
Profit for the period	<u>198,017</u>	<u>11,005</u>	<u>209,022</u>
Capital expenditure - Property and equipment	<u>19,328</u>	<u>1,506</u>	<u>20,834</u>
At 30 September 2023			
Segment assets	<u>13,671,285</u>	<u>1,065,085</u>	<u>14,736,370</u>
Segment liabilities	<u>10,597,469</u>	<u>1,980,121</u>	<u>12,577,590</u>

Segmental information for the nine months period ended 30 September 2022 was as follows:

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.

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	166,361	57,805	224,166
Other operating income	115,595	11,199	126,794
Operating expenses	(140,692)	(43,235)	(183,927)
Net impairment losses	(48,529)	560	(47,969)
Profit for the period	<u>92,735</u>	<u>26,329</u>	<u>119,064</u>
Capital expenditure - Property and equipment	<u>10,165</u>	<u>1,050</u>	<u>11,215</u>
At 30 September 2022			
Segment assets	<u>12,748,549</u>	<u>1,317,397</u>	<u>14,065,946</u>
Segment liabilities	<u>10,756,862</u>	<u>1,926,056</u>	<u>12,682,918</u>

**15 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>Unaudited</i> <b>30 September</b> <i>2023</i> <b>AED'000</b>	<i>Audited</i> <b>31 December</b> <i>2022</i> <b>AED'000</b> <i>Restated</i>
<i>Shareholders:</i>		
Due from banks	<b>20</b>	118
Due to banks	<b>3,375</b>	2,659
Commitments and contingencies	<b>5,000</b>	4,570
Tier 1 instrument	<b>550,875</b>	-
Coupon payable on Tier 1 instrument	<b>22,200</b>	-
<i>Directors:</i>		
Loans and advances	<b>14,147</b>	15,870
Customer deposits	<b>35,191</b>	21,745
Commitments and contingencies	<b>4,803</b>	45
<i>Other related entities of shareholders and directors:</i>		
Loans and advances	<b>52,695</b>	159,472
Due from banks	<b>11</b>	10
Due to other banks	<b>750</b>	1,786
Customer deposits	<b>271,694</b>	220,899
Commitments and contingencies	<b>49,118</b>	85,320
<i>Key management personnel of the Bank:</i>		
Loans and advances	<b>4,170</b>	809
Customers' deposits	<b>4,800</b>	4,861
<i>Shareholders, directors, their related entities and key management personnel:</i>		
Accrued interest income	<b>451</b>	834
Accrued interest expense	<b>1,207</b>	735

**15 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>Unaudited nine months period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Shareholders, directors and their related entities</i>		
Interest income	<b>5,760</b>	9,279
Interest expense	<b>2,082</b>	2,011
Professional fees	<b>127</b>	2,402
	<i>Unaudited nine months period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>
Number of key management personnel	<b>13</b>	14
	<i>AED'000</i>	<i>AED'000</i>
Salaries and other short term benefits	<b>16,808</b>	12,040
Employees' end of service benefits	<b>377</b>	778
Total compensation to key management personnel	<b>17,185</b>	12,818
Interest income	<b>56</b>	17
Interest expense	<b>54</b>	4
	<i>Unaudited nine months period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>
Expected credit loss – release from income statement	<b>2,163</b>	927

**Terms and conditions of transactions with related parties**

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length basis. The interest charged to and by related parties is at normal commercial rates. Outstanding balances at year end are unsecured.

The Bank has leased office space in various premises owned by a related party. The property leases and associated expenses for the nine months period ended 30 September 2023 amounted to AED 1,159 thousand (30 September 2022: AED 1,411 thousand). The property rentals are negotiated each year at market rates.

**15 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 2022	<b>119,168</b>	<b>56,983</b>	-	<b>176,151</b>
Net of new assets originated and assets repaid	<b>(64,522)</b>	<b>(40,617)</b>	-	<b>(105,139)</b>
Transferred to/(from) Stage 2	<b>57</b>	<b>(57)</b>	-	-
<b>As at 30 September 2023</b>	<b>54,703</b>	<b>16,309</b>	-	<b>71,012</b>
	<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 2021	123,811	61,355	-	185,166
Net of new assets originated and assets repaid	(4,643)	(4,372)	-	(9,015)
As at 31 December 2022	119,168	56,983	-	176,151

**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 2022	<b>951</b>	<b>2,317</b>	-	<b>3,268</b>
Charge to income statement	<b>(584)</b>	<b>(1,579)</b>	-	<b>(2,163)</b>
<b>As at 30 September 2023</b>	<b>367</b>	<b>738</b>	-	<b>1,105</b>
	<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 2021	1,795	3,600	-	5,395
Release to income statement	(844)	(1,283)	-	(2,127)
As at 31 December 2022	951	2,317	-	3,268

## 16 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>
<b>30 September 2023</b>				
Investments	3,499,884	-	542	3,500,426
Derivative assets	-	81,012	-	81,012
	<u>3,499,884</u>	<u>81,012</u>	<u>542</u>	<u>3,581,438</u>
Derivative liabilities	-	7,146	-	7,146
<b>31 December 2022</b>				
Investments	3,059,802	-	542	3,060,344
Derivative assets	-	84,786	-	84,786
	<u>3,059,802</u>	<u>84,786</u>	<u>542</u>	<u>3,145,130</u>
Derivative liabilities	-	10,066	-	10,066

### 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 banks, loans and advances, investments held at amortised cost, other assets (excluding derivative assets), due to banks, customer deposits and other liabilities (excluding derivative liabilities). Derivative assets and liabilities are categorised as level two based on market observable inputs. The fair value of financial instruments not recorded at fair value are not materially different to their carrying values.

The fair value of the quoted debt instruments at amortised cost as at 30 September 2023 amounted to AED 1,145,570 thousand (31 December 2022: AED 818,438 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.

**17 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 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	2,668	(2,978)	2,747,788
Interest rate swaps	4,990	(4,990)	858,333	200,000	3,333	655,000	-
	<b>7,658</b>	<b>(7,968)</b>	<b>3,606,121</b>	<b>928,242</b>	<b>1,742,034</b>	<b>935,845</b>	<b>-</b>

**31 December 2022**

	<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	2,757	(3,063)	2,854,673
Interest rate swaps	7,003	(7,003)	885,988	-	209,988	676,000	-
	<b>9,760</b>	<b>(10,066)</b>	<b>3,740,661</b>	<b>1,969,009</b>	<b>1,081,114</b>	<b>690,538</b>	<b>-</b>

As at 30 September 2023, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk:

	<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>
				<b>30 September 2023</b>			
Hedge of investments	<b>86,153</b>	-	<b>1,504,330</b>	-	<b>251,566</b>	<b>995,689</b>	<b>257,075</b>
<b>31 December 2022</b>							
Hedge of investments	75,026	-	1,792,660	-	130,956	1,223,903	437,801

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 1,720,995 thousand (31 December 2022: AED 2,110,459 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

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

	<b>30 September 2023</b>		<b>30 September 2022</b>	
	<i>Change in value AED'000</i>	<i>Effectiveness recognised in profit and loss AED'000</i>	<i>Change in value AED'000</i>	<i>Effectiveness recognised in profit and loss AED'000</i>
On hedging instruments	<b>15,118</b>	<b>12,843</b>	193,786	23,806
On hedged items	<b>(2,275)</b>		(169,980)	



**18 CAPITAL ADEQUACY RATIO**

	<i>Unaudited</i> <b>30 September</b> <b>2023</b>	<i>Audited</i> <i>31 December</i> <i>2022</i>
Common equity tier 1 ratio	<b>13.9%</b>	13.3%
Tier 1 capital ratio	<b>18.6%</b>	13.3%
Capital adequacy ratio	<b>19.8%</b>	14.5%

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. This issuance has strengthened the Bank’s capital adequacy position and accordingly the Bank’s total capital adequacy ratio stands at 19.8 % as of 30 September 2023.

**19 COMPARATIVE FIGURES**

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