



REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

January 1, 2022 to September 30, 2022



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



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Review report on condensed consolidated interim financial information to the Board of Directors of The National Bank of Ras Al-Khaimah (P.S.C.)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2022 and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods then ended, and other explanatory information. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

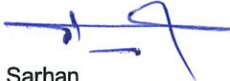
Scope of our review

We conducted our review in accordance with International Standards on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

PricewaterhouseCoopers
25 October 2022




Rami Sarhan
Registered Auditor Number 1152
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Jacques Fakhoury, Douglas O'Mahony, Murad Ainsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Condensed consolidated interim statement of financial position as at 30 September 2022

	Notes	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
ASSETS			
Cash and balances with Central Bank of UAE	4	5,792,248	3,894,068
Due from other banks, net	5	10,402,698	8,428,854
Investment securities measured at fair value	6	4,819,968	4,898,867
Investment securities measured at amortised cost	6	5,956,586	4,567,056
Loans and advances, net	7	34,195,544	32,283,560
Insurance contract assets and receivables, net		295,474	362,491
Customer acceptances		125,289	67,568
Other assets	8	1,281,267	806,165
Property and equipment		663,739	694,267
Right-of-use assets	31	132,313	134,424
Goodwill		166,386	166,386
Total assets		63,831,512	56,303,706
LIABILITIES AND EQUITY			
Liabilities			
Due to other banks	9	7,839,554	3,174,223
Deposits from customers	10	40,255,211	37,647,088
Customer acceptances		125,289	67,568
Debt securities issued and other long term borrowings	11	4,487,951	5,274,326
Insurance contract liabilities and payables		465,651	477,847
Other liabilities	12	1,853,418	1,150,212
Lease liabilities	32	125,253	130,600
Total liabilities		55,152,327	47,921,864
Equity			
Share capital	13	1,676,245	1,676,245
Legal reserve		950,431	950,431
Retained earnings		3,109,530	2,584,864
Other reserves		2,914,168	3,131,076
Equity attributable to owners of the Bank		8,650,374	8,342,616
Non-controlling interests		28,811	39,226
Total equity		8,679,185	8,381,842
Total Liabilities and Equity		63,831,512	56,303,706



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Raheel Ahmed
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated interim financial information

Condensed consolidated interim statement of profit or loss (un-audited) for the period from 1 January 2022 to 30 September 2022

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2022 (un-audited) AED'000	2021 (un-audited) AED'000	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Interest income	16	657,206	495,463	1,682,051	1,474,365
Interest expense	16	(113,785)	(45,724)	(233,905)	(150,324)
Net interest income		543,421	449,739	1,448,146	1,324,041
Income from Islamic financing	17	133,921	112,397	365,420	341,543
Distribution to depositors	17	(24,549)	(15,656)	(57,339)	(44,324)
Net income from Islamic financing		109,372	96,741	308,081	297,219
Net interest income and net income from Islamic financing		652,793	546,480	1,756,227	1,621,260
Net fees and commission income	18	163,861	171,750	503,639	524,003
Foreign exchange & derivative income		77,354	41,504	137,576	117,624
Gross insurance underwriting profit		233	8,475	3,721	25,102
Investment (loss)/income	19	(2,444)	7,034	(2,603)	73,526
Other operating income		23,336	30,131	58,522	76,582
Non-interest income		262,340	258,894	700,855	816,837
Operating income		915,133	805,374	2,457,082	2,438,097
General and administrative expenses	20	(372,871)	(351,355)	(1,112,956)	(1,024,468)
Operating profit before provision for credit loss		542,262	454,019	1,344,126	1,413,629
Provision for credit loss, net	21	(190,864)	(225,320)	(465,325)	(878,932)
Profit for the period		351,398	228,699	878,801	534,697
Attributed to:					
Owners of the Bank		353,119	228,168	884,392	532,476
Non-controlling interests		(1,721)	531	(5,591)	2,221
Profit for the period		351,398	228,699	878,801	534,697
Earnings per share:					
Basic and diluted in AED	22	0.21	0.14	0.53	0.32

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (un-audited) for the period from 1 January 2022 to 30 September 2022

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Profit for the period	351,398	228,699	878,801	534,697
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Profit on sale of equity investments held at fair value Through other comprehensive Income.	34	878	17,429	878
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (equity instruments)	6,650	12,505	(12,642)	61,731
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments)	(8,776)	(8,587)	(183,889)	13,431
Profit on sale of debt instruments transferred to profit and loss	(1,258)	(5,492)	(6,172)	(46,441)
Net changes in fair value arising from cash flow hedges	(6,109)	(3,008)	(17,014)	(6,978)
Other comprehensive (loss) / income for the period	(9,459)	(3,704)	(202,288)	22,621
Total comprehensive income for the period	341,939	224,995	676,513	557,318
Attributed to:				
Owners of the Bank	344,343	224,469	684,913	555,180
Non-controlling interests	(2,404)	526	(8,400)	2,138
Total comprehensive income for the period	341,939	224,995	676,513	557,318

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity for the period from 1 January 2022 to 30 September 2022

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Other Reserves AED'000	Equity attributable to owners of the Bank AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 31 December 2020 (audited)	1,676,245	950,431	2,079,275	3,099,695	7,805,646	39,312	7,844,958
Profit for the period	-	-	532,476	-	532,476	2,221	534,697
Other comprehensive income / (loss)	-	-	800	21,904	22,704	(83)	22,621
Total comprehensive income for the period	-	-	533,276	21,904	555,180	2,138	557,318
Dividend paid	-	-	(251,437)	-	(251,437)	(2,015)	(253,452)
At 30 September 2021 (un-audited)	1,676,245	950,431	2,361,114	3,121,599	8,109,389	39,435	8,148,824
Balance at 31 December 2021 (audited)	1,676,245	950,431	2,584,864	3,131,076	8,342,616	39,226	8,381,842
Profit / (loss) for the period	-	-	884,392	-	884,392	(5,591)	878,801
Other comprehensive income / (loss)	-	-	17,429	(216,908)	(199,479)	(2,809)	(202,288)
Total comprehensive income / (loss) for the period	-	-	901,821	(216,908)	684,913	(8,400)	676,513
Dividend paid	-	-	(377,155)	-	(377,155)	(2,015)	(379,170)
At 30 September 2022 (un-audited)	1,676,245	950,431	3,109,530	2,914,168	8,650,374	28,811	8,679,185

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (un-audited) for the period from 1 January 2022 to 30 September 2022

	Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000
<i>Cash flows from operating activities</i>		
Profit for the period	878,801	534,697
Adjustments:		
Provision for credit losses, net	465,325	878,932
Depreciation of property and equipment	89,206	95,751
Depreciation of Right-of-use assets	23,349	21,724
Interest cost on lease liability	4,310	3,429
Gain on rent concessions due to COVID-19	-	(1,508)
Gain on disposal of property and equipment	(146)	(7,477)
Net changes in fair value arising from hedge and forex revaluation	212,081	61,372
Amortization of discount relating to investments securities	(17,091)	(51,636)
Gain on sale of investment securities	(10,437)	(53,481)
Fair value loss/(gain) on FVTPL investment securities	28,636	(5,722)
Amortisation of discount of debt securities	7,565	4,612
	1,681,599	1,480,693
Changes in operating assets and liabilities		
(Increase)/decrease in deposits with the UAE Central Bank	(89,725)	827,687
Increase in due from other banks with original maturities of three months or over	(2,046,572)	(1,272,096)
Increase in loans and advances, net	(2,168,863)	(2,274,787)
Decrease/(increase) in insurance contract assets & receivables	60,575	(72,233)
(Increase)/decrease in other assets	(548,574)	500,184
Increase in due to other banks and UAE Central bank	4,665,331	1,221,983
Increase in deposits from customers	2,608,123	43,525
(Decrease)/increase in insurance contract liabilities and payables	(12,196)	80,323
Increase/(decrease) in other liabilities	723,863	(402,711)
Net cash generated from operating activities	4,873,561	132,568
<i>Cash flows from investing activities</i>		
Purchase of investment securities	(6,942,534)	(6,914,120)
Proceeds from maturity/disposal of investment securities	5,076,739	5,279,138
Purchase of property and equipment	(58,724)	(38,638)
Proceeds from disposal of property and equipment	190	31,864
Net cash used in investing activities	(1,924,329)	(1641,756)
<i>Cash flows from financing activities</i>		
Dividends paid	(379,170)	(253,452)
Payment for rentals on lease contracts	(24,583)	(17,718)
Payment of debt securities and other borrowings	(783,114)	(477,334)
Issue of debt securities and other borrowings	-	917,134
Net cash used in/generated from financing activities	(1,186,867)	168,630
Net Increase/(decrease) in cash and cash equivalents	1,762,365	(1,340,558)
Cash and cash equivalents, beginning of the period	3,324,614	3,636,113
Cash and cash equivalents, end of the period (Note 24)	5,086,979	2,295,555

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022

1. Incorporation and Principal Activities

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

The Bank is engaged in providing retail and commercial banking services through a network of twenty-seven branches in the UAE.

At 30 September 2022, The National Bank of Ras Al-Khaimah (P.S.C) comprises the Bank and seven subsidiaries (together referred to as the “Group”). The condensed consolidated interim financial information for the nine months period ended 30 September 2022 comprises the Bank and following direct subsidiaries:

<i>Subsidiary</i>	<i>Authorized & Ownership issued capital interest</i>	<i>Incorporated</i>	<i>Principal Activities</i>	
Ras Al Khaimah National Insurance Company PSC	AED 121.275 million	79.23%	UAE	Underwriting all types of Insurance business.
BOSS FZCO	AED 500,000	80%*	UAE	Back office support services to the Bank.
RAK Technologies FZCO	AED 500,000	80%*	UAE	Technological support services to the Bank.
Rakfunding Cayman Limited	Authorized USD 50,000 Issued USD 100	100%	Cayman Island	To facilitate the issue Euro medium term notes (EMTN) under the Bank’s EMTN program.
Rak Global Markets Cayman Limited	Authorized USD 50,000 Issued USD 1	100%	Cayman Island	To facilitate Treasury transactions.
RAK Financial Services Limited**	USD 1,300,000	100%	Dubai International Financial Centre, UAE	Arranging and advising on Financial products, Investments and custody.
Protego Insurance Brokers L.L.C.***	AED 3,000,000	100%	UAE	Insurance brokerage

*These represent legal ownership of the Bank. However, beneficial ownership is 100% as the remaining interest is held by a related party on trust and for the benefit of the Bank.

** RAK Financial Services Limited was incorporated under Dubai International Financial Centre (“DIFC”). DIFC’s approval for commencement of business and capital infusion was received in June 2022 and capital of USD 1.3 million was subscribed during June 2022.

*** Protego Insurance Brokers L.L.C is registered under the commercial license issued by Government of Dubai, Economy and tourism department in July 2022. The company received regulatory approval in August 2022 from UAE central Bank.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022 have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Title	Key requirements	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

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

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<i>New and revised IFRSs</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	
Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities - These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.	January 1, 2023
Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2, The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	1 January 2023
Definition of accounting estimates – Amendments to IAS 8, The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated interim financial information as and when they are applicable and adoption of these new standards, interpretations and amendments. Except for IFRS 17, the directors anticipate no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

3. Significant accounting policies

The significant accounting policies applied in the preparation of this condensed consolidated interim financial information are set out below. These policies have been consistently applied for the period/years presented, unless otherwise stated.

(a) Basis of preparation

The condensed consolidated interim financial information of the Group is prepared under the historical cost basis except for certain financial instruments which are measured at fair value.

These condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standard Board (IASB).

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2021.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties, applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied by the Group in the annual consolidated financial statements for the year ended 31 December 2021.

These condensed consolidated interim financial information do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2021. In addition, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

(b) Consolidation

The condensed consolidated interim financial information incorporates the condensed consolidated interim financial information of National Bank of Ras Al-Khaimah (P.S.C.) and its subsidiaries (collectively referred to as "Group").

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

3. Significant accounting policies (continued)

(b) Consolidation (continued)

ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iii) Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, and the Group allocates the purchase price to these net assets acquired. The measurement period for purchase price allocations ends as soon as information on the facts and circumstances becomes available, but does not exceed 12 months. The Group policy is aligned with that laid out in IFRS 3.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services which are charged to the income statement.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

(c) Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as Murabaha, Salam, Mudaraba, and Wakala. The accounting policy for initial recognition, subsequent measurement and derecognition of Islamic financial assets and liabilities are below:

i) Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognized as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

3. Significant accounting policies (continued)

(c) Islamic financing (continued)

ii) Salam

Bai Al Salam is a Sale contract where the Customer (Seller) undertakes to deliver/supply a specified tangible asset to the Group (Buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer.

Revenue on Salam financing is recognized on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

iii) Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal-customer) and the other party (the Mudarib- the Group) invests the funds in a project or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal.

iv) Wakala

An agreement between the Group and customer whereby one party (Rab Al Mal-principal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction.

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

v) Ijara

Ijara financing is a finance lease agreement whereby the Group (lessor) leases an asset based on the customer's (lessee) request and promise to lease the assets for a specific period in lieu of rental instalments. Ijara ends in transferring the ownership of the asset to the lessee at the end of the lease inclusive of the risks and rewards incident to an ownership of the leased assets. Ijara assets are stated at amounts equal to the net investment outstanding in the lease including the income earned thereon less impairment provisions.

(d) Cash and cash equivalents

In the condensed consolidated statement of cash flows, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of less than three months excluding the statutory deposit required to be maintained with the Central Bank of UAE.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

4. Cash and balances with Central Bank of the UAE

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Cash in hand	860,171	740,644
Balances with the Central Bank of the UAE	-	111,072
Overnight Deposits with the Central Bank of the UAE	2,800,000	1,000,000
Statutory deposit with the Central Bank of the UAE*	2,132,077	2,042,352
	5,792,248	3,894,068

*The Central Bank of the UAE has prescribed reserve requirements on the deposits, 1% (31 December 2021: 1%) for time deposits and 7 % (31 December 2021: 7%) on current, saving, call and similar accounts. These are only available for day-to-day operations under certain specified conditions and cannot be withdrawn without the Central Bank's prior approval.

5. Due from other banks, net

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Placements with other banks	691,214	380,635
Demand deposits	1,155,878	1,340,318
Banker's acceptances	4,052,235	3,400,933
Syndicated loans	3,315,212	2,823,719
Trade loans	1,214,144	464,635
Other	39,922	57,883
Total due from other banks	10,468,605	8,468,123
Provision for credit loss	(65,907)	(39,269)
Net due from other banks	10,402,698	8,428,854

The below represents deposits and balances due from:

Banks in the UAE	398,032	258,683
Banks outside the UAE	10,070,573	8,209,440
Total due from other banks	10,468,605	8,468,123

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

6. Investment securities, net

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Securities at fair value through other comprehensive income (FVOCI)		
Quoted equity securities	446,090	377,540
Unquoted equity securities	5,240	4,459
Quoted debt securities*	3,906,165	3,829,217
Unquoted debt securities	316,290	450,775
	4,673,785	4,661,991
Securities at fair value through profit or loss (FVPL)		
Quoted funds	95,595	131,577
Unquoted funds	41,019	43,842
Quoted debt securities	9,569	61,457
	146,183	236,876
Investment securities measured at fair value	4,819,968	4,898,867
Securities held at amortised cost		
Quoted debt securities*	5,901,674	4,423,773
Unquoted debt securities	115,841	168,223
	6,017,515	4,591,996
Provision for credit loss for securities held at amortised cost	(60,929)	(24,940)
Investment securities measured at amortised cost	5,956,586	4,567,056
Net investment securities	10,776,554	9,465,923

* As at 30 September 2022, quoted debt securities with fair value of AED 3,424 million (31 December 2021: AED 1,336 million) have been given as collateral against repo borrowings of AED 2,918 million (31 December 2021: AED 1,313 million) [Note 9].

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

6. Investment securities, net (continued)

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

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Federal and local Government – UAE	1,633,479	1,188,494
Government related entity – UAE	857,740	957,344
Government - GCC	788,544	862,073
Government - other	822,806	1,400,826
Banks and financial institutions - UAE	655,411	550,208
Banks and financial institutions - GCC	972,995	451,666
Banks and financial institutions - other	1,899,529	1,499,567
Public limited companies – UAE	380,770	352,905
Public limited companies – GCC	710,729	611,922
Public limited companies – other	1,527,536	1,058,440
Total Debt securities	10,249,539	8,933,445
Quoted equity securities	446,090	377,540
Quoted funds	95,595	131,577
Unquoted funds	41,019	43,842
Unquoted equity securities	5,240	4,459
Total investment securities	10,837,483	9,490,863

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

7. Loans and advances, net

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
(a) Loans and advances:		
Retail banking loans	17,663,960	17,432,820
Wholesale banking loans	9,377,829	8,690,747
Business banking loans	8,958,922	8,053,201
Total loans and advances [Note 7(b)]	36,000,711	34,176,768
Provision for credit loss [Note 7(c)]	(1,805,167)	(1,893,208)
Net loans and advances	34,195,544	32,283,560
(b) Analysis of loans and advances:		
Personal loans	5,567,585	5,481,178
Mortgage loans	6,153,006	5,942,175
Credit cards	2,184,104	2,115,034
Auto loans	398,648	383,499
RAK Business loans	3,337,307	3,056,201
Other Business banking loans	5,621,615	4,997,000
Wholesale banking loans	9,377,829	8,690,747
Other retail loans	3,360,617	3,510,934
Total loans and advances	36,000,711	34,176,768
(c) Provision for credit loss:		
Balance at the beginning of the period/year	1,893,208	2,159,442
Impairment allowance for the period/year	335,163	1,160,648
Written-off during the period/year	(423,204)	(1,426,882)
Balance at the end of the period/year	1,805,167	1,893,208
(d) Provision for credit loss/release on loans and advances, net of recovery - for the nine months period ended:		
	30 September 2022 (un-audited) AED'000	30 September 2021 (un-audited) AED'000
Impairment allowance for the period	335,163	932,671
Net recovery during the period	(78,284)	(67,882)
Net impairment charge for the period (Note 21)	256,879	864,789

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

7. Loans and advances, net (continued)

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

	30 September 2022 (un-audited) AED'000	30 September 2021 (un-audited) AED'000
Impairment allowance for the period	118,630	246,032
Net recovery during the period	(24,657)	(22,327)
Net impairment charge for the period (Note 21)	93,973	223,705

(f) Islamic financing assets

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

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
i) Islamic financing assets		
Islamic retail financing assets	3,438,017	3,180,614
Islamic business banking assets	2,263,286	2,127,033
Islamic wholesale banking assets	654,571	589,682
Total Islamic financing assets	6,355,874	5,897,329
Provision for credit loss	(370,370)	(399,390)
	5,985,504	5,497,939

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
ii) Analysis of Islamic financing assets		
Islamic Salam Personal finance	2,077,813	1,944,821
Islamic Auto Murabaha	37,859	46,225
Islamic Business banking Finance	2,263,286	2,127,033
Islamic Ijara Property Finance	1,276,048	1,140,783
Islamic Credit Cards	44,759	47,329
Islamic wholesale banking	654,571	589,682
Islamic finance - other	1,538	1,456
	6,355,874	5,897,329

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

8. Other assets

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Interest receivable	360,067	303,846
Profit receivable on Islamic financing assets	58,148	47,747
Prepayments	49,739	52,460
Interest rate swaps and other derivatives	546,746	206,801
Insurance related receivables and assets	25,417	24,516
Gold in hand	39,035	7,296
Islamic profit paid in advance	9,715	1,642
Assets acquired in settlements of debts*	11,055	-
Other	181,345	161,857
	1,281,267	806,165

*AED 11.055 million represents the fair value of the asset acquired in settlement of debts during the nine months period ended 30 September 2022. The carrying amount will be recovered principally through a sale transaction rather than through continuing use. It is subject to revaluation at each reporting date, and the related fair value gain/(loss) would be accounted for in the statement of profit or loss.

9. Due to other banks

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Term borrowings	2,960,119	1,831,560
Repurchase agreements (Note 6)	2,918,081	1,313,445
Central Bank of UAE current account *	1,543,933	-
Demand deposits	417,421	29,218
	7,839,554	3,174,223

*Overdrawn balance in Central Bank of UAE ("CBUAE") current account was subsequently settled during October.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

10. Deposits from customers

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Time deposits	10,303,093	9,544,572
Current accounts	24,947,875	22,839,231
Saving deposits	3,739,262	3,969,997
Call deposits	1,264,981	1,293,288
	40,255,211	37,647,088

Deposits include AED 1,486 million (31 December 2021: AED 1,258 million) held by the Group as cash collateral for loans and advances granted to customers.

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

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Wakala deposits	1,586,700	774,825
Mudaraba term investment deposits	13,831	18,401
Murabaha Term Deposit	881,372	2,124,618
Qard-E-Hassan - current accounts	1,004,952	993,596
Mudaraba - current accounts	497,139	542,796
Mudaraba - saving accounts	238,985	234,719
Mudaraba - call deposits	19,802	13,407
	4,242,781	4,702,362

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

11. Debt securities issued and other long-term borrowings

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	1,834,657	1,833,789
USD 145 million private placement net of discount (a)	530,986	529,326
USD 75 million private placement (a)	275,475	275,475
USD 75 million private placement (a)	275,475	275,475
SAR 800 million Islamic bilateral borrowing (b)	-	782,655
USD 100 million bilateral borrowing (c)	367,300	367,300
USD 125 million bilateral borrowing (d)	459,125	459,125
USD 75 million bilateral borrowing (e)	275,475	275,475
SAR 500 million Islamic bilateral borrowing (f)	488,821	489,160
Less: Debt securities and other borrowing issue costs	(9,925)	(13,454)
Fair value adjustment on hedged medium term note	(9,438)	-
	4,487,951	5,274,326

(a) In April 2019, the Group issued five year USD 500 million Euro Medium Term Notes (EMTN) under its USD 2 billion EMTN programme through its subsidiary RAK Funding Cayman Limited. This was issued at a discounted rate of 99.692% and carries a fixed interest rate of 4.125% per annum which is payable half yearly in arrears. These notes mature in April 2024.

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

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

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

(b) In June 2019 the Group borrowed SAR 800 million at a profit rate of 3.85% per annum which got matured and repaid in June 2022.

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

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

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

(f) In November 2021 the Group borrowed SAR 500 million at fixed interest rate of 1.4% per annum which matures in November 2022.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

12. Other liabilities

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Interest payable	113,502	45,337
Profit distributable on Islamic deposits	19,032	28,882
Accrued expenses	326,827	253,128
Provision for employees' end-of-service benefits	136,499	128,268
Foreign exchange and other derivatives derivative contracts	531,883	248,219
Credit card payables and liabilities	55,194	62,673
Managers' cheques issued	365,997	186,487
Mortgage payables and liabilities	25,162	26,840
Insurance related payables and liabilities	32,400	34,885
Provision for credit loss on contingent assets and customer acceptances	28,089	9,425
Other	218,833	126,068
	<u>1,853,418</u>	<u>1,150,212</u>

13. Share capital and dividend

At 30 September 2022, the authorised, issued and fully paid share capital of the Bank comprised 1,676 million shares of AED 1 each (31 December 2021: 1,676 million shares of AED 1 each).

At the meeting held on 12 April 2022, the shareholders of the Bank approved a cash dividend of 22.5% amounting to AED 377.2 million of the issued and paid up capital in respect of the year ended 31 December 2021 (2020: 15% cash dividend amounting to AED 251.4 million). Subsequently the dividend was paid on 19 April 2022.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

14. Contingencies and commitments

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Irrevocable commitments to extend credit	6,616,656	5,237,315
Letters of guarantee – Financial	327,688	367,645
Letters of guarantee – Non Financial	812,659	763,841
Letters of credit	117,106	93,296
Capital commitments and others	33,194	31,404
	<u>7,907,303</u>	<u>6,493,501</u>

The Group is holding AED 27.67 million (31 December 2021: AED 9.18 million) provision for credit loss on contingencies and commitments as per IFRS 9.

Commitments to extend credit shown above represent unfunded amounts out of approved limits offered to customers, which are irrevocable by the Group. Commitments to extend credit amounting to AED 8,134 million (31 December 2021: AED 7,036 million) are revocable at the option of the Group and not included in the above table.

15. Forward foreign exchange and other derivative contracts

Foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the Bank's undelivered spot transactions.

Outstanding forward foreign exchange contracts, interest rate swaps and other derivative contracts at 30 September 2022 and 31 December 2021 are as follows:

	Fair Values		
	Assets AED'000	Liability AED'000	Notional AED'000
30 September 2022			
Foreign exchange contracts	51,765	65,025	16,642,438
Interest rate swaps	470,559	352,118	13,833,994
Other derivative contracts	24,422	114,740	10,675,084
	<u>546,746</u>	<u>531,883</u>	<u>41,151,516</u>
31 December 2021			
Foreign exchange contracts	38,968	28,608	10,181,956
Interest rate swaps	160,523	207,517	9,924,480
Other derivative contracts	7,310	12,094	2,480,645
	<u>206,801</u>	<u>248,219</u>	<u>22,587,081</u>

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

16. Interest income and expense

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Interest income				
Personal loans	58,673	60,394	170,463	183,324
Mortgage loans	46,047	39,181	123,290	115,598
Credit cards	78,942	84,618	234,403	268,309
Auto loans	5,302	5,212	15,467	16,417
RAK business loans	90,147	79,075	249,398	233,462
Wholesale banking loans	92,174	46,509	211,552	135,563
Other business banking loans	86,144	64,899	227,769	185,965
Other retail banking loans	29,441	14,832	65,906	41,906
Investment securities	78,656	63,300	195,791	184,578
Deposits with the Central Bank of UAE	9,040	-	11,006	229
Other banks	82,640	37,443	177,006	109,014
	657,206	495,463	1,682,051	1,474,365
Interest expense				
Due to customers	45,638	17,609	93,598	65,013
Debt securities issued and other borrowings	28,950	24,019	78,275	73,772
Borrowings from other banks	39,197	4,096	62,032	11,539
	113,785	45,724	233,905	150,324

17. Income from Islamic Financing and distribution to depositors

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Income from Islamic financing				
Islamic Salam personal finance	38,052	39,377	111,514	123,190
Islamic Auto Murabaha	599	829	1,873	2,654
Islamic business banking finance	62,531	48,039	172,151	142,098
Islamic wholesale banking finance	9,948	5,667	18,392	17,883
Islamic investment income	9,702	9,430	27,877	29,665
Islamic Ijara property finance	13,089	9,055	33,613	26,053
	133,921	112,397	365,420	341,543
Distribution to depositors				
Distribution of profit on Islamic term investment deposits	22,518	7,656	37,125	20,548
Bilateral long-term borrowings	1,749	7,708	19,435	22,872
Distribution of profit on Islamic demand deposits	282	292	779	904
	24,549	15,656	57,339	44,324

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

18. Net fees and commission income

	Three months period ended 30 September		Nine months period ended 30 September	
	2022	2021	2022	2021
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Personal loans	2,474	5,633	6,784	17,866
Mortgage loans	1,938	5,247	9,499	14,381
Credit cards	57,728	57,735	174,764	188,916
Auto loans	1,325	1,361	4,848	4,659
RAK business loans	11,712	10,468	35,779	26,343
Wholesale banking loans	16,759	17,982	49,388	47,323
Other business banking loans	46,059	38,814	133,558	116,528
Fiduciary income	12,072	20,059	42,755	65,084
Bancassurance	6,606	5,514	18,688	17,278
Others	7,188	8,937	27,576	25,625
	163,861	171,750	503,639	524,003

19. Investment income

	Three months period ended 30 September		Nine months period ended 30 September	
	2022	2021	2022	2021
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Fair value (loss)/income	(7,359)	(1,385)	(28,636)	5,722
Dividend income	1,289	1,381	15,596	14,324
Net gain on disposal of Investments	3,626	7,038	10,437	53,480
	(2,444)	7,034	(2,603)	73,526

20. General and administrative expenses

	Three months period ended 30 September		Nine months period ended 30 September	
	2022	2021	2022	2021
	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000	(un-audited) AED'000
Staff costs	222,303	192,156	641,031	564,080
Outsourced staff costs	9,166	8,824	26,957	27,820
Occupancy costs	14,447	17,926	50,281	50,618
Marketing expenses	6,087	6,791	18,567	20,415
Depreciation and amortisation	29,581	32,288	89,206	95,751
Communication costs	12,200	12,619	38,423	38,688
Credit card expenses	28,216	21,938	86,054	59,012
Information and technology expenses	26,496	26,554	77,668	76,943
Other	24,375	32,259	84,769	91,141
	372,871	351,355	1,112,956	1,024,468

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

21. Provision for credit loss, net

(a) Provision for credit loss for the nine months period ended

	Nine months period ended 30 September	
	2022	2021
	(un-audited) AED'000	(un-audited) AED'000
Net impairment charge on loans and advances	256,879	864,789
Net impairment charge on due from other banks	26,638	14,551
Net impairment charge/(release) on Investment securities measured at fair value through OCI	120,713	(852)
Net impairment charge/(release) on Investment securities measured at amortised cost	35,989	(75)
Net impairment charge/(release) on insurance contracts	6,442	(2,991)
Net impairment charge on customer acceptances	171	175
Net impairment charge on off balance sheet items	18,493	3,335
Net impairment charge for the period	465,325	878,932

(b) Provision for credit loss for the three months period ended

	Three months period ended 30 September	
	2022	2021
	(un-audited) AED'000	(un-audited) AED'000
Net impairment charge on loans and advances	93,973	223,705
Net impairment charge on due from other banks	31,900	5,516
Net impairment charge/(release) on Investment securities measured at fair value through OCI	37,424	(567)
Net impairment charge/(release) on Investment securities measured at amortised cost	15,789	(3,844)
Net impairment charge on insurance contracts	431	1,958
Net impairment charge on customer acceptances	240	143
Net impairment charge / (release) off balance sheet items	11,107	(1,591)
Net impairment charge for the period	190,864	225,320

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

21. Provision for credit loss, net (continued)

(c) Expected credit loss allowance

A summary of the provision for credit loss and the net movement on financial instruments by category are as follows:

	At 31 December 2021 AED'000	Net provided / (released) during the period AED'000	Other movement during the period AED'000	At 30 September 2022 AED'000
Due from other banks	39,269	26,638	-	65,907
Loans and advances	1,893,208	335,163	(423,204)	1,805,167
Investment Securities - FVOCI	24,929	120,713	-	145,642
Investment Securities – Amortised cost	24,940	35,989	-	60,929
Insurance contract assets and receivables	32,575	6,442	(2,866)	36,151
Customer acceptances	247	171	-	418
Off balance sheet items	9,178	18,493	-	27,671
Total	2,024,346	543,609	(426,070)	2,141,885

22. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period:

	Three months period ended 30 September		Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Profit for the period (attributed to owners of the Bank)	353,119	228,168	884,392	532,476
Weighted average number of shares in issue (in thousands)	1,676,245	1,676,245	1,676,245	1,676,245
Basic earnings per share (AED)	0.21	0.14	0.53	0.32

23. Fiduciary activities

The Group holds assets in a fiduciary capacity for its customers without recourse. At 30 September 2022, market value of such assets amounted to AED 5,000 million (31 December 2021: AED 5,488 million) and are excluded from the condensed consolidated interim financial information of the Group.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

24. Cash and cash equivalents

	30 September 2022 (un-audited) AED'000	30 September 2021 (un-audited) AED'000
Cash in hand and current account with Central Bank of UAE	3,660,171	1,274,273
Due from other banks	10,468,605	7,931,298
	14,128,776	9,205,571
Less: Due from other banks with original maturity of three months or more	(9,041,797)	(6,910,016)
Cash and cash equivalents	5,086,979	2,295,555

25. Operating segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting to management, which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has five main business segments:

- Retail banking – incorporating individual customer and certain business current accounts, savings accounts, deposits, credit and debit cards, individual customer loans and mortgages;
- Wholesale banking – incorporating transactions with corporate bodies including government and public bodies and comprising of loans, advances, deposits and trade finance transactions of corporate customers and financial institutions;
- Business banking – incorporating transactions comprising of loans, advances, deposits and trade finance transactions of SME;
- Treasury – incorporating activities of the dealing room, related money market, and foreign exchange transactions and hedging activities with other banks and financial institutions including the Central Bank of UAE, none of which constitute a separately reportable segment; and
- Insurance business – incorporating all insurance related transactions of its subsidiary Ras Al Khaimah National Insurance Company P.S.C.

The above segments include conventional and Islamic products and services of the Group.

As the Group's segment operations are all financial with a majority of revenues deriving from interest and fees and commission income, management relies primarily on revenue and segmental results to assess the performance of the segment.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of net profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

25. Operating segments (continued)

The segment information provided to the management for the reportable segments for the periods ended 30 September 2022 and 2021 is as follows:

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
30 September 2022								
Net external interest income	581,494	307,709	464,353	87,051	6,571	10	958	1,448,146
Income from Islamic financing net of distribution to depositors	144,238	(12,786)	170,773	5,856	-	-	-	308,081
Internal revenue	(104,604)	(103,019)	128,951	(32,997)	-	111,669	-	-
Net interest income and net income from Islamic financing	621,128	191,904	764,077	59,910	6,571	111,679	958	1,756,227
Non-interest income	358,712	51,768	223,002	67,112	15,881	(824)	(14,796)	700,855
Operating income	979,840	243,672	987,079	127,022	22,452	110,855	(13,838)	2,457,082
Operating expense excluding depreciation & amortisation	(466,169)	(34,939)	(202,078)	(17,620)	(42,553)	(266,542)	6,151	(1,023,750)
Depreciation & amortisation	(28,643)	(1,237)	(6,008)	(2,189)	(1,837)	(49,292)	-	(89,206)
Total operating expense	(494,812)	(36,176)	(208,086)	(19,809)	(44,390)	(315,834)	6,151	(1,112,956)
Impairment charge, net	(69,217)	(57,949)	(155,422)	(157,646)	(4,983)	(20,108)	-	(465,325)
Net profit	415,811	149,547	623,571	(50,433)	(26,921)	(225,087)	(7,687)	878,801
As at 30 September 2022								
Segment assets	18,092,772	17,754,252	8,454,136	17,689,019	716,403	1,427,621	(302,691)	63,831,512
Segment liabilities	13,471,698	11,019,647	17,815,589	11,317,131	564,029	1,102,411	(138,178)	55,152,327

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

25. Operating segments (continued)

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
30 September 2021								
Net external interest income	596,988	214,419	406,529	99,564	6,291	(1,221)	1,471	1,324,041
Income from Islamic financing net of distribution to depositors	143,271	6,651	140,671	6,626	-	-	-	297,219
Internal revenue	(188,608)	(53,685)	(56,327)	266,146	-	32,474	-	-
Net interest income and net income from Islamic financing	551,651	167,385	490,873	372,336	6,291	31,253	1,471	1,621,260
Non-interest income	402,532	49,489	188,725	136,811	42,893	10,857	(14,470)	816,837
Operating income	954,183	216,874	679,598	509,147	49,184	42,110	(12,999)	2,438,097
Operating expense excluding depreciation & amortisation	(426,186)	(30,992)	(190,795)	(15,931)	(38,162)	(232,676)	6,025	(928,717)
Depreciation & amortisation	(31,559)	(1,645)	(4,825)	(2,253)	(2,036)	(53,433)	-	(95,751)
Total operating expense	(457,745)	(32,637)	(195,620)	(18,184)	(40,198)	(286,109)	6,025	(1,024,468)
Impairment charge, net	(454,248)	(99,913)	(325,904)	(575)	1,708	-	-	(878,932)
Net profit	42,190	84,324	158,074	490,388	10,694	(243,999)	(6,974)	534,697
As at 31 December 2021								
Segment assets	17,162,512	15,186,616	7,893,733	14,378,162	796,804	1,198,910	(313,031)	56,303,706
Segment liabilities	11,958,514	10,110,492	16,736,468	7,940,565	594,142	730,063	(148,380)	47,921,864

The comparative figures of 30 September 2021 and 31 December 2021 have been reclassified between operating segments due to movement of accounts among segments.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

26. Related parties

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	Nine months period ended 30 September	
	2022 (un-audited) AED'000	2021 (un-audited) AED'000
Transactions during the period		
Interest income	11,673	5,464
Interest expense	10,770	10,244
Commission income	550	628
Directors' and key management personnel's remuneration, sitting and other expenses	27,061	18,723
	30 September 2022 (un-audited) AED'000	31 December 2021 (un-audited) AED'000
Balances		
<i>Loans and advances:</i>		
- Shareholders and their related companies	660,753	379,316
- Directors and their related companies	114,833	85,630
- Key management personnel	6,041	2,829
	781,627	467,775
<i>Deposits</i>		
- Shareholders and their related companies	2,735,679	2,119,011
- Directors and their related companies	17,938	12,334
- Key management personnel	16,934	18,966
	2,770,551	2,150,311
<i>Irrevocable commitments and contingent liabilities and forward contracts</i>		
- Shareholders and their related companies	69,871	76,002
- Directors and their related companies	40	40
	69,911	76,042

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

26. Related parties (continued)

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
<i>Insurance related receivables</i>		
Due from policy holders	1,872	12,812
<i>Insurance related payables</i>		
Due to policy holders	44	35

27. Capital adequacy

Capital structure and capital adequacy as per Basel III requirement as at 30 September 2022

The Bank is required to report capital resources and risk-weighted assets under the Basel III from February 2017. Capital structure and capital adequacy as per Basel III requirement as at 30 September 2022 and 31 December 2021 (after applying prudential filter) is given below:

	30 September 2022 (un-audited) (after applying prudential filter) AED'000	31 December 2021 (audited) AED'000
<i>Tier 1 capital</i>		
Ordinary share capital	1,676,245	1,676,245
Legal and other reserves	3,828,079	4,004,761
Retained earnings	2,225,576	1,830,499
Current year profit	913,409	754,802
Dividend for year 2021	-	(377,155)
Tier 1 capital base	8,643,309	7,889,152
Tier 2 capital base	605,594	545,734
Total capital base	9,248,903	8,434,886
<i>Risk weighted assets</i>		
Credit risk	48,447,531	43,658,721
Market risk	2,446,416	2,186,151
Operational risk	3,678,449	3,678,449
Total risk weighted assets	54,572,396	49,523,321
Capital adequacy ratio on Tier 1 capital	15.84%	15.93%
Capital adequacy ratio on Tier 2 capital	1.11%	1.10%
Total Capital adequacy ratio	16.95%	17.03%

As per the Central Bank of UAE Regulation for Basel III, the Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2022. Additionally, Central Bank of UAE regulation dated 22 April 2020 provides for a "Prudential Filter" that permits Banks and Finance Companies to add back increases in IFRS 9 provisions to the regulatory capital over a transition period of 5 years, on a proportionate basis.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

28. Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying values and fair value estimates of financial assets and liabilities. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms. As at 30 September 2022, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial assets and liabilities:

	Fair value		Carrying value	
	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Assets				
Loan and advances	34,380,633	32,695,315	34,195,544	32,283,560
Investment securities measured at fair value	4,819,968	4,898,867	4,819,968	4,898,867
Investment securities measured at amortised cost	5,690,092	4,664,979	5,956,586	4,567,056
Cash and balances with the Central Bank of UAE	5,792,248	3,894,068	5,792,248	3,894,068
Due from other banks	10,263,196	8,378,915	10,402,698	8,428,854
Total financial assets	60,946,137	54,532,144	61,167,044	54,072,405
Liabilities				
Due to other banks	7,861,988	3,184,645	7,839,554	3,174,223
Deposits from customer	40,268,423	37,654,150	40,255,211	37,647,088
Debt securities issued and other borrowing	4,514,547	5,354,510	4,487,951	5,274,326
Total financial liabilities	52,644,958	46,193,305	52,582,716	46,095,637

29. Fair value hierarchy

The fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices - Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs - Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as forward foreign exchange contracts which are valued using market standard pricing techniques.

29. Fair value hierarchy (continued)

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from a transaction in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The table below analyses recurring fair value measurements for assets and liabilities.

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
30 September 2022 (un-audited)				
Assets at fair value				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	3,906,165	262,319	53,971	4,222,455
Investment securities - equity	446,090	-	5,240	451,330
Foreign exchange contracts	-	51,765	-	51,765
Derivative financial instruments	-	494,981	-	494,981
<i>(Through profit and loss)</i>				
Investment market fund	95,595	-	41,019	136,614
Investment - debt securities <i>(Held at amortised cost)</i>	9,569	-	-	9,569
Investment securities - debt	5,574,213	-	115,879	5,690,092
	10,031,632	809,065	216,109	11,056,806
Liabilities at fair value				
Foreign exchange contracts	-	65,025	-	65,025
Derivative financial instruments	-	466,858	-	466,858
	-	531,883	-	531,883

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

29. Fair value hierarchy (continued)

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
<i>31 December 2021</i>				
<i>Assets at fair value</i>				
<i>(Through other comprehensive income)</i>				
Investment securities - debt	3,829,217	408,538	42,237	4,279,992
Investment securities - equity	377,540	-	4,459	381,999
Foreign exchange contracts	-	38,968	-	38,968
Derivative financial instruments <i>(through profit and loss)</i>	-	167,833	-	167,833
Investment market fund	131,577	-	43,842	175,419
Investment- debt securities <i>(Held at amortised cost)</i>	61,457	-	-	61,457
Investment securities - debt	4,498,220	-	166,759	4,664,979
	8,898,011	615,339	257,297	9,770,647
<i>Liabilities at fair value</i>				
Foreign exchange contracts	-	28,608	-	28,608
Derivative financial instruments	-	219,611	-	219,611
	-	248,219	-	248,219

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

30. Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation of uncertainty used in the preparation of this condensed consolidated interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2021.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

31. Right-of-use assets

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period	134,424	117,872
Additions during the period	29,847	14,017
Increase/(decrease) due to changes in lease liability and contract period	(8,609)	32,223
Depreciation for the period	(23,349)	(29,688)
Balance at the closing of the period	<u>132,313</u>	<u>134,424</u>

32. Lease liabilities

	30 September 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period	130,600	102,348
Additions during the period	29,847	14,017
Increase due to changes in lease contract amount and contract period	(14,921)	33,641
Gain from rent concession due to pandemic	-	(1,508)
Interest cost on lease liability for the period	4,310	4,880
Less: Rental payments made during the period	(24,583)	(22,778)
Balance at the closing of the period	<u>125,253</u>	<u>130,600</u>

33. Seasonality of results

Dividend income of AED 15.6 million (30 September 2021: AED 14.3 million) of seasonal nature was recorded in the condensed consolidated interim financial information for the period.

34. Risk management

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

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

Measurement of Expected Credit loss (ECL)

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

The Group based on historical analysis determines key economic variables that impacts the credit risk of its various portfolios and uses macro-economic forecasts for these variables to estimate the Probability of Defaults (“PDs”). The Group employs experts who use external and internal information to generate 3 scenarios viz. Baseline, Upside and Downside, in accordance with the IFRS 9 requirements.

For Non-Retail portfolio PD models, the Bank was using RAK Business Loans model’s macro-economic overlay as a proxy in absence of adequate historical data on non-retail portfolio default rates. For the nine month period ended 30 September 2022, the Bank has enhanced its approach by calibrating its rating models with historical observed default rates, and has developed and implemented macro-economic models for Through-the-Cycle PD (“TTC PD”) to Point-in-Time PD (“PiT PD”) conversion. Similarly for Non-retail portfolio LGD, owing to lack of adequate historical data on recovery, the Bank was using Basel recommended approach. For the nine month period ending 30 September 2022, the Bank has implemented LGD models for its Non retail portfolio based on historical realized recovery.

The Group has used the updated macro-economic forecasts for the year ended 31 December 2021 and is currently using the weightings of (40:30:30) for Baseline: Upside: Downside scenarios. The sensitivity to 10% increase in Downside Scenario, with a corresponding decrease of 10% in Upside scenario is AED 39.6 million as of 30 September 2022.

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

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 July 2022	33,092,682	1,414,690	1,285,808	35,793,180
Transfer from Stage 1 to Stage 2	(344,684)	344,684	-	-
Transfer from Stage 2 to Stage 3	-	(137,070)	137,070	-
Transfer from Stage 2 to Stage 1	285,463	(285,463)	-	-
Transfer from Stage 3 to Stage 2	-	29,064	(29,064)	-
Change in Exposures during the period	(4,600,735)	(167,130)	(111,750)	(4,879,615)
New financial assets originated	5,212,452	-	-	5,212,452
Write-offs	-	-	(125,306)	(125,306)
Gross carrying amount as at 30 September 2022	33,645,178	1,198,775	1,156,758	36,000,711

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2022	31,025,830	1,696,182	1,454,756	34,176,768
Transfer from Stage 1 to Stage 2	(1,065,454)	1,065,454	-	-
Transfer from Stage 2 to Stage 3	-	(492,223)	492,223	-
Transfer from Stage 2 to Stage 1	848,718	(848,718)	-	-
Transfer from Stage 3 to Stage 2	-	110,987	(110,987)	-
Change in Exposures during the year	(13,024,347)	(332,907)	(256,030)	(13,613,284)
New financial assets originated	15,860,431	-	-	15,860,431
Write-offs	-	-	(423,204)	(423,204)
Gross carrying amount as at 30 September 2022	33,645,178	1,198,775	1,156,758	36,000,711

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2021	28,007,193	2,419,704	1,774,015	32,200,912
Transfer from Stage 1 to Stage 2	(3,372,829)	3,372,829	-	-
Transfer from Stage 2 to Stage 3	-	(1,695,346)	1,695,346	-
Transfer from Stage 2 to Stage 1	1,152,809	(1,152,809)	-	-
Transfer from Stage 3 to Stage 2	-	171,554	(171,554)	-
Change in Exposures during the year	(15,164,391)	(1,419,750)	(416,169)	(17,000,310)
New financial assets originated	20,403,048	-	-	20,403,048
Write-offs	-	-	(1,426,882)	(1,426,882)
Gross carrying amount as at 31 December 2021	31,025,830	1,696,182	1,454,756	34,176,768

Changes in the gross carrying for due from banks

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 July 2022	9,264,696	105,043	-	9,369,739
Transfer from Stage 2 to Stage 1	88,955	(88,955)	-	-
Change in Exposures during the period	(1,338,658)	(9,611)	-	(1,348,269)
New financial assets originated	2,447,135	-	-	2,447,135
Gross carrying amount as at 30 September 2022	10,462,128	6,477	-	10,468,605

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2022	7,780,561	687,562	-	8,468,123
Transfer from Stage 2 to Stage 1	346,845	(346,845)	-	-
Change in Exposures during the period	(3,353,198)	(334,240)	-	(3,687,438)
New financial assets originated	5,687,920	-	-	5,687,920
Gross carrying amount as at 30 September 2022	10,462,128	6,477	-	10,468,605

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Changes in the gross carrying amount for due from banks

	31 December 2021 (audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2021	5,516,681	1,081,528	-	6,598,209
Transfer from Stage 1 to Stage 2	(716,195)	716,195	-	-
Transfer from Stage 2 to Stage 1	250,819	(250,819)	-	-
Change in Exposures during the year	(4,319,878)	(859,342)	-	(5,179,220)
New financial assets originated	7,049,134	-	-	7,049,134
Gross carrying amount as at 31 December 2021	7,780,561	687,562	-	8,468,123

Changes in the gross carrying for Investment securities – FVOCI*

	30 September 2022 (un-audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 July 2022	4,153,399	-	149,359	4,302,758
Change in exposures during the period	(185,926)	-	24,027	(161,899)
New financial assets originated	227,238	-	-	227,238
Gross carrying amount as at 30 September 2022	4,194,711	-	173,386	4,368,097

	30 September 2022 (un-audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2022	4,147,291	157,630	-	4,304,921
Transfer from Stage 1 to Stage 2	(37,475)	37,475	-	-
Transfer from Stage 2 to Stage 3	-	(137,856)	137,856	-
Transfer from Stage 2 to Stage 1	82,646	(82,646)	-	-
Change in Exposures during the period	(1,633,387)	25,397	35,530	(1,572,460)
New financial assets originated	1,635,636	-	-	1,635,636
Gross carrying amount as at 30 September 2022	4,194,711	-	173,386	4,368,097

*Exposures are gross of IFRS 9 provisions held

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Changes in the gross carrying for Investment securities – FVOCI* (continued)

	31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2021	2,978,737	224,332	11,516	3,214,585
Transfer from Stage 1 to Stage 2	36,060	(36,060)	-	-
Change in Exposures during the year	(2,773,527)	(30,642)	(11,516)	(2,815,685)
New financial assets originated	3,906,021	-	-	3,906,021
Gross carrying amount as at 31 December 2021	4,147,291	157,630	-	4,304,921

*Exposures are gross of IFRS9 provisions held

Changes in the gross carrying for Investment securities - Amortized Cost

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 July 2022	4,934,646	18,365	38,519	4,991,530
Change in Exposures during the period	(111,137)	-	(1,497)	(112,634)
New financial assets originated	1,138,619	-	-	1,138,619
Gross carrying amount as at 30 September 2022	5,962,128	18,365	37,022	6,017,515

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2022	4,418,527	173,469	-	4,591,996
Transfer from Stage 2 to Stage 3	-	(38,585)	38,585	-
Transfer from Stage 2 to Stage 1	81,908	(81,908)	-	-
Change in Exposures during the period	(373,980)	(34,611)	(1,563)	(410,154)
New financial assets originated	1,835,673	-	-	1,835,673
Gross carrying amount as at 30 September 2022	5,962,128	18,365	37,022	6,017,515

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Changes in the gross carrying for Investment securities - Amortized Cost (continued)

	31 December 2021 (audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2021	3,861,486	462,223	-	4,323,709
Transfer from Stage 1 to Stage 2	309,413	(309,413)	-	-
Change in Exposures during the year	(660,743)	20,659	-	(640,084)
New financial assets originated	908,371	-	-	908,371
Gross carrying amount as at 31 December 2021	4,418,527	173,469	-	4,591,996

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

	30 September 2022 (un-audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 July 2022	8,954,855	280,976	208,923	9,444,754
Transfer from Stage 1 to Stage 2	(6,806)	6,806	-	-
Transfer from Stage 2 to Stage 1	169,344	(169,344)	-	-
Change in Exposures during the period	(2,224,235)	(10,275)	(47,039)	(2,281,549)
New financial assets originated	2,214,624	-	-	2,214,624
Gross carrying amount as at 30 September 2022	9,107,782	108,163	161,884	9,377,829

	30 September 2022 (un-audited)			Total AED'000
	Stage 1	Stage 2	Stage 3	
	12-month AED'000	Lifetime AED'000	Lifetime AED'000	
Gross carrying amount as at 1 January 2022	8,119,997	377,497	193,253	8,690,747
Transfer from Stage 1 to Stage 2	(35,350)	35,350	-	-
Transfer from Stage 2 to Stage 3	-	(48,980)	48,980	-
Transfer from Stage 2 to Stage 1	201,278	(201,278)	-	-
Change in Exposures during the period	(5,949,997)	(54,426)	(78,469)	(6,082,892)
New financial assets originated	6,771,854	-	-	6,771,854
Write-offs	-	-	(1,880)	(1,880)
Gross carrying amount as at 30 September 2022	9,107,782	108,163	161,884	9,377,829

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 July 2022	7,147,278	871,334	557,304	8,575,916
Transfer from stage 1 to Stage 2	(207,831)	207,831	-	-
Transfer from stage 2 to Stage 3	-	(64,337)	64,337	-
Transfer from Stage 2 to Stage 1	47,416	(47,416)	-	-
Transfer from Stage 3 to Stage 2	-	6,609	(6,609)	-
Change in Exposures during the period	(781,286)	(133,909)	(19,751)	(934,946)
New financial assets originated period	1,381,098	-	-	1,381,098
Write-offs	-	-	(63,146)	(63,146)
Gross carrying amount as at 30 September 2022	7,586,675	840,112	532,135	8,958,922

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2022	6,544,039	918,063	591,099	8,053,201
Transfer from stage 1 to Stage 2	(643,227)	643,227	-	-
Transfer from stage 2 to Stage 3	-	(193,396)	193,396	-
Transfer from Stage 2 to Stage 1	336,034	(336,034)	-	-
Transfer from Stage 3 to Stage 2	-	17,278	(17,278)	-
Change in Exposures during the period	(2,297,395)	(209,026)	(54,228)	(2,560,649)
New financial assets originated	3,647,224	-	-	3,647,224
Write-offs	-	-	(180,854)	(180,854)
Gross carrying amount as at 30 September 2022	7,586,675	840,112	532,135	8,958,922

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 July 2022	16,990,549	262,380	519,581	17,772,510
Transfer from stage 1 to Stage 2	(130,047)	130,047	-	-
Transfer from stage 2 to Stage 3	-	(72,733)	72,733	-
Transfer from Stage 2 to Stage 1	68,703	(68,703)	-	-
Transfer from Stage 3 to Stage 2	-	22,455	(22,455)	-
Change in Exposures during the period	(1,595,214)	(22,946)	(44,960)	(1,663,120)
New financial assets originated	1,616,730	-	-	1,616,730
Write-offs	-	-	(62,160)	(62,160)
Gross carrying amount as at 30 September 2022	16,950,721	250,500	462,739	17,663,960

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
Gross carrying amount as at 1 January 2022	16,361,794	400,622	670,404	17,432,820
Transfer from stage 1 to Stage 2	(386,877)	386,877	-	-
Transfer from stage 2 to Stage 3	-	(249,847)	249,847	-
Transfer from Stage 2 to Stage 1	311,406	(311,406)	-	-
Transfer from Stage 3 to Stage 2	-	93,709	(93,709)	-
Change in Exposures during the period	(4,776,955)	(69,455)	(123,333)	(4,969,743)
New financial assets originated	5,441,353	-	-	5,441,353
Write-offs	-	-	(240,470)	(240,470)
Gross carrying amount as at 30 September 2022	16,950,721	250,500	462,739	17,663,960

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

The tables below analyse the movement of provision for credit loss for major classes of financial assets:

Loss allowance for loans and advances measured at amortized cost

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 July 2022	636,281	328,728	846,834	1,811,843
Transfer from Stage 1 to Stage 2	(63,983)	63,983	-	-
Transfer from Stage 2 to Stage 3	-	(61,589)	61,589	-
Transfer from Stage 2 to Stage 1	41,194	(41,194)	-	-
Transfer from Stage 3 to Stage 2	-	17,655	(17,655)	-
Due to changes in PD's/ LGD's/ EAD	(79,722)	17,948	42,991	(18,783)
New financial assets originated	137,413	-	-	137,413
Write-offs	-	-	(125,306)	(125,306)
ECL Allowance as at 30 September 2022	671,183	325,531	808,453	1,805,167

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 January 2022	682,854	300,583	909,771	1,893,208
Transfer from Stage 1 to Stage 2	(208,798)	208,798	-	-
Transfer from Stage 2 to Stage 3	-	(186,615)	186,615	-
Transfer from Stage 2 to Stage 1	153,919	(153,919)	-	-
Transfer from Stage 3 to Stage 2	-	56,696	(56,696)	-
Due to changes in PD's/ LGD's/ EAD	(301,582)	99,988	191,967	(9,627)
New financial assets originated	344,790	-	-	344,790
Write-offs	-	-	(423,204)	(423,204)
ECL Allowance as at 30 September 2022	671,183	325,531	808,453	1,805,167

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Loss allowance for loans and advances measured at amortized cost

	31 December 2021 (audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
ECL allowance as at 1 January 2021	683,535	581,402	894,505	2,159,442
Stage 1 to Stage 2 Transfer	(639,599)	639,599	-	-
Stage 2 to Stage 3 Transfer	-	(688,862)	688,862	-
Stage 2 to Stage 1 Transfer	368,293	(368,293)	-	-
Stage 3 to Stage 2 Transfer	-	73,374	(73,374)	-
Due to changes in PD's/ LGD's/ EAD	(477,814)	63,363	826,660	412,209
Due to new financial assets originated	748,439	-	-	748,439
Write offs	-	-	(1,426,882)	(1,426,882)
ECL allowance as at 31 December 2021	682,854	300,583	909,771	1,893,208

Loss allowance for due from Banks

	30 September 2022 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 July 2022	32,950	1,057	-	34,007
Transfer from Stage 2 to Stage 1	545	(545)	-	-
Due to changes in PD's/ LGD's/ EAD	24,595	(310)	-	24,285
New financial assets originated	7,615	-	-	7,615
ECL Allowance as at 30 September 2022	65,705	202	-	65,907

	30 September 2022 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 January 2022	33,549	5,720	-	39,269
Transfer from Stage 2 to Stage 1	3,597	(3,597)	-	-
Due to changes in PD's/ LGD's/ EAD	6,818	(1,921)	-	4,897
New financial assets originated	21,741	-	-	21,741
ECL Allowance as at 30 September 2022	65,705	202	-	65,907

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Loss allowance for due from Banks

	31 December 2021 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2021	17,427	18,391	
Transfer from Stage 1 to Stage 2	(7,089)	7,089	-	-
Transfer from Stage 2 to Stage 1	2,283	(2,283)	-	-
Due to changes in PD's/ LGD's/ EAD	(22,629)	(17,477)	-	(40,106)
New financial assets originated	43,557	-	-	43,557
ECL allowance as at 31 December 2021	33,549	5,720	-	39,269

Loss allowance for Investment securities - FVOCI

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 July 2022	6,503	-	
Due to changes in PD's/ LGD's/ EAD	4,423	-	32,920	37,343
New financial assets originated	82	-	-	82
ECL Allowance as at 30 September 2022	11,008	-	134,634	145,642

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 January 2022	10,943	13,986	
Transfer from Stage 1 to Stage 2	(106)	106	-	-
Transfer from Stage 2 to Stage 3	-	(42,176)	42,176	-
Transfer from Stage 2 to Stage 1	317	(317)	-	-
Due to changes in PD's/ LGD's/ EAD	(3,096)	28,401	92,458	117,763
New financial assets originated	2,950	-	-	2,950
ECL Allowance as at 30 September 2022	11,008	-	134,634	145,642

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Loss allowance for Investment securities - FVOCI

	31 December 2021 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2021	9,295	13,384	
Transfer from Stage 2 to Stage 1	863	(863)	-	-
Due to changes in PD's/ LGD's/ EAD	(14,874)	1,465	(241)	(13,650)
New financial assets originated	15,659	-	-	15,659
ECL allowance as at 31 December 2021	10,943	13,986	-	24,929

Loss allowance for Investment securities - Amortized Cost

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 July 2022	12,846	9,182	
Due to changes in PD's/ LGD's/ EAD	9,084	-	6,272	15,356
New financial assets originated	433	-	-	433
ECL Allowance as at 30 September 2022	22,363	9,182	29,384	60,929

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 January 2022	9,957	14,983	
Transfer from Stage 2 to Stage 3	-	(13,704)	13,704	-
Transfer from Stage 2 to Stage 1	1,146	(1,146)	-	-
Due to changes in PD's/ LGD's/ EAD	7,443	9,049	15,680	32,172
New financial assets originated	3,817	-	-	3,817
ECL Allowance as at 30 September 2022	22,363	9,182	29,384	60,929

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

Loss allowance for Investment securities - Amortized Cost (continued)

	31 December 2021 (audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL allowance as at 1 January 2021	5,997	16,048	
Transfer from Stage 2 to Stage 1	6,432	(6,432)	-	-
Due to changes in PD's/ LGD's/ EAD	(9,006)	5,367	-	(3,639)
New financial assets originated	6,534	-	-	6,534
ECL allowance as at 31 December 2021	9,957	14,983	-	24,940

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

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 July 2022	74,170	27,818	
Transfer from Stage 1 to Stage 2	(501)	501	-	-
Transfer from Stage 2 to Stage 1	847	(847)	-	-
Due to changes in PD's/ LGD's/ EAD	12,411	(8,760)	(4,087)	(436)
New financial assets originated	9,597	-	-	9,597
ECL Allowance as at 30 September 2022	96,524	18,712	146,323	261,559

	30 September 2022 (un-audited)			Total AED'000
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	
	ECL Allowance as at 1 January 2022	70,572	38,820	
Transfer from Stage 1 to Stage 2	(2,114)	2,114	-	-
Transfer from Stage 2 to Stage 3	-	(8,303)	8,303	-
Transfer from Stage 2 to Stage 1	3,385	(3,385)	-	-
Due to changes in PD's/ LGD's/ EAD	6,595	(10,534)	5,836	1,897
New financial assets originated	18,086	-	-	18,086
Write-offs	-	-	(1,880)	(1,880)
ECL Allowance as at 30 September 2022	96,524	18,712	146,323	261,559

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 July 2022	203,083	193,935	458,619	855,637
Transfer from Stage 1 to Stage 2	(36,171)	36,171	-	-
Transfer from Stage 2 to Stage 3	-	(30,021)	30,021	-
Transfer from Stage 2 to Stage 1	8,362	(8,362)	-	-
Transfer from Stage 3 to Stage 2	-	5,518	(5,518)	-
Due to changes in PD's/ LGD's/ EAD	(19,661)	(1,569)	27,132	5,902
New financial assets originated	65,356	-	-	65,356
Write-offs	-	-	(63,146)	(63,146)
ECL Allowance as at 30 September 2022	220,969	195,672	447,108	863,749

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 January 2022	246,888	139,258	479,800	865,946
Transfer from Stage 1 to Stage 2	(140,752)	140,752	-	-
Transfer from Stage 2 to Stage 3	-	(83,517)	83,517	-
Transfer from Stage 2 to Stage 1	46,644	(46,644)	-	-
Transfer from Stage 3 to Stage 2	-	14,860	(14,860)	-
Due to changes in PD's/ LGD's/ EAD	(86,512)	30,963	79,505	23,956
New financial assets originated	154,701	-	-	154,701
Write-offs	-	-	(180,854)	(180,854)
ECL Allowance as at 30 September 2022	220,969	195,672	447,108	863,749

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 September 2022 (continued)

34. Risk management (continued)

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 July 2022	359,028	106,975	237,805	703,808
Transfer from Stage 1 to Stage 2	(27,311)	27,311	-	-
Transfer from Stage 2 to Stage 3	-	(31,568)	31,568	-
Transfer from Stage 2 to Stage 1	31,985	(31,985)	-	-
Transfer from Stage 3 to Stage 2	-	12,137	(12,137)	-
Due to changes in PD's/ LGD's/ EAD	(72,472)	28,277	19,946	(24,249)
New financial assets originated	62,460	-	-	62,460
Write-offs	-	-	(62,160)	(62,160)
ECL Allowance as at 30 September 2022	353,690	111,147	215,022	679,859

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

	30 September 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	AED'000	AED'000	AED'000	AED'000
ECL Allowance as at 1 January 2022	365,394	122,505	295,907	783,806
Transfer from Stage 1 to Stage 2	(65,932)	65,932	-	-
Transfer from Stage 2 to Stage 3	-	(94,795)	94,795	-
Transfer from Stage 2 to Stage 1	103,890	(103,890)	-	-
Transfer from Stage 3 to Stage 2	-	41,836	(41,836)	-
Due to changes in PD's/ LGD's/ EAD	(221,665)	79,559	106,626	(35,480)
New financial assets originated	172,003	-	-	172,003
Write-offs	-	-	(240,470)	(240,470)
ECL Allowance as at 30 September 2022	353,690	111,147	215,022	679,859

35. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was approved on 25 October 2022.