RAKBANK

ANNUAL INTEGRATED REPORT 2023

The Digital Bank with a Human Touch

About our Annual Integrated Report

RAKBANK's Annual Integrated Report (AIR) provides our stakeholders with a concise and transparent assessment of our business and a holistic view of the Group's operations.

Reporting scope

This report outlines our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance for the year 1 January to 31 December 2023. At the same time, the report shares RAKBANK's strategy and implementation approach across the Group.

It deals with the Bank's primary activities, business divisions and key support units. By highlighting our business practices, strategic objectives, non-financial performance and profitability, the report aims to provide Stakeholders with a means to assess the Group's ability to create and sustain value over the short, medium and long terms.

Financial and non-financial reporting

This integrated report was prepared in line with the International Sustainability Standards Board's (ISSB) International <IR> Framework.

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes associated with the Bank's key Stakeholders, which have an impact on its ability to create sustainable value. While compiling this report, we considered our most material financial and non-financial matters and determined our disclosures accordingly.

RAKBANK's annual financial statements cover the Bank's activities, as well as all its subsidiaries. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with the provisions of the Central Bank of the UAE (CBUAE) and the Bank's Articles of Association.

Target audience

This report addresses, primarily, the information requirements of long-term investors (our equity shareholders, bondholders and prospective investors) and outlines how we create value for other key stakeholders, including our regulators, customers, staff and society.

Environmental, social and governance reporting

Our approaches to governance and risk management are integrated throughout this report. Environmental, social and corporate governance (ESG) information is presented in a framework developed in accordance with the Global Reporting Initiative (GRI), United Nations Sustainable Development Goals (UN SDG), ADX ESG guidelines and the UAE Vision 2031.

Forward-looking statements

This report may contain forward-looking statements based on numbers, estimates or assumptions that are subject to change. These include statements regarding our intent, belief or current expectations with respect to RAKBANK's businesses and operations, market conditions, results of operation and financial condition, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. RAKBANK does not commit to publicly releasing the result of any revisions to these forward-looking statements to reflect events or circumstances or unanticipated events after the date of publication. Due care has been used in the preparation of forecast information but the actual results, either negative or positive, may be materially different because forecasts and hypothetical examples are subject to uncertainty and contingencies outside RAKBANK's control.

Board responsibility

The Board approved this Annual Integrated Report on 26/02/2024 and acknowledged responsibility for its accuracy. It has applied its collective expertise and, in its opinion, this AIR addressed all material issues to present an overview of the Bank's performance in the year under review.

Mohamed Omran Alshamsi

Chairman

2023 AT A GLANCE

Awards and Accolades in 2023

Best SME Bank in the UAE *Global Finance Magazine*	**Most Transformed Islamic Bank in the UAE** *Euromoney*	**Digital Account Onboarding – Channel Innovation – Platinum Award Winner** *Infosys Finacle Awards 2023*
Most innovative Home Loan Product for UAE – Home in One *International Finance Award*	**Best use case of Customer Analytics** *5th Middle East Banking AI and Analytics Summit & Awards 2023*	**Innovative Leader in AI & Analytics 2023** *5th Middle East Banking AI and Analytics Summit & Awards 2023*
Best User Experience Solution Provider for Skiply – UAE *MEA Finance Awards*	**Best Innovation in Corporate Banking and Digital SME Finance** *MEA Finance Banking Technology Summit 2023*	**Most Innovative Digital Financing Initiative for SMEs – UAE 2023** *Global Business Outlook*
Excellence in Customer Experience Enhancement for SMEs *Finnovex Middle East Award 2023*	**Islamic Bank of the Year** *The Asset Triple A Islamic Finance Awards*	**Most Transformed Islamic Bank in the UAE** *Euromoney Islamic Finance Awards*
Second place: Top Investment House in G3 Asian Bonds from the Middle East *The Asset Triple A Islamic Finance Awards*	**Outstanding Digital Innovation in SME Banking – Middle East** *Middle East & Africa Retail Banking Innovation Awards*	**Best Fraud Initiative of the Year** *The Asian Banking & Finance Retail Awards*
Best Cybersecurity and IT Risk Management Technology Implementation *The Middle East and Africa Awards 2023*	**Skiply** *The Middle East National Business awards*	**Most Innovative Home Loan Product for UAE** *International Finance Awards*
Best Innovation in Corporate Banking and Finance (Digital SME Loan) *MEA Finance Awards*	**Excellence in Digital Innovation** *Middle East & Africa Retail Banking Innovation Awards 2023*	

2023 at a glance

Financial performance		
Profit before tax AED 1.8 billion* +54.6%	Operating income AED 4.4 billion* +29.7%	Non-interest income AED 1.1 billion +17.8%
Operating profit AED 2.8 billion +43.0%	Total assets AED 74 billion +11.5%	Loans and advances AED 42 billion* +10.1%
Deposits AED 50 billion* +12.3%	CASA ratio 67%	Net interest margin 4.9%
Return on equity 18.4%	Return on assets 2.6%	Cost to income 36.4%
Customer satisfaction and digitisation		
Customer eNPS 59	Overall customer satisfaction score: 87%	Personal Banking app rating 4.5
Business Banking app rating 4.3	Digital transactions +13%	Digitally active customers +18%
Card spends +19%	Payments +13%	Digital banking logins +17%
Debt counselling to customers 6,461 customers assisted	Extended our We Care programme to serve our people of determination customers 43% of branches with special accessibility	Personal Banking digital account opening share 68%
Building and sustaining our talent pool		
Employee engagement 67%	Training hours per employee 16.2 +8%	Emiratisation ratio 20% +1%
Community support		
Launched social finance framework	Re-launched INDIMAJ to help children of determination seamlessly integrate into society	Financial literacy programme presented 2,875 participants
Preserving natural resources		
Published net zero commitment: Net zero in our banking operations by 2030	Clean UAE campaign 10 tonnes of waste collected	Direct electricity consumption reduced by 10% YoY
A bank to trust		
Out of eight board members, seven are independent	Majority owned by the Government of Ras Al-Khaimah 52.8%	Remain well capitalised with CAR 17.8%

Eligible liquid asset ratio 13%	Advances to stable resources 82.1%	Provision coverage ratio 227%
Impaired loan ratio 2.6%	Cost of risk 2.5%	

* Represents the highest ever achievement

2023 in numbers

Full year results (AED million)	FY'19	FY'20	FY'21	FY'22	FY'23
Net interest income	2,802.1	2,525.6	2,168.4	2,489.3	3,336.3
Non-interest income	1,176.8	1,038.4	1,062.1	906.4	1,067.9
Total income	3,978.9	3,564.0	3,230.5	3,395.7	4,404.2
Operating expenditures	(1,570.4)	(1,395.3)	(1,395.6)	(1,435.3)	(1,601.3)
Operating profit before provisions for credit loss	2,408.5	2,168.7	1,835.0	1,960.4	2,802.9
Provisions for credit loss	(1,313.2)	(1,663.3)	(1,076.7)	(794.4)	(1,005.5)
Profit before tax	1,095.3	505.4	758.3	1,162.9	1,797.5
Deferred income tax expense	-	-	-	-	(13.7)
Profit after tax	1,095.3	505.4	758.3	1,162.9	1,783.7

Balance sheet highlights (AED billion)	FY'19	FY'20	FY'21	FY'22	FY'23
Total assets	57.1	52.8	57.6	66.3	74.0
Gross loans and advances	36.3	32.2	35.5	38.1	42.0
Deposits	36.8	36.9	38.9	44.9	50.4

Digital transformation ('000)	FY'19	FY'20	FY'21	FY'22	FY'23
Number of digital transactions	6,203	7,500	9,110	10,596	11,957
Logins made by customers	29,892	32,309	34,674	38,310	44,820

Diversity and inclusion at year end		2020	2021	2022	2023
Female senior managers (% of total senior staff)	%	18%	18%	20%	19%
Number of nationalities	#	61	67	60	61
Emiratisation ratio (number of Emiratis/total staff)	%	17%	16%	19%	20%

2023 highlights

Month	Highlight
January	RAKBANK launches digital account onboarding that allows customers to open an account in minutes from their mobile phones
March	RAKBANK launches digital onboarding solution for instant credit cards through its banking app
April	RAKBANK signs deal with Network International to support lending offerings for its SME merchants
July	Highest ever half yearly net profit of AED 901 million, up 71%
July	Launched our new Diversity and Inclusion Council reflecting our commitment to embracing diversity and creating an inclusive environment
September	Extended branch operating hours to include evenings in weekends in Ras Al-Khaimah, Dubai and Abu Dhabi
September	RAKBANK and UnionPay International announced their cooperation to drive contactless mobile payment experience in UAE
September	Published social finance framework – first in GCC
October	Upgraded our cards management system enhancing security, flexibility and efficiency for our customers
November	Launched the new website with a new design language providing our customers with an immersive experience
November	Expanded our award-winning international money transfer service to 179 countries
December	Launch of Watani credit card designed especially for UAE nationals

RAKBANK OVERVIEW

Chairman's Statement

On behalf of RAKBANK's Board of Directors, it is my privilege to present our Annual Integrated Report and audited financial statements for the year ended 31 December 2023. This year represents the first full year of implementing our transformation strategy to become the digital bank with a human touch with our customers in their key moments of truth.

A record year while delivering on our strategy

Since 2022, RAKBANK has been implementing our strategy to be the digital bank with a human touch with our customers in their key moments of truth. 2023 was a year of continuing our delivery against this strategy. On one hand, we are deepening our multi-year transformation to build on important foundations in terms of digital, technology and ways of working to become the leader in customer experience. We made significant progress in digitising key elements of our customer and colleague experience and have committed additional investment to accelerate this progress.

On the other hand, we have achieved record financials in terms of revenue, profit, business assets and customer deposits and will remain focused on diversifying our business mix to achieve a balanced and sustainable growth, while strengthening our governance and risk management capabilities.

Investing in our people

We believe the ultimate delivery of our long-term transformation strategy will be an outcome of the collective commitment and capability of our colleagues. Therefore, we continue to invest in developing, training and nurturing talent while making RAKBANK a great place to work. Alongside this, we are convinced that Emirati talent will continue to play a pivotal role in our transformation as we grow and empower them with programmes aimed to contribute to their personal growth and that of the UAE economy.

Looking ahead

We see 2024 as a year full of opportunities, albeit challenging. While the broader global environment will create headwinds, we have confidence in the strength of the UAE economy. The country continues to see strong growth driven by key initiatives taken by the UAE leadership, including ongoing economic diversification initiatives, a progressive immigration policy and reforms in business ownership, just to name a few.

With this backdrop, we will continue with our goal to deliver on the strategic journey we have set out to achieve. We will continue to drive large scale investments to secure necessary core technology, digital and data use cases and human capital that advance customer experience. In parallel, we will continue to diversify our business mix to achieve a balanced and sustainable growth, while strengthening our governance and risk management capabilities.

We are confident these initiatives will ensure RAKBANK produces sustainable growth for our shareholders and allow us to continue to positively contribute to the UAE economy through supporting our customers.

Acknowledgements

On behalf of the Board of Directors, the Executive Management team and all our employees, I would like to extend our thanks to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, President of the UAE, and His Highness Sheikh Saud Bin Saqr Al Qasimi, Member of the Supreme Council and Ruler of Ras Al-Khaimah and His Highness Sheikh Mohamed Bin Saud Al Qasimi, Crown Prince of Ras Al-Khaimah, and the entire Government of Ras Al-Khaimah.

Finally, I express my appreciation to our shareholders, employees, customers and Management for their commitment and loyalty to RAKBANK during the year under review.

Who we are

Founded in 1976, RAKBANK is an award-winning public joint stock company in the United Arab Emirates (UAE). RAKBANK is a fully fledged financial services institution, offering conventional and Islamic banking, insurance and other diversified services through RAKBANK's business units and subsidiaries. RAKBANK is a leading and innovative financial institution in the UAE market, especially in SME and Personal Banking. In recent years, its Wholesale Banking business has grown rapidly, which now contributes significantly to the Bank's financial performance.

Vision, Mission, Values and Personality

Vision

The digital bank with a human touch, with you in the key moments of truth.

Mission

To become a leading customer-focused bank in the UAE, offering convenient access through multiple channels to innovative and competitive financial products designed for individuals and businesses.

Values

- Integrity – RAKBANK knows that trust is fundamental. To be trusted, it must remain competent and honest
- Transparency – The Bank discloses all product terms and conditions by using simple language on its website and at various points of sale
- Collaboration – RAKBANK builds diverse teams to generate better ideas and act as responsible partners with all stakeholders and regulators to serve the wider interests of society
- Accountability – RAKBANK recognises that ultimately it is accountable to its shareholders, and so focuses unrelentingly on maximising long-term shareholder and asset value

Personality

- **Action** – RAKBANK believes in getting things done and considers efficient decision-making to be paramount
- **Clarity** – The Bank aims to provide information to its customers that is clear, simple and regularly updated through the Bank's website and other communication channels
- **Agility** – RAKBANK likes to think of itself as "Simply Different". It is driven by the changing and dynamic needs of its valued customers
- **Innovation** – The Bank is firmly committed to investing in smarter banking solutions and increasingly uses technology to make its range of services more accessible to more customers, wherever they are.

Ownership structure

The Government of Ras Al-Khaimah directly and indirectly owns 52.78% of RAKBANK's capital. RAKBANK shares are publicly traded on the Abu Dhabi Securities Exchange (ADX).

Ownership structure as at 31st December 2023

Government of Ras Al-Khaimah	52.78%
UAE nationals	32.81%
GCC nationals	13.04%
Foreigners	1.37%

Source: ADX
Numbers may not add up due to rounding.

RAKBANK continues to progressively transform the customer experience through digital transformation and adoption of advanced data analytics.

Where we operate

RAKBANK is headquartered in the Emirate of Ras Al-Khaimah, in the UAE, with our head office on Sheikh Mohammed Bin Zayed Road. RAKBANK branches are located throughout the United Arab Emirates.

Breakdown of Loans by Geography

Dubai	62.6%
Abu Dhabi	10.3%
Ras Al Khaimah	8.6%
Sharjah	6.9%
Ajman	2.0%
Fujairah	0.5%
Umm Al Quwain	0.3%
Off Shore	8.9%

Subsidiaries

Subsidiary	Ownership	Country	Purpose
Ras Al-Khaimah National Insurance Company PSC	79.23%	UAE	Underwriting all types of insurance business
BOSS FZCO	80.00%*	UAE	Back-office support services to the Bank
RAK Technologies FZCO	80.00%*	UAE	Technological support services to the Bank
Rakfunding Cayman Limited	100.00%	Cayman Islands	To facilitate the issue Euro medium-term notes (EMTN) under the Bank's EMTN programme
Rak Global Markets	100.00%	Cayman Islands	To facilitate Treasury

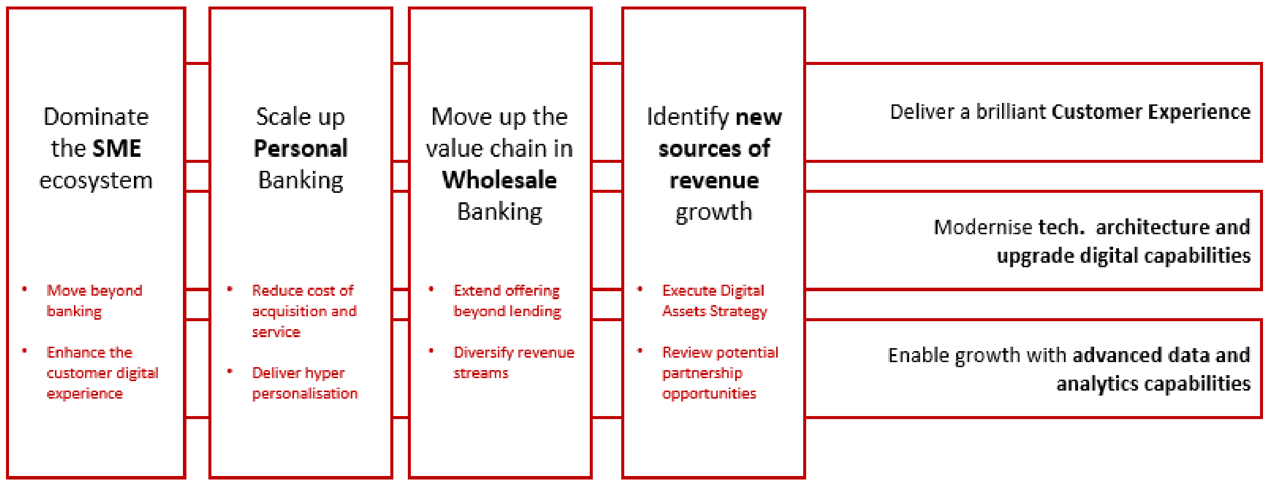
Cayman Limited			transactions
RAK Financial Services Limited	100.00%	UAE, DIFC	Arranging and advising on Financial products, Investments and custody
Protego Insurance Brokers L.L.C.	100.00%	UAE	Insurance brokerage

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

Our business model

RAKBANK creates and delivers value by providing financial services that meets our customers' needs and enhances their ability to manage and benefit from the financial products they use.

The resources that the Group relies on to carry out its operations and deliver specific products and services are transformed in a way that results in certain outcomes. The following infographic provides a top-line analysis of the Group's strategic business activities alongside the relevant resource inputs and outcomes.



STRATEGIC REVIEW

CEO's Statement

RAKBANK achieved record-breaking results in 2023 and took decisive steps in the implementation of our strategic transformation as we are making solid progress on becoming the digital bank with a human touch and continue to diversify and de-risk our balance sheet.

Our strategic transformation is on track, and we are making solid progress on becoming the digital bank with a human touch. We are placing as much emphasis on creating a culture that drives ownership of "awesome customer experience" across all our employees as we are on modernising our technology and data capabilities, as well as installing best-in-class risk and compliance management capabilities.

This focus has contributed to a record financial performance. In 2023, RAKBANK delivered a 55% increase in year-on-year profit before tax of AED 1.8 billion driven by a strong growth on both sides of the balance sheet propelling net interest income to AED 3.3 billion, up 34% year on year, supported by a robust fee income of AED 1.1 billion up 17.8%.

We continue to diversify and de-risk our balance sheet, thus reducing the Bank's risk profile, and launch new value-add products and services to our customers.

Strong performance across all segments

Our diversification efforts continue to deliver sustainable results with our Wholesale Banking segment now representing c.40% of RAKBANK's business assets. We have also made good progress in diversifying within the Business and Personal Banking segments with a focus on growing our exposure in lower-risk segments and via secured-financing products.

RAKBANK remains the leading SME bank in the UAE, and we continue to support entrepreneurs and small businesses with their growth aspirations. Our Business Banking team opened more than 10,000 new accounts for startups and SMEs while providing them with AED 2.2 billion in financing to establish or scale their businesses, including support for over 2,380 female entrepreneurs.

In Personal Banking, we continued to see strong momentum across key products, including an increase of 19% in our credit card spends. We saw record growth in our mortgage book, up 21% YoY, led by our innovative Home in One product. Our RAKMoneyTransfer payment service is now providing industry-leading solutions, setting a new standard for global financial transactions by allowing our customers to instantly transfer money to 179 countries, underscoring our commitment to facilitating seamless and secure cross-border transactions.

Our Wholesale Banking division continues to rapidly add new capabilities, including the launch of our upgraded foreign exchange platform, which contributed to a 35% YoY growth in treasury sales revenue and record customer foreign exchange revenue. We also onboarded several new customers, including new corporate and government-related relationships across the UAE, allowing us to grow the business while de-risking elements of our cross-border exposure.

Deepening our digital transformation

We continue to focus on offering our customers a personalised and brilliant experience, driven by enhancing our digital capabilities across customer touchpoints, including the launch of our new website leveraging a best-in-class design language system and a human-centric experience. Our digitally active customers increased by 18% YoY, with transactions up 13% YoY, a testament to the increasing functionality of our digital channels and part of our strategy to become the digital bank with a human touch.

We introduced digital journeys for account opening and credit card applications, allowing our Personal Banking customers to open accounts and apply for a credit card whenever and wherever they want in an intuitive and seamless manner. This resulted in strong growth in digital acquisition, with a 68% digital share of new account opening.

Alongside introducing digitisation of key customer journeys, we remain committed to innovate and deliver new functionality for our customers. Our award-winning family app, Skiply, saw significant growth in registered merchants and now processes school fee payments for over 250,000 students in the UAE.

Honouring our commitment to local communities and the environment

RAKBANK is the first GCC bank to develop and introduce a Social Finance framework. Launched in September 2023, and based on the Bank’s commitment to ESG, this framework offers a range of financial instruments that can be accessed by entrepreneurs and small businesses who meet a range of eligibility criteria and selected UNSDGs.

In 2023, the UAE embraced the Year of Sustainability, notably hosting COP28. We actively participated with a commitment to contributing to the UAE banking sector’s pledge to reach AED 1 trillion in sustainable finance by 2030. Additionally, RAKBANK unveiled its plan to achieve net zero emissions in banking operations by 2030.

This year, we continued to significantly reduce direct electricity (-10%), water (-15%) and paper consumption (-11%). Our continued commitment to the environment was recognised during COP28 when the Bank was awarded the EcoLabel certification by the Ras Al-Khaimah Environment Protection and Development Authority.

Outlook for 2024

After a highly successful first year implementing our transformation strategy, 2024 will see RAKBANK accelerate the delivery of initiatives, with a particular focus on delivering an awesome customer experience. We will continue to invest in technology and our people to offer our customers a hyper-personalised and seamless experience.

With this focus, we believe RAKBANK is well positioned to continue to deliver sustainable growth, supported by the strength of the UAE economy, despite broader global macroeconomic challenges. The ongoing diversification of the UAE economy, including the inflow of both financial and human capital, will continue to support the strong growth momentum we have witnessed during 2023 and provide RAKBANK with opportunities to leverage our strategic transformation and deliver for our stakeholders.

Acknowledgements

I wish to express my gratitude to the Board for its support during the year, our customers for their continued loyalty, and to all our employees and partners who are working with us, as we become a digital bank with a human touch, with our customers in key moments of truth.

Our value-creating business strategy

During 2023, the Bank made good progress against the multi-year transformation plan approved by the Board in 2022. This success was anchored in solid financial and non-financial achievements, supported by customer and volume growth, favourable interest rate trends and reinforced governance and risk management capability. Key investments in technology and personnel, along with innovative customer offerings, were instrumental in advancing the Bank's commitment to delivering exceptional customer experiences.

Strategic outlook

The Bank continues to deliver on its plans across all business and functional areas, building upon the strong strategic foundation of a market-leading Business Bank, a strong and innovative Personal Banking segment and ongoing growth in Wholesale Banking. The Bank will remain focused on its client-facing and back-office capabilities to deliver compelling customer value propositions to both new and existing customers.

RAKBANK's 2026 Strategic Plan

In October 2022, RAKBANK finalised its 2026 Strategic Plan, marking 2023 as the inaugural year of its ambitious journey towards a digital bank with a human touch.

Central to the strategy are four key principles:

1) Creating a sustainable business model through diversification: RAKBANK will continue to diversify its balance sheet particularly through the growth in segments such as Corporate Banking, the Commercial Banking segment within Business Banking, and the Affluent segment within Personal Banking.

2) Delivering exceptional customer experience through personalisation: We are committed to provide an awesome customer experience to our customers through hyper personalisation. A testament to this is the newly launched digital onboarding for accounts and cards.

3) Becoming more scalable through digitisation and automation: We are focused on increasing efficiency by managing cost and expenditure despite the inflationary environment and transformation costs. In 2023, we carried on digitising our processes, allowing us to reduce headcount while processing increased transaction volume. Our digital transactions increased by 13% YoY.

4) Investing in our people and community and ongoing commitment to ESG: Demonstrating RAKBANK's commitment to its employees, we have initiated a comprehensive workplace modernisation programme, revamping physical workspaces and implementing new hardware and software solutions. Furthermore, RAKBANK actively fostered a diverse and inclusive workplace by increasing nationality diversity and promoting gender equality. The establishment of the Diversity and Inclusion Council

exemplified the Bank's dedication to fostering an inclusive environment, where employees from diverse backgrounds could thrive. RAKBANK's engagement with the community was reflected in its active participation in initiatives such as the Clean UAE campaign, showcasing the Bank's commitment to environmental sustainability and corporate social responsibility.

Overview of our strategy

<table>
<tr><td>2026 vision</td><td colspan="5">Become the digital bank with a human touch, with you in key moments of truth</td></tr>
<tr><td>Key strategic pillars</td><td>Become bank of choice for SMEs</td><td>Personalise and digitise retail banking</td><td>Build a comprehensive Wholesale Banking offering</td><td colspan="2">Deliver cutting-edge banking innovations</td></tr>
<tr><td>Key strategic objectives</td><td>Continued diversification of our business for sustainable growth</td><td>Become the most personalised bank in UAE by offering a brilliant customer experience</td><td>Deliver scalable growth through digitisation and automation</td><td>Invest in our people</td><td>Ongoing commitment to our community and ESG</td></tr>
</table>

Delivering on our vision

Our vision is to be a digital bank with a human touch that is with our customers in their key moments of truth.

To deliver this, we constantly transform all areas of the Bank to ensure we provide our customers with the banking services they require in the way they now expect. During 2023, we started delivering against this plan, as is reflected in this report.

Delivering on our strategic objectives in 2023

Objective	Performance
Continued diversification of our business for sustainable growth	**Diversified asset mix:** Maintained a diversified asset mix with increasing contribution from Wholesale Banking (54% of total assets) **Stabilising our risk profile** Reduced our cost of risk from 3.1% in FY'21 to 2.5% in FY'23
Become the most personalised bank in UAE with a brilliant customer experience	**Enhancing customer journeys with hyper personalisation** • Launched the digital onboarding of accounts and credit cards, reaching 68% digital share in account opening • Launched the personalised Watani credit card tailored for our Emirati customer segment **Improving customer feedback** • Improved the Personal Banking app rating from 2.9 in Dec'21 to 4.5 in Dec'23 and the Business Banking app rating from 3.0 to 4.3 for the same period • Overall customer satisfaction score 87%
Deliver scalable growth through digitisation and automation	**Becoming more scalable** • Reduced the cost to income ratio from 42.3% in FY'22 to 36.4% in FY'23 **Driving digitisation** • Increased the number of digital transactions 13% YoY in FY'23

	• Increased the number of digitally active customers 18% YoY in FY'23
Invest in our people	**Developing and diversifying our workforce** • Launched RAKBANK Shine, a digital staff recognition platform Launched a new Diversity and Inclusion Council, to further foster a diverse and inclusive workplace and embrace diversity • Delivered 54,629 hours of training in FY'23 • Increased number of nationalities to 61 in FY'23 **Modernising our workplace** • Modernised and revamped one of our floors in our Dubai office • Upgraded the monitor size of the desktops of our employees
Ongoing commitment to our community and ESG	**Supporting our community** • Became the first bank in the GCC to have published a social finance framework • Launched the Tarahum for Gaza initiative where RAKBANK's employees provided financial relief to the ongoing crisis in the region • 2,875 participants on financial literacy initiatives such as financial literacy for school, financial clinics for employees and customers, as well as SME training in SMEsouk • Contributed to educating 35 children with autism spectrum disorder (ASD) through the RAK Autism centre **Reducing our carbon footprint** • Launched the campaign For Our Emirates We Plant in line with COP28 to contribute to a more sustainable future by adopting 125 saplings • Direct electricity consumption reduced by 10% YoY in FY'23 • Water consumption reduced by 15% YoY in FY'23 • Paper consumption reduced by 11% YoY in FY'23

OPERATIONAL REVIEW

Group performance

RAKBANK had a record-breaking year in 2023 as a result of strong growth in all areas of the balance sheet, including a market-leading CASA ratio, stronger sales momentum and enhanced credit quality.

In addition to achieving excellent financial results, we kept moving forward with our transformation to become the digital bank with a human touch, with our customers in their key moments of truth. We remain committed to giving every one of our customers an amazing experience by fostering a dynamic workplace culture and using technology to effectively deliver hyper-personalised offerings.

Together with generating excellent operational and financial results in 2023, we also made major investments into necessary core technology, digital and data use cases for balanced and sustainable growth. At the same time, the Bank strengthened its compliance, governance and risk management capabilities.

Highlights of 2023

Our goal for this year was to start the implementation of our strategic transformation, with a focus on developing a culture within the Bank that provides ever-improving customer experiences. While remaining the leading UAE SME bank with over 10,000 new accounts for startups and SMEs, and providing them with AED 2.2 billion in financing to establish or scale their businesses, the Bank diversified steadily.

RAKBANK launched digital account and credit card onboarding in the Personal Banking group and saw strong momentum across other key products. Credit card spends increased 19% and our mortgage book achieved record growth up 21% YoY. Our RAKMoneyTransfer payment service is providing industry-leading solutions, allowing our customers to transfer money more efficiently to 179 countries.

Our Wholesale Banking division consistently and rapidly added new capabilities for our customers. This includes the launch of our upgraded foreign exchange platform, RAKFX, which contributed to delivering a record foreign exchange revenue and a 35% YoY growth in Treasury sales. We also onboarded several new corporate customers allowing us to continue to grow while de-risking the cross-border exposure.

Operating environment

Macroeconomic environment

While RAKBANK's business is focused on the UAE, it benefits from inflows of investment from the sub-continent, entire Gulf Cooperation Council region (GCC) and beyond. The US interest rate tailwinds are advantageous to us, and the price of oil is important owing to its effects on the UAE economy.

The UAE's economy is performing well, especially in the real estate, tourism and logistics sectors, which contributed to growth across all our segments.

RAKBANK's current and savings accounts (CASA) franchise, primarily driven by our deep relationship with Business Banking customers, supplied low-cost funding in a rising interest rate environment and bolstered net interest margins.

Competitive landscape

The UAE banking market is fiercely competitive, with big established banks becoming more efficient as a result of their digital transformation and new market entrants from digital native banks, fintech and big techs vying for market share. This has enabled a plethora of choices for customers who are becoming more demanding and knowledgeable. We believe delivering on our transformation and becoming the bank of choice based on customer experience will ensure our sustained growth.

Technological advances

Ongoing advances in technology will continue to drive innovation in the financial industry and shape customer behaviours. We see an ongoing shift from physical, in-person banking, to customers using digital channels to interact with the Bank whenever and wherever they need to.

This, coupled with developments in artificial intelligence and machine learning, allows RAKBANK to offer customers a more seamless yet hyper-personalised experience underpinning our vision of becoming the digital bank with a human touch.

While these technology advances are positive, they necessitate the ongoing investment in cybersecurity measures to protect customer data and financial transactions.

Complying with the UAE regulatory environment

To support the sustainable growth of the UAE banking and finance sector, the Central Bank of the UAE implemented numerous new regulations in 2022, the effects of which carried into 2023. These included measures to safeguard customers as well as additional capital requirements. Compliance with these regulations has also had a positive impact on how we innovate, use payment methods and interact with our consumers, as well as how RAKBANK manages its digital assets.

Strengthening our credit profile

Proactive policy changes are impacting high risk industries, which require minimum Al Etihad Credit Bureau (AECB) scores for new and top up loans for our business borrowers.

The Central Bank of the UAE's Interim Guidelines on Corporate Credit have been implemented and we are considering the impact of the recently issued Draft Credit Risk Standards as part of our credit, risk, business and credit monthly meetings.

Key 2023 results

Operating income AED 4.4 billion +29.7% YoY	Total assets AED 74 billion +11.5% YoY	Deposits AED 50.4 billion +12.3% YoY	Return on equity 18.4% FY'23	Return on assets 2.6% FY'23

Digital transactions +13% YoY	Card spend +19% YoY	Payment through our digitally active rails (In/Out) +13% YoY	Customers +18% YoY

We have delivered record profits driven by strong growth on both sides of the balance sheet, propelling net interest income to AED 3.3 billion up 34%, supported by a robust fee income of AED 1.1 billion up 17.8%. Record annual profit, before tax of AED 1.8 billion, a 54.6% year on year.

- Gross loans and advances at AED 42.0 billion are up 10.1% YoY. As the bank continues to diversify its balance sheet, wholesale banking loans and advances grew at an impressive rate of 16.3%
- Customer deposits are up 12.3% YoY as the Bank continues to build primary operating account relationships with its customers, delivering a CASA ratio of 66.9%
- FY'23 operating income up 29.7% YoY, supported by a net interest margin of 4.9%, complemented by higher interest rates and solid performance in foreign exchange and investment income
- Strong use of digital channels by customers, targeted operating efficiencies and robust revenue momentum led to a drop in the cost to income ratio to 36.4% against 42.3% in 2022
- Robust shareholder returns with return on equity (ROE) of 18.4% and return on assets (ROA) of 2.6% for FY'23, while staying highly liquid and well capitalised
- Record profitability along with a broad-based balance sheet growth drives healthier capital adequacy ratio (CAR) at 17.8% vs. 16.4% as at 31 December 2022
- Strong liquidity position as reflected by an eligible liquid asset ratio of 13.0% and advances to stable resources ratio of 82.1%
- The impaired loan ratio improved to 2.6% against 3.0% for the previous year, while the provision coverage ratio improved to 227.0% against 181.7% and remains one of the highest in the industry

Focus for 2024

As we look ahead, we see 2024 as a year full of opportunities, albeit challenging. While the broader global environment will create headwinds, we have confidence in the strength of the UAE economy.

With this backdrop, we will focus on our goal to deliver on the strategic journey we have set out to achieve. We will drive large-scale investments to secure necessary core technology, digital and data use cases and human capital that advance customer experience. In parallel, we will continue to diversify our business mix to achieve a balanced and sustainable growth, while strengthening our governance and risk management capabilities.

In 2024, and across all segments, RAKBANK will focus on the ongoing delivery of awesome customer experience, both physically and digitally, striking the right balance between the convenience of digital banking and personalised offerings.

Assets and advances growth (AED billion)

	Dec '19	Dec '20	Dec '21	Dec '22	Dec '23
Gross loans and advances	36.3	32.2	35.5	38.1	42.0
Total assets	57.1	52.8	57.6	66.3	74.0

Loans and advances by segment (AED billion)

	Dec '19	Dec '20	Dec '21	Dec '22	Dec '23
Personal Banking	18.7	17.8	18.7	18.8	20.1
Business Banking	9.8	8.3	8.1	9.0	9.9
Wholesale Banking	9.4	7.2	8.7	10.3	12.0

Customer deposit growth (AED billion)

	Dec '19	Dec '20	Dec '21	Dec '22	Dec '23
Current	18.4	23.0	24.1	27.1	29.6
Time	13.9	8.9	9.5	13.3	16.7
Savings	3.3	3.8	4.0	3.3	3.0
Call	1.2	1.2	1.3	1.2	1.1
Total	36.8	36.9	38.9	44.9	50.4

Financial performance: Snapshot

Economic performance (AED 000)	2019	2020	2021	2022	2023
Direct economic value generated	4,834,609	4,095,332	3,488,597	3,899,485	5,637,462
Economic value distributed	(3,739,347)	(3,589,955)	(2,730,297)	(2,737,677)	(3,838,865)
Other operating costs (including donations and sponsorships)	(623,890)	(558,815)	(579,544)	(579,829)	(670,797)
Employee compensation	(934,337)	(830,367)	(809,817)	(851,770)	(925,592)
Payments to providers of capital	(855,695)	(531,304)	(258,059)	(503,785)	(1,233,266)
Payments to government	(12,207)	(6,166)	(6,213)	(4,872)	(3,733)
Provisions	(1,313,218)	(1,663,302)	(1,076,663)	(797,421)	(1,005,477)
Profit after Tax	1,095,262	505,378	758,300	1,162,947	1,783,725
Total operating income	3,978,915	3,564,029	3,230,538	3,395,700	4,404,196
Dividends paid to/proposed to shareholders	505,158	502,873	253,452	379,170	569,923
Total Equity	7,841,557	7,844,958	8,381,842	9,020,650	10,354,527
Return on equity (%)	14.9%	6.5%	9.5%	13.5%	18.4%

Contribution of RAKBANK profit after tax by business segment

	2019		2020		2021		2022		2023	
	AED'000	**%**	**AED'000**	**%**	**AED'000**	**%**	**AED'000**	**%**	**AED 000**	**%**
Personal Banking	163,403	15%	(15,247)	-3%	23,028	3%	412,023	35%	524,219	29%
Business Banking	645,688	59%	64,683	13%	273,108	36%	810,065	70%	907,857	51%
Wholesale Banking	117,738	11%	104,943	21%	177,495	23%	232,239	20%	130,937	7%
Treasury	380,540	35%	623,368	123%	608,925	80%	(22,747)	-2%	161,747	9%
Insurance	2,385	0%	14,625	3%	10,473	1%	(35,464)	-3%	14,542	1%
Head office & Unallocated costs	(211,665)	-19%	(280,078)	-55%	(327,756)	-43%	(225,482)	-19%	58,156	3%
Consolidation adjustments	(2,827)	0%	(6,916)	-1%	(6,973)	-1%	(7,687)	-1%	(13,733)	-1%
Total	1,095,262	100%	505,378	100%	758,300	100%	1,163,437	100%	1,783,725	100%

Digital transformation and innovation

Overview

Our 2026 strategy to become the digital bank with a human touch is largely being driven through technology, which includes digitising our customer journeys, automating processes as enablers, streamlining our current infrastructure and apps, creating a data platform capability and modernising our digital platforms.

Highlights for 2023 include the delivery of the digital onboarding customer journeys – such as personal bank accounts and cards – the revamp of our website with customer-centric technology, the upgrade of core systems and capabilities – such as our cards management system – and simplifying our technology landscape and maintaining the systems working at peak performance.

Ensuring optimal, efficient operations

Supporting employees

Empowering a flexible, productive and future-proof workforce lies at the heart of our IT department's strategy. By introducing tools like Microsoft 365 and Azure virtual desktops, we have unlocked secure access to the RAKBANK work environment from any location and device. This opens doors to a hybrid work model, offering employees the freedom and convenience to choose where they perform their best while maintaining robust data security.

Furthermore, we have championed a paradigm shift in work culture by actively promoting new ways of working. Through comprehensive on-the-job training initiatives and continuous support facilitated by dedicated change agents, employees are empowered to adapt to and embrace evolving work methodologies, fostering innovation and efficiency across the organization.

Simplifying the technology landscape

Part of our 2023 focus was on simplifying and modernising our technology landscape by eliminating system duplication and renewing ageing systems, thus optimising the portfolio of software applications to ensure efficiency and scalability.

Leveraging data and technology

To achieve hyper-personalised customer experiences, RAKBANK is strategically leveraging the power of data and the most recent AI and machine learning developments. The Bank is actively engaged in the development of a robust data platform, a critical component for navigating its transformative journey with AI assistance.

As part of this endeavour, RAKBANK is exploring innovative avenues to enhance operational efficiencies. By embracing automation and harnessing technologies like cloud, generative AI and robotic process automation, the Bank aims to optimise its processes effectively. The implementation of DevOps further reinforces this commitment, ensuring the automation of software development and IT operations to facilitate agile and efficient delivery.

Noteworthy achievements include the successful utilisation of generative AI, exemplified by the use of Microsoft GitHub Copilot to create automated test cases for various projects. RAKBANK has established its own AI innovation lab, providing a collaborative platform for colleagues to experiment with innovative use cases before integrating them into their daily workflows.

However, RAKBANK is not only focused on the benefits, but also acknowledges the associated risks of AI and machine learning. This includes a heightened awareness of potential ethical and intellectual property issues, reflecting the Bank's commitment to responsible and sustainable technological advancement.

Better serving our customers

2023 was a banner year for RAKBANK's digital transformation, marked by a series of customer-centric initiatives. We kicked it off by streamlining the journey for new customers with digital onboarding for personal accounts. Expanding on this milestone, the Bank introduced a seamlessly integrated digital application process for credit cards, enhancing the overall banking experience for our customers. Complementing these advancements, RAKBANK unveiled a redesigned, human-centric website, aligning with the evolving ways customers interact with the Bank.

A pivotal undertaking in 2023 involved the comprehensive upgrade of RAKBANK's card management system. This upgraded system facilitates the swift delivery of improved functionalities and empowers the Bank to offer more sophisticated value propositions.

Beyond these technological leaps, RAKBANK has improved its wealth management offer with the launch of a new platform. The concerted efforts underline RAKBANK's commitment to provide an awesome customer experience to our customers.

Digital transformation	2021	2022	2023
Customers who are digitally active ('000s)	948	1,004	1,186
Digital channels logins ('000s)	34,674	38,311	44,820
Digital transactions ('000s)	9,109	10,596	11,957

Cybersecurity

Cybersecurity forms a key part of the Bank's ongoing strategy of safeguarding assets, data and trust. Security breaches remain a constant threat, not just for RAKBANK, but for all financial institutions as they become increasingly technology dependent.

Understanding and complying with regulation

RAKBANK's management and employees need to make sure that they are aware of, and understand, all pertinent regulations and comply with them. Among these are the data sovereignty regulations that now require data to reside in-country. Our technology team ensured data hosting was repatriated to the UAE in compliance with regulatory requirements and enhancing the safety of customer data

System protection

Cybersecurity is paramount at RAKBANK. That's why we deploy a multi-layered defence system, starting with proactive Intrusion Detection and Prevention (IDP) technology. This vigilant guardian constantly analyses network traffic, identifying and blocking suspicious activity in real-time. We track data access, ensuring accountability and transparency.

This comprehensive approach allows us to not only react to threats, but also anticipate and prevent them, keeping our systems and your data safe and secure.

Cybersecurity training

Training in cybersecurity is mandatory and, in 2023, we trained 3,253 employees. This was delivered via a learning management system that tracks attendance and records it in relation to the relevant KPI.

A new philosophy and approach

During 2022, RAKBANK began adopting an agile methodology way of working, including delivering projects using the squad system. The first use case for this approach was the delivery of the digital onboarding journey for personal accounts.

Owing to the pilot squad’s success, the idea has been extended to other departments inside the Bank. Squads are about much more than agility; they are about bringing in a new style of working and transforming the organisation’s mentality by incorporating an agile way of thinking.

Thanks to this concept, new squads are now meeting their goals faster and more efficiently than ever before. We continue to develop our agile practices and implement the necessary technologies to consistently support squads in delivering for our customers in a quicker and more efficient manner.

Looking to 2024 – striving to be best in class

In the upcoming year, RAKBANK is poised to celebrate the completion of pivotal projects initiated in 2023, marking a significant stride in our commitment to modernise digital systems while ensuring steadfast regulatory compliance.

As we transition into this phase, our strategic focus pivots towards maintaining and enhancing these digital ecosystems. Our roadmap is anchored in expediting the delivery of initiatives geared to elevating customer experiences and streamlining the launch of innovative products and services.

We anticipate the year ahead will echo the landscape of 2023. Successfully navigating the ever-evolving cyber threats and regulatory requirements in an increasingly competitive banking environment while delivering the best customer experience remains the priority.

Enhancing customer experience

RAKBANK is committed to deliver an awesome customer experience at every touchpoint aligning with our vision to be a digital bank with a human touch with our customers in their key moments of truth.

This vision underscores the Bank's understanding that customer loyalty and advocacy are closely tied to exceptional experiences, setting the stage for a customer-centric transformation.

To realise its customer experience ambitions, RAKBANK is actively fostering a culture where every employee is imbued with a deep understanding of the significance of customer experience. This cultural shift is not a stand-alone initiative but is part of our business model. From frontline staff to top-level executives, there is a concerted effort to instil a customer-centric mindset across every aspect of the Bank's operations.

The Bank is making substantial investments in revamping both the front-end and back-end aspects of our customer journeys. On the front end, an agile delivery approach is being employed to quickly adapt to changing customer needs and preferences. Simultaneously, the back end is undergoing a technological overhaul, leveraging automation and strategic investments in modern technologies to enhance efficiency and effectiveness, reducing turnaround times and minimising errors.

A key pillar of delivering an awesome customer experience is implementing accountability at every organisational level. This involves creating ownership among employees regarding customer experience. By setting clear expectations and metrics in scorecards, the Bank ensures individuals and teams are accountable for delivering exceptional customer service. Regular training programmes and performance evaluations are conducted to reinforce the importance of accountability in achieving the Bank's customer experience objectives.

Key 2023 initiatives to improve customer experience

- Developing policies and guidelines, including the Code of Fair Treatment, which sets out the principles that underpin our business. We conduct our business and customer relationships with integrity and in a fair, honest, competent and transparent manner at all times; we monitor performance to ensure alignment with our policies and code of conduct
- RAKBANK's debt counselling team has been equipped with the knowledge and abilities needed to assist customers with their financial commitments. These include assisting them with budgeting, making sure they make their payments on time, boosting their credit or motivating them to save money, all of which will be helpful in difficult times. We have assisted over 6,461 customers since the founding of our Debt Counselling team in June 2022, and we have provided financial support to 2,607.
- Extending our We Care programme to serve our people of determination customers through more channels. Nine of our branches currently offer priority lines, while voice guidance-equipped ATMs have been implemented in these branches during 2023 and will be steadily taken forward across our footprint. Fifty customer-facing team members – from wealth management to sales to branches – have received sign language training. Furthermore, we have included accessibility widgets on our website to provide seven distinct support features to customers with these particular requirements.

- We have optimised business processes across the organisation to improve efficiency and effectiveness ensuring lower turnaround times and minimising errors. For example, we optimised the processes on export letters of credit (LC) where we have improved TAT by 85%
- We have implemented digital onboarding customer journey for Personal Banking accounts and credit cards. We have achieved a 68% share of accounts opened through digital channels

Implementation of the Consumer Protection Regulation and associated standards

RAKBANK firmly believes stringent consumer protection should be embedded in all our practices and play a key role in our customer experience with the Bank. Ensuring our customers can make educated choices regarding the use and accessibility of our financial services and products fosters positive banking relationships and increases our customers' confidence in us.

We have used the Consumer Protection Framework (CPF) since its 2021 introduction to improve our procedures, records and general customer experience. The Bank completed implementation of 98% of the CPF standards and regulations by December 2023 and plans to reach 100% during 2024. RAKBANK views the implementation of the standards that go along with the Consumer Protection Regulations as an opportunity to incorporate customer protection into our customer obsession journey, with a customer-centric approach at the core of every implementation.

The monthly RAKBANK CPF committee reports on the Bank's execution of the CPF. We also assemble a monthly complaints committee, which offers a summary and analysis of all complaints, points out areas for technology advancements, and makes recommendations for adjustments that will solve issues and boost customer support.

Monthly reports on customer feedback and engagement initiatives are sent to the Board. An independent committee headed by the CEO oversees the execution and advancement of consumer protection every month. The Board Risk Committee and the Board itself are informed of its findings during regular sessions.

Customer excellence

RAKBANK has seen improvements in its primary customer satisfaction score and net promoter score (NPS) for both Personal and Business Banking customers. We also extended our collaboration with RFI to evaluate and compare enterprise-wide NPS (eNPS) across banks, segments and channels.

Customer satisfaction scores (%)	2020	2021	2022	2023
Business Banking score	87%	84%	87%	90.0%
Personal Banking score	88%	87%	88%	86.0%
Overall customer satisfaction score*	85.2%	86.6%	87.0%	87.0%

Transactional net promoter score (tNPS)	2020	2021	2022	2023
Business Banking score	48	46	47	74
Personal Banking score	55	54	55	67
Overall tNPS score	**43**	**48**	**69**	**70**
Enterprise net promoter score (eNPS)*	**2020**	**2021**	**2022**	**2023**
Business Banking score	15	48	55	49
Personal Banking score	39	55	59	61
Overall eNPS score	**35**	**53**	**58**	**59**

**Our enterprise net promoter score is conducted through RFI, an independent research company. We conduct these focus groups throughout the year, and results are shared half yearly. We will receive the full 2023 scores in February 2024.*

Customer education and awareness initiatives

Business Banking newsletters, webinars and podcasts	Business Banking initiatives and launches are plugged into a newsletter that is shared with customers. There is even a section in the newsletter titled Customer Notice and it covers elements like fraud trends and VAT regulatory. In 2023, webinars and podcasts were introduced as a new channel medium for our customers resulting in two newsletters, two webinars and three podcasts.
Fraud awareness campaign	The Bank regularly conducts fraud awareness campaigns, based on market and complaint trends, and passes on new awareness content to our customers. Given the recent rise in frauds identified in H2 2023, key topics like guarding your data against scammers (open rate 38.29%), phishing awareness (open rate 41%) and protect yourself during the holiday season (open rate 32.2%) were created by the CEA team and released as emailers to our customer base. Content was tested on a sample audience prior to release as well as effectiveness measurement (thumbs up/thumbs down) built in our emailers. For social media, we had relevant content like courier scams and top tips to better secure login details were released.
Market outlook	The market outlook offers investment intelligence that is shared with the Bank's HNWI customers: In 2023, four market outlooks were released, one per quarter, providing instant access to information that pertains to economic scenarios and key market risks. If the reader wants more information, they can easily download the full report.
Financial literacy awareness on channels	Our Customer Education and Awareness team (CEA) created content on key topics, which were part of the annual plan approved by the Board and rolled out the same across multiple channels (emailers, digital banking app and social media), following a content test on a sample audience. There were four topics released in 2023 to our customers as follows: Q1 2023: How to get your finances and savings in shape? 467,791 emailers sent Q2 2023: How do we teach our children good money habits? 471,961 emailers sent

	Q3 2023: How to find the right balance? 489,087 emailers sent Q4 2023: How to utilise credit smartly and maintain your credit score? 465,705 emailers sent
Financial literacy in schools	The key objective of this initiative is to teach children about budgeting, saving, smart spending and investing so they are able to make smart financial choices for their future. During 2023, the Sustainability council and CEA team visited three schools in Dubai and Ras Al-Khaimah, where 1,800 children took part of this initiative from grades 6 to 12.
UAE Banks Federation (UBF) Awareness Campaign	Active users receive periodic emails each month covering topics such as UBF phone fraud, fraud awareness, email fraud, social fraud and many more. These provide valuable information on fraud trends and offer advice for customers to keep themselves safe from fraudulent activity.
Debt counselling webpage on RAKBANK website 2.0	A new webpage currently exists on the RAKBANK website that will provide customers with information and resources to help them manage and pay off their debt. Key topics updated on website 2.0: Budget planning, Ask us anything, Balance health and wealth, Maintain a good credit score, Home investment and Saving plan. A Budgeting sheet has been added to the page.
Whistleblower page on website	The Internal Audit team posted the procedure for filing a complaint by a whistleblower on the RAKBANK website, along with a copy of the Bank's official Code of Conduct for reference.
ATM campaign	The Channels team developed screensavers that were displayed across all ATMs for a period of time to raise consumer awareness on fraud protection and how to bank safely.

Handling customer complaints

RAKBANK views customer feedback and complaints as opportunities to improve its products and processes.

In 2023, there was a rise in the overall number of complaints as a result of business growth, increased availability of channels for customers to complain, an upsurge of fraud cases in the UAE, and more transparent and frequent updates to customers on their banking relationships such as sending notifications to customers regarding the charging of fees.

We have upgraded our complaints management practices, applying rigorous route cause analyses to our top complaints and enabling our customers to have ready access to reach us whenever there is an inquiry or complaint. For the first time complaints have been embedded into the scorecards of every employee of the Bank, promoting a culture of accountability.

	2019	2020	2021	2022	2023
Overall complaints resolved	19,055	15,915	9,770	8,734	13,947
Complaints per 1,000 customers	2.72	2.36	1.48	1.32	2.45
Average complaints handling TAT (days)	5.8	5.4	5.3	6.05	8.23

Personal Banking group

Overview

In 2023, the Personal Banking Group (PBG) experienced robust growth across sales, balance sheet revenue and net profit. We streamlined operations and optimised our distribution network. Our digital onboarding initiatives contributed to lower customer acquisition costs and increased productivity. This focus on technology enhanced customer experience resulted in a net promoter score (NPS) increase.

Key performance drivers were deposits, mortgage, and credit card acquisition. We also introduced innovative products and services such as digital onboarding for accounts and credit cards, Watani credit card tailored to the UAE nationals, and enhancements to the Skiply app, which facilitates education-related payments.

PBG and our 2026 strategy

PBG remains instrumental to the Bank's financial health, attracting a substantial customer base and bolstering the RAKBANK brand. Our strategic focus includes leveraging technology, data and analytics to deliver a hyper-personalised and seamless experience to our customers.

We aim to grow across all customers segments of PBG, with a particular focus on affluent and Emirati customers. These ambitions will be supported by further developments in our core offerings including credit cards, wealth management and mortgages.

Performance

The year witnessed strong sales growth across our primary business lines. We diversified our portfolio, reducing exposure to high-risk segments while amplifying secured lending and fee-based services such as mortgages, wealth management and foreign exchange. Enhanced digitisation allowed us to streamline operations, notably reducing personnel and other costs.

KEY METRICS

Metric		YoY increase (%)
Customers	#	10%
Assets	Balance sheet growth	7%
Deposits	Balance sheet growth	12%
Credit cards	Spend	19%
Merchant acquiring	GAV	26%
Digitally active customers	%	+10pp
Digital servicing	%	+5pp

CASA

Throughout the year, we launched campaigns to boost liabilities and revamped employee banking propositions. Thanks to our seamless digital account onboarding platform, salary transfer and fresh funds campaigns, we increased our customer base by 10% and deposits by 12%.

Lending

Demand for mortgage loans increased on the back of the UAE population growth and the trend towards property ownership. Capitalising on the increasing demand for home loan finance, we will continue to leverage the Home in One product to grow our mortgage business in the high interest rate environment, while monitoring intense competition that is leading to falling margins.

In terms of personal loans, RAKBANK enhanced loan process and shortened turnaround times. We expect this trend to continue after the launch of digital onboarding capabilities in 2024.

Growth in retail asset products was also driven by increased sales productivity in all channels as well as periodic campaigns, e.g. Ramadan sales campaign.

Payments

RAKBANK continued increasing credit cards market share as well as spend. Credit cards spend grew by 19%, driven largely by increased international spend, which in turn has been fuelled by 20+ campaigns. The newly launched Watani credit card is an attractive offering for the local market and we expect it to contribute to RAKBANK's growth in Emirati segment. In 2023, we launched new core banking system for cards. Going forward, it will provide us higher flexibility in creating new products and will enable better servicing. In 2024, we plan to launch further enhancements to the credit card value proposition.

In 2022, RAKBANK's number of transactions in the remittance area demonstrated a remarkable 28% surge. Our presence in key corridors – particularly India, Pakistan and the Philippines – contributed significantly to this positive trend. This underscores our commitment to providing reliable and efficient financial services to our customers globally.

The Skiply app, a cornerstone of our payments strategy, also exhibited impressive results. Our focus on expanding user base and merchant network led to a remarkable 20% increase in Skiply registered users, 27% increase in Skiply merchants, and 6% YoY growth in payment volumes. These results affirm the effectiveness of our growth strategies, emphasizing the ability to capture new segments and strengthen our position in existing ones.

In the domain of Merchant Acquiring, volumes increased 26% YoY, underscoring the popularity and trust in our acceptance services. Merchant Acquiring revenue grew by 60% YoY. This financial success reflects our dedication to fostering mutually beneficial relationships with our merchants and our commitment to sustained financial performance.

Looking forward to 2024

In 2024, PBG will focus on deepening customer relationships, especially in the affluent and Emirati segments. Our commitment to digital innovation will continue, enhancing customer experience and streamlining processes. We aim to migrate more services to digital app, including personal loans and additional credit card onboarding capabilities, while diversifying our income streams. These strategies are central to PBG's sustainable growth in the digital era.

Business Banking group

In 2023, the Business Banking Group (BBG) of RAKBANK marked a year of notable achievement, with its balance sheet and profits reaching new heights. The year saw segment profits surpass AED 1 billion for the first time, underpinned by significant balance sheet growth. Central to this success was our distribution strength and unwavering commitment to digital transformation, aiming to position RAKBANK as a leader in digital-first SME banking and exceptional customer experience.

BBG's growth was fundamentally driven by our flagship Business account product, Business CASA, RAK business loans and a strong suite of trade and working capital loans. A thoroughly revamped digital platform has not only enhanced BBG's operational efficiencies, but also significantly reduced turnaround times, offering customers quicker access to banking services.

One of RAKBANK's core strategic objectives is to dominate the SME banking sector in the UAE. At the heart of this ambition lies our advanced digital onboarding and servicing capabilities, which have been instrumental in lowering customer acquisition time and costs, diversifying our balance sheet and reducing risk costs. Our focus on safer lending and growth in the commercial sub-segment – aided by tailored value propositions and parameterised lending – has improved our risk and underwriting processes.

BBG and our 2026 strategy

We remain committed to the BBG segment, where RAKBANK stays a leader. We continue to progress towards our aspiration to become the Bank of Choice for SMEs across the UAE. This includes the digitisation of key customer journeys, enhancing our relationship management and distribution model and leveraging analytics and technology to improve our credit and risk management.

Alongside this, we will keep on supporting and growing the broader UAE SME ecosystem through our SMEsouk platform, as well as partnerships with key entities including RAK SME and the Ras Al-Khaimah Economic Zone (RAKEZ), Dubai SME, the Abu Dhabi Global Market (ADGM) and Sharjah Publishing City.

Performance

In 2023, BBG's balance sheet recorded significant growth, with liabilities reaching AED 21 billion (up from AED 18.5 billion in 2022) and assets nearing AED 10 billion (up from AED 9 billion in 2022). Our SME financing saw an impressive increase, with new or incremental financing exceeding AED 4.6 billion (2022: AED 3.8 billion), encompassing a variety of financial instruments like revolving loans, asset-based finance and trade working capital. Concurrently, our fee income rose to AED 320 million (2022: AED 296 million), aligning with the UAE Government's strategy to bolster SMEs in the private sector, and with nearly half of our banking relationships now with startups.

BBG's internet and mobile banking apps received significant upgrades to enhance the customer experience, alongside the adoption of AI-powered propensity models for personalised customer offerings.

In 2023, over 99% of financial and more than 65% of non-financial transactions were conducted digitally, with 70% of our new customers onboarded through digital channels. Following our digital banking loan proposition's launch, customers accessed more than AED 100 million in loan funding via Quick Apply, significantly reducing the time taken for opening new business loans; our platform for account opening is also being improved.

Branch and ATM distribution

Customer education initiatives about the advantages of ATMs and online banking channels led to a 4% reduction in service transactions and a 15% reduction in teller usage. To further enhance customer service, we relocated our Ajman and Musaffah branches to more strategic locations and extended working hours in four of our busiest branches: Al Nakheel (RAK), Dragon Mart, Motor City and Khalidiya (Abu Dhabi).

Supporting the UAE SME ecosystem

In alignment with our ambition to be the UAE's premier SME banking institution, we persistently roll out initiatives to support SMEs through our SMEsouk platform. Our offerings are tailor-made, ranging from zero-balance bank accounts and complimentary accounting packages to business insurance. The suite encompasses an array of competitive packages, marked by their flexibility in payment options. This spectrum includes collateral-free business loans, a variety of financing options such as term and working capital finance, and asset-based financial solutions, all crafted to bolster the diverse needs of SMEs.

SMEsouk podcast series

In October, RAKBANK inaugurated the SMEsouk podcast, a notable addition to the UAE's intellectual soundscape. Orchestrated by the seasoned radio presenter, Brandy Scott, the series delves into the intricacies of business in the UAE. Collaborating with Dubai Eye, the podcast has woven a tapestry of insights from business leaders, which included our own CEO Raheel Ahmed, alongside Ray Jallad of RAKEZ Freezone, Mohamed Araji of E&Y, and Udrive's Nicholas Watson. This confluence of minds illuminates the multifaceted SME landscape, offering listeners a nuanced understanding of the UAE's business dynamics.

Webinars

We offered two webinars, one on corporate tax, and the other on why digital is the way forward for SMEs and insurance. These were well attended and highly rated.

As we remain committed to make world a better place, we ran the Changemakers competition, which centred on ESG themes and students in the UAE presenting and competing for best business ideas.

Looking forward to 2024

In the coming year, BBG is poised to further embrace digital transformation, continuing to digitise key elements of our service offerings for SME customers. This pivot towards an agile delivery model is designed to enhance our responsiveness to market demands. Foremost among our initiatives is the introduction of a new digital onboarding platform and an improved SMEsouk platform, a move that reflects our ongoing commitment to delivering an exceptional customer experience.

Advanced analytics will play a pivotal role in our strategy to optimise our customer selection and cross-sell opportunities and business decisions, such as the location of our ATMs, ensuring they are precisely where our customers need them. This data-driven approach is part of our broader strategy to judiciously reduce our physical footprint while upgrading technical capabilities at critical sites, including branches, in the right format.

We are planning to incrementally enhance our channel functionalities, adding features like sophisticated cameras, Emirates ID readers, and the ability to handle polymer notes in branches and ATMs. These upgrades are not mere technological advancements; they are steps towards enriching customer interactions with RAKBANK, making each touchpoint a seamless and efficient experience. We will also be adding more and more services to digital channels, so that our customers can get the best-in-class, cash, trade and forex services 24/7.

Wholesale Banking group

Overview

The Wholesale Banking Group (WBG) continues to grow, driven by our strategy to diversify and deepen customer relationships, despite global macroeconomic challenges and strong market competition.

WBG and our 2026 strategy

This segment is a key enabler of our strategic objective of diversifying our business mix, WBG now represents a significant proportion of the overall RAKBANK business with 21% share of the Operating Income and 54% share of the Assets.

As part of the WBG diversification strategy, we remain focused on deepening customer relationships by providing them with the products and services they require and deepening relationships with government-related entities (GRE) and large corporates.

Performance

In 2023, we grew corporate banking and the Financial Institutions Group (FIG) revenue by 55% and 5% respectively, year on year, despite both global macroeconomic challenges and a highly competitive market.

Our approach for corporate banking was to deepen relationships with government, GREs and large corporates, extending bilateral facilities to both GREs and privately owned conglomerates, rather than engaging in syndications. Our engagement in the Ras Al-Khaimah market – our home Emirate – was particularly successful, resulting in RAKBANK being mandated as lead arranger in several transactions.

While the FIG balance sheet is in line with 2022, the composition and risk profile has changed, with a greater proportion of investment grade exposures. Our clear strategy in FIG, our skilled team of professionals with excellent market knowledge, supported by strong risk and credit principles, has allowed us to grow a sustainable business and portfolio.

Driven by higher margins in some markets as well as growth in fee and commission income, net profit showed a strong upward performance to 14%. We attribute our robust asset performance to a strong focus on our key markets and relationships, sustained emphasis on top tier banks in our core geographies, and short-dated trade transactions and funding.

Notwithstanding global macroeconomic challenges, we have seen increased growth across our trade portfolio. This enabled us to maintain market presence and access for customers in our core geographies: Africa, the Gulf Co-operation Council (GCC) region, South-East Asia and Asia. In addition, during 2023, we secured senior participation roles in significant transactions in several of these markets.

As part of the WBG diversification strategy, we remain focused on deepening customer relationships by providing them with the products and services they require. This includes the launch of new products and channels in 2023 such as our new eFX platform, which played a key role in delivering a record foreign exchange and derivatives revenue. We also continue to develop our transaction banking capabilities, yielding a number of key mandates from core customers.

Our Treasury department, as the custodian of the Bank's liquidity, actively manages the Bank's asset and liability books, investment portfolio and trading activities. Operating out of a modern, automated and fully integrated dealing room in Dubai, Treasury offers a range of customised solutions to meet the complex needs of institutions.

With a focus on pricing, structuring and executing various financial products, RAKBANK has offerings and a value proposition that appeals to each customer segment. Our cross-asset dealers maximise benefits and hedge against adverse movements in volatile market conditions by maintaining constant contact with regional and global financial markets. The fixed income proprietary trading desk secured second place in the Asset Awards for its performance as the Top Investment House in G3 Asian Bonds from the Middle East for 2023.

RAKGOLD's proposition as the region's first full-suite bullion bank gained traction in 2023, trading across all precious metals and including loans, physical metal trading and margin trading in its offering. Our retail proposition, which is facilitating easy access to gold in small amounts that can be redeemed physically, also saw a healthy upward trend.

Looking forward to 2024

We ended 2023 on a promising note, with a significant increase in the origination of new opportunities. This indicates a positive outlook for 2024. At the same time as maintaining and improving the overall risk profile of our FIG portfolio, our aim is to continue supporting customers across the region and in select key emerging markets.

We persist in developing new capability to provide our customer base with the solutions they require, including our new supply chain finance platform to be launched in 2024. This platform will focus primarily on reducing transaction times, enhancing transparency and optimising cash flow throughout the entire supply chain.

In line with this, RAKBANK's primary goal for this year is to position itself as the go-to bank in Ras Al-Khaimah. This will involve developing closer relationships, actively cross-selling and continually investing in our business and people to drive growth.

RAKislamic

The year 2023 proved to be a strong year for the Islamic Banking Division, which coincided with the 10^{th} anniversary of its launch. In line with our strategic goals for the year – to sustain business growth, maintain a healthy balance sheet and maximise profitability – we delivered good performance across all key metrics and set new benchmarks for success.

Aligning with RAKBANK's transformation vision, we initiated several digital initiatives that directly influence our financial outcomes and strategic objectives. Notable among these is the implementation of a fully digitised, Sharia-compliant onboarding process for accounts and credit cards. This was a pivotal step forward in our pursuit of a seamless and technologically advanced banking experience. These initiatives empower our customers, providing them with convenient and efficient solutions while upholding the principles of Islamic Sharia.

RAKislamic and RAKBANK's 2026 strategy

Digitisation initiatives in concert with RAKislamic's innovative products and services enabled RAKBANK to acquire market share in the Islamic banking space, targeting new customer segments in retail and business banking, especially UAE nationals. We are accessing untapped markets through innovative Sharia-compliant products and propositions, bolstered by straight through processing (STP) capabilities and strategic stakeholder relationships. RAKislamic is also exploring sustainable finance-related offerings.

Performance

RAKislamic grew in the high profit rate environment of 2023. Our CASA portfolio yielded higher margins, contributing to a 3.3% revenue increase in our Sharia-compliant business. This was driven by a 120% increase in net profit income from liabilities, underpinned by our strong customer relationships across key segments.

Technological advancements played a significant role in this growth. We launched a fully digitised, Sharia-compliant onboarding process for various accounts and introduced the new RAKislamic website. Additionally, our digital application process for home finance and the RAKislamic Watani Credit Card for UAE nationals exemplified our commitment to tailored, efficient services.

To deepen our team's understanding of Islamic financial principles, we introduced an Islamic e-learning portal bank-wide, featuring digital training and assessments.

RAKislamic's efforts were recognised by winning two prestigious awards:

- Islamic Bank of the Year at The Asset Triple A Islamic Finance Awards
- Most Transformed Islamic Bank in the UAE at the Euromoney Islamic Finance Awards

Looking to 2024

In 2024, we aim to grow both sides of the balance sheet, reflecting the expansion of our Islamic banking operations. A key part of this journey is the multi-year project to transition to a modern Islamic core banking system. By leveraging this technology, we anticipate enhanced operational efficiency, improved customer experiences, and staying at the forefront of digital trends in Islamic finance.

RAKINSURANCE

Overview

After experiencing an operational loss in 2022, RAKINSURANCE rebounded in 2023 by focusing on stabilising and transforming the business. This strategic shift led to a noteworthy return to profitability, with the goal to sustain the turnaround going forward.

Digital enhancements were key, bolstering the distribution of products such as individual medical and retail motor insurance. This digital push resulted in new Motor distribution partnerships and a 42% increase in Motor premiums. Despite fierce competition, RAKINSURANCE maintained market share and deepened corporate client relationships through a focus on delivering an awesome customer experience.

Governance continued to be a key area of focus. Compliance with International Financial Reporting Standard 17 (IFRS 17) further underscored our commitment to industry-leading practices.

Performance

Our primary objective in 2023 was business stabilisation. Early in the year, we streamlined RAKINSURANCE's organisational structure, achieving substantial cost and operational efficiencies. Additionally, strategic re-engineering of certain business lines led to a marked reduction in loss ratios.

Our General and Life insurance books remain the mainstays of profitability, with Motor insurance set to grow future earnings in the light of market-wide premium increases. Like many insurers in our category, investment income remains a vital contributor to our overall profitability.

In a bid to attract new customers, RAKINSURANCE expanded its Motor insurance offerings and enhanced its Medical proposition with a wider array of retail and SME products. Additionally, the introduction of Travel insurance capitalises on the region's increasing tourism traffic.

Our insurance revenue grew to AED 464.4 million, up from AED 458.5 million the previous year, demonstrating resilience in a highly competitive landscape. Enhanced underwriting discipline and improved claims management decreased our net loss ratio by 3%, while proactive investments and a favourable interest rate environment boosted our investment income by 52%. These achievements were realised with a robust solvency buffer of 39% above the required standard.

Looking ahead to 2024

RAKINSURANCE is poised for continued profitability in 2024 owing to our enhancements in underwriting, claims management, technological advancements, and cost management measures. We are confident in our team's resilience and capability to deliver positive outcomes in the forthcoming years.

SUSTAINABILITY REVIEW

Overview

This was a milestone year for RAKBANK's sustainability strategy. We expanded on the framework already in place and advanced several projects. We are honoured to have launched the first Social Finance Framework in the Gulf Cooperation Council (GCC), and RAKBANK continued to support people of determination, especially those with autism spectrum disorders. Furthermore, we have undertaken supplementary pledges aimed at diminishing our carbon footprint and inspiring the wider UAE community to follow suit.

Key highlights

The announcement during COP28 of our commitment to net zero in banking operations by 2030 Page XXX	The launch of our Social Finance Framework Page XXX
The successful RAKBANK Changemakers competition for young entrepreneurs Page XXX	The announcement during COP28 of our contribution in the collective UBF pledge to mobilise AED 1 trillion for sustainable finance
Receiving the EcoLabel award from the RAK Environment Protection and Development Authority, which reflects our commitment to a greener environment	Completion of the energy service company (ESCO) project with Honeywell at the Ras Al-Khaimah headquarters
The introduction of digitised electronic journals at ATMs to save approximately one ton of paper receipts	

Our sustainability management approach

In recent years, the financial sector has been increasingly enthusiastic about implementing sustainable practices. There is mounting evidence that, across industries, sustainability-focused organisations consistently outperform their market peers.

RAKBANK believes that integrating sustainability into its core business plan is necessary for long-term company growth. As a result, we are working to better track our performance on matters pertinent to our operations, and we are integrating strategic sustainability into the Bank's core values.

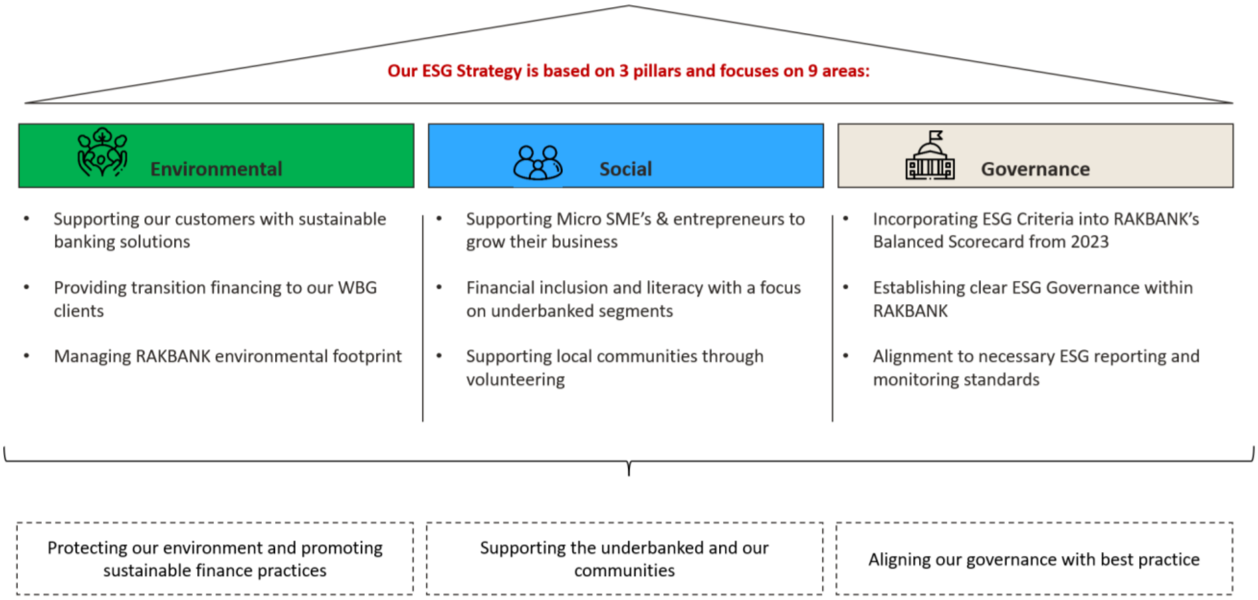
RAKBANK aims to demonstrate the positive correlation between sound environment, social and corporate governance (ESG) policies and financial performance. We advocate for excellent ESG management practices and transparency in the evaluation and reporting of non-financial measures. In addition to identifying important areas of value creation for all Stakeholders, this report provides the most pertinent KPIs and acts as a benchmark for the Bank's continuous efforts to improve its ESG performance.

Our non-financial reporting disclosures consider international standards such as Global Reporting Initiative (GRI) in combination with ADX ESG reporting guidelines. These standards provide guidance on identifying material issues and managing these going forward.

Sustainability management strategy

Demonstrating our commitment to ESG, in 2022, the Board approved a strategy to guide ESG in the Bank. This strategy is informed by the materiality assessment we conducted in 2021, in tandem with the international imperatives of United Nations Sustainable Development Goals (UNSDG) and the GRI.

RAKBANK's ESG strategy is based on three pillars and nine focus areas.[1]



All RAKBANK's ESG initiatives take into consideration:

- Our business strategy with a focus on responsible lending and ethical employment. RAKBANK offers preferential terms for SMEs and startups, while simultaneously enriching the infrastructure and ecosystem in which they operate
- Our preferentially priced products and services. With increased customer take-up, these will contribute to reducing the collective carbon footprint
- Our commitment to the UAE community and its regenerative development agenda
- The Central Bank of the UAE's Consumer Education and Awareness Protection Framework

Vision 2031

RAKBANK supports the UAE 2031 vision, particularly in reducing the UAE carbon footprint through, among other things, the circular economy for which we have implemented several initiatives including green loans.

[1] RAKBANK Social Finance Framework Sep23

MSCI ESG ratings

During 2023, MSCI assessed how well RAKBANK is managing key ESG risks. An MSCI ESG rating measures a company's resilience to long-term, industry-material ESG risks and uses a rules-based methodology to assess how well companies manage those risks in relation to their peers. The ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Looking ahead – our commitments for 2024

Even though we have made great strides towards our ESG goals, we look forward to even greater progress in 2024. RAKBANK is committed to using its market position to integrate ESG principles into its core business, in line with the "We the UAE 2031" vision.

To this end, we will strengthen the ESG practices that are currently embedded in RAKBANK. We will do this by building on a strong base, improving ESG governance, raising awareness and understanding of ESG, and setting a clear direction. In addition, we will take steps to mitigate the financial risks linked to climate change and develop a plan of action to attain net zero banking operations by 2030.

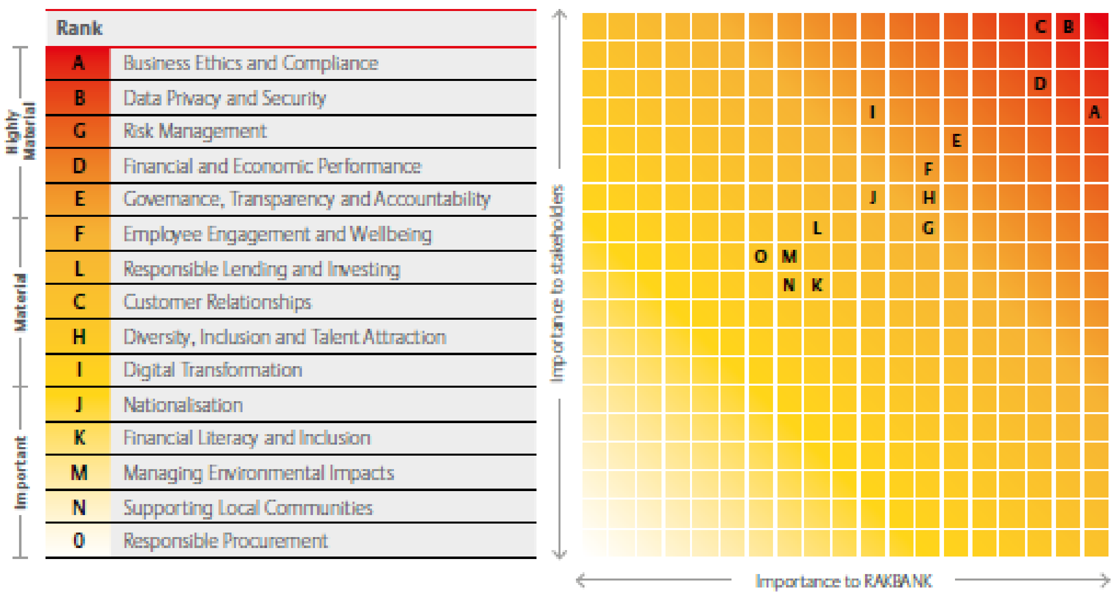
Material Matters

RAKBANK's ESG framework and key Stakeholder groups are a long-term priority for the Bank. We are advancing our environmental, social, and governance (ESG) efforts in response to the changing demands of our organisation and the external surroundings. Key themes and focus points for 2023 were:

- Developing a Social Finance Framework
- Growing our people: attracting and retaining talent
- Appointing a dedicated head of ESG
- Implementing financial literacy initiatives in the UAE
- Maintaining competitiveness, growing and diversifying
- Continuing our community efforts and driving positive societal impact

In 2021, we reviewed major concerns pertinent to RAKBANK and ranked them through a materiality assessment in accordance with the requirements of our Stakeholders and strategy. Local and worldwide environmental, social, and governance (ESG) trends, sector concerns and developments were examined as part of the materiality evaluation. The expectations and requirements of our most significant Stakeholder groups regarding material concerns are quantitatively analysed in the following manner.

In 2022, we ranked our material matters as follows:



[@Design: the following table contains the letters from last year, now converted to numbers. Please only include the numbers in the report and the heat map."

Letter	Number	Material issue	How RAKBANK is responding	2023 reporting disclosures
A	1	Business Ethics and Compliance	• Ensuring high standards of business ethics and regulatory compliance • Working to protect the Bank's reputation and achieving business goals legitimately	Business Ethics and Compliance, page XX

			• Promoting organisational behaviour that RAKBANK and its Stakeholders can be proud of	
B	15	Data Privacy and Security	• Safeguarding customer assets, including personal data • Ensuring data privacy and security is constantly assessed across the business and improved wherever and whenever possible	Data Privacy and Security, page XX
C	6	Customer Relationships	• Recognising that RAKBANK's customers are key Stakeholders who form a core part of the Bank's journey towards "awesome" banking solutions across the UAE • Offering convenient access to innovative and competitive financial products across multiple channels to individuals and businesses	Simply Better Customer Service, page XX
D	10	Financial and Economic Performance	• Achieving continual, stable financial growth and attracting investment by continuing to diversify sources of income while maintaining low costs and high operating efficiency • Ensuring adequate capital reserves to absorb losses, continue operations and meet obligations in the event of adverse operating conditions	Group Performance, page XX
E	14	Governance, Transparency and Accountability	• Conducting business with transparency, accountability and integrity by maintaining the highest standards of corporate governance • Upholding corporate governance structures, principles, policies and practices, which helps meet RAKBANK's responsibilities to Stakeholders and protect the business	Corporate Governance, page XX
F	3	Employee Engagement and Wellbeing	• Promoting and supporting the optimal wellbeing of employees • Helping employees to create value as much for themselves as for RAKBANK and its Stakeholders	Employee Engagement and Wellbeing, page XX
G	7	Risk Management	• Protecting assets and customers via risk reduction and risk management • Addressing urgent challenges	Risk Governance, page XX
H	13	Diversity, Inclusion and Talent Attraction	• Building an exceptional workforce through attracting, developing and retaining the most talented individuals • Inspiring people to achieve their full potential and deliver against the strategic objectives • Committing to increasing the Emiratisation rate	Diversity, Inclusion and Talent Attraction, age XX
I	11	Digital Transformation	• Enhancing end-to-end digital services across multiple business segments • Easing customer interaction with the Bank and creating new digital-first solutions across product lines	Digital Transformation and Innovation, page XX
J	4	Nationalisation	• Supporting the national vision to develop the local workforce • Working to improve the Emirati experience and to attract local talent	Nationalisation, page XX
K	9	Financial Literacy and Inclusion	• Investing in initiatives aimed at enhancing people's wellbeing by engaging responsibly with local suppliers and promoting financial literacy to enable customers to make informed financial decisions	Financial Literacy and Inclusion, page XX
L	12	Responsible Lending and Investing	• Establishing responsible investment/lending policies and management procedures • Actively developing a capacity for ESG analysis to assist investment and lending decisions	Corporate Governance, page XX

M	8	Managing Environmental Impacts	• Supporting national and international efforts to preserve natural resources in RAKBANK's areas of influence • Assessing and disclosing resource use so that the Group can continue to reduce its impact in meaningful, measured ways	Preservation of Natural Resources, page XX
N	5	Supporting Local Communities	• Recognising that commitments to Emirati society should extend beyond providing quality banking services. These should be supporting pillars of the collective efforts to make the UAE and the world a better place for tomorrow • Staying focused on corporate social responsibility (CSR) commitments	Community Support, page XX
O	2	Responsible Procurement	• Addressing responsible procurement throughout the supply chain, as it is affected by both who is chosen to engage in business and from where, and how those parties manage their own impacts	Responsible Procurement, page XX

Sustainable finance solutions

RAKBANK aims to integrate sustainable banking practices and make a positive impact on the planet. We firmly believe that long-term financial growth necessitates the integration of sustainability into our core business strategy and values.

Social Finance Framework

In September 2023, RAKBANK was the first bank in the GCC to introduce a Social Finance Framework, guided by the ICMA Social Bond Principles 2023 and the LMA/APLMA/LSTA Social Loan Principles 2023. The framework supports the Bank's social finance instruments and is in line with the four pillars of the Social Loan Principles (SLP). These will finance and/or refinance eligible social loans; they include senior bonds, subordinated bonds, medium-term notes, sukuks and commercial papers.

Net proceeds from these products will be allocated to an eligible social loan portfolio and managed accordingly. To access loans, applicants' projects will be assessed against the UNSDGs in concert with the social eligibility criteria set out below.

Social Eligibility Categories[2]

Sustainable banking principles	Description of criteria	Target group(s)	Contribution to UNSDGs
Access to healthcare	Loans to finance and/or refinance • Construction and/or operation of healthcare facilities such as hospitals and primary	General population (UAE), due to these facilities being accessible by general population irrespective of income.	SDG 3: Good health and wellbeing

[2] RAKBANK Earnings Presentation 9M'23 vFINAL

	care facilities, affiliated to the relevant national healthcare system • Development, manufacturing, wholesale, distribution and retail channels in respect of affordable pharmaceutical products	General population in UAE and other countries, including in low- and middle-income countries as defined by the World Bank	
Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing	Loans to finance and/or refinance MSMEs as per UAE's central bank definition, meeting any of the following criteria: • MSMEs located in socio-economically disadvantaged regions • MSMEs facing economic crisis, natural disasters or health pandemics	MSMEs in socio-economically disadvantaged regions Female-owned businesses	SDG 1: No poverty SDG 8: Decent work and economic growth SDG 10: Reduced inequalities

The goal, within 12 months of issuing each instrument in the eligible social loan portfolio, is for profit to equal or exceed the balance of net income from outstanding loans. RAKBANK will include or exclude eligible social loans from its portfolio as required. RAKBANK will hold unallocated net proceeds and will allocate them, at its discretion, via our liquidity portfolio.

The Social Finance Working Group

RAKBANK established a dedicated Social Finance Working Group that will be responsible for adjudicating applications. It comprises representatives from various departments including Group Finance, Risk, Strategy and our Sustainability Council, as well as subject matter experts from relevant business units such as Lending.

The key responsibilities of the Social Finance Working Group include:

- Reviewing and updating RAKBANK's Social Finance Framework to align with changes in corporate strategy, technology, market dynamics and regulatory developments to the best of their abilities
- Ensuring the accuracy and currency of external documents, such as second party opinions (SPO) and related documents provided by external consultants and accountants
- Overseeing, approving and publishing reports on the allocation and impact of funds, including external assurance statements
- Monitoring internal processes to identify significant risks or adverse social and/or environmental impacts associated with the eligible social loan portfolio and implementing appropriate mitigation measures
- Maintaining communication with relevant Stakeholders regarding its activities
- Meeting on a quarterly basis to ensure effective governance and decision-making

Green loan financing

RAKBANK is committed to extending finance for green homes and vehicles. Therefore, we launched preferential campaigns to encourage our customers to embrace environmentally friendly options when purchasing vehicles and when buying or improving their homes.

Green Loans*	Increase in FY'23
Mortgage loans	447%
Auto loans	4%

**Excludes inactive loans*

Responsible Procurement

RAKBANK is committed to fair play. Its Executive Procurement Committee regulates and evaluates our supply chain. Additionally, it supervises the Bank's procurement policies and processes, which are supplemented by our Supplier Code of Conduct. These delineate the Bank's standards on secure and ethical conduct that form the foundation of all transactions conducted with, or on behalf of, RAKBANK.

We recognise that an organisation's internal business practices and the source of its products have an impact on RAKBANK; careless procurement creates unnecessary risk.

In addition to helping to safeguard and expand small and medium-sized businesses, we work together with original equipment manufacturers (OEM) to eradicate counterfeit goods.

Procurement at RAKBANK	2019	2020	2021	2022	2023
Total number of suppliers engaged	706	625	686	704	735
Total number of local suppliers engaged	562	489	543	557	596
Total number of SME suppliers engaged	483	539	459	304	513
Total procurement spending (actual) (AED in millions)	584.1	655.3	645.7	614.2	868.1

Our key relationships

RAKBANK's Stakeholders directly impact, and benefit from, our ability to create value. The Bank's growth and profitability are underpinned by our management of its relationships with customers, employees, investors, regulators, suppliers and the broader communities in which it has a footprint.

Our material Stakeholders are groups or individuals with a significant level of influence on our business or those who may be heavily impacted by our presence. We engage with them regularly and our strategies and business plans are deeply influenced by understanding our Stakeholders' concerns and expectations.

By establishing good lines of communication with our various Stakeholders and maintaining constructive relationships, we are better equipped to identify opportunities and risks early on and address these timeously. RAKBANK focuses on the issues that matter most to its Stakeholders and places immense importance on delivering short, medium and long-term value to the following key Stakeholder groups.

Material Stakeholders

- Customers
- Employees
- Shareholders and investors
- Environment
- Local community
- Suppliers
- Government and regulators

Stakeholders	Importance to RAKBANK	Needs and expectations	RAKBANK's methods of engagement	Links to other parts of this report
Customers More than 0.5 million active customers across the UAE	RAKBANK's customer relationships directly impact, and are a measure of, its continued success. RAKBANK seeks to offer "Simply Better" banking solutions for all its customers across the UAE, presenting convenient access to innovative and competitive financial products across multiple channels to individuals and businesses	• Friendly, timely and personalised customer service • Clear and responsive communication channels • Competitive rates and fees • Simple and secure banking • Accessibility • Innovative products and services • Robust privacy and information security	• Social media channels, including X (previously known as Twitter), LinkedIn, Instagram, Facebook and TikTok • RAKBANK mobile app • RAKBANK live chat • Service Excellence unit: customer service • Customer surveys • Branches and contact centre • UAE's first contactless cash withdrawal facility, available on close to 300 enabled ATMs • Digital kiosks enabling startups and SMEs to open accounts seamlessly and instantly	XXX
Employees RAKBANK's workforce comprises more than 3,500 employees	Highly engaged and motivated employees help us win acclaim. We always strive to push the boundaries of engagement with our employees at every level of the organisation. We are committed to providing our employees with opportunities for their career progression and enhancement, as well as ensuring their wellbeing	• Career advancement and skill development • Attractive benefits/compensation • Recognition and rewards • Healthy work environment • Empowerment and equal opportunity • Open communication channels with management	• Learning and development team • Partnerships and collaborations with training institutes • Training sessions and workshops through the Bank's internal portal – RAKAcademy	XXX
Shareholders and investors Government of Ras Al-Khaimah directly and indirectly owns 52.8% of RAKBANK Capital Other shareholders include both national and international entities	In the long run, RAKBANK's growth depends on its ability to attract investment and capture opportunities. We recognise we are ultimately accountable to our shareholders, and we focus consistently on maximising long-term shareholder and asset value	• Strong balance sheet and healthy cashflow • Transparency, accountability and disclosure • Strong market positioning • Reliable corporate governance • Dynamic risk management by accounting for liabilities	• Open and transparent channels of communication with shareholders • RAKBANK Annual Report • RAKBANK Directors' Report to shareholders • Annual General Meetings • Shareholder presentations on a quarterly basis • Dedicated IR section of the website with analytical tools • Participation in all major investor conferences • Earnings release calls • Corporate access granted throughout the year	XXX
Local community We mainly support, empower and protect vulnerable communities in	We believe our long-term success as a national bank lies in advancing people's best interest and their trust	• Employment opportunities • Advancing social development • Enriching local human resources • Financial literacy and inclusion	• Partnerships and cooperation • Donations and sponsorships • Empowering people of determination	XXX

the Ras Al-Khaimah region, including immigrant workers, domestic workers and the poor	in us by increasing our responsibility towards the community	• Partnerships on common social and environmental issues	• ThinkMoney advice platform that promotes smart saving and spending, setting financial goals, and provides professional tips on how to efficiently manage personal finance, and more	
Environment The natural environment is a silent stakeholder. Safeguarding it is one of our key ESG pillars. We prioritise reducing our carbon footprint	An integral pillar of our ESG commitments includes the preservation of natural resources. We have well-established guidelines across branches and offices for environmental stewardship	• The preservation of natural resources • Environmental stewardship • The inclusion of environmental criteria when RAKBANK screens suppliers • The inclusion of environmental criteria in RAKBANK's lending and investing activities • Partnerships on common environmental issues	• Recycling initiatives • Elimination of single-use plastic at the headquarters • Conservation programmes • Green loans – mortgages, auto and personal	XXX
Government and regulators Central Bank of the UAE (CBUAE), Securities and Commodities Authority (SCA), Financial Services Regulatory Authority (FSRA), and Ras Al-Khaimah Department of Economic Development (RAK DED)	Regulatory compliance remains a crucial area of focus for RAKBANK. We have established processes to continuously ensure compliance with all regulatory requirements applicable to the business. RAKBANK maintains a zero-tolerance approach to any regulatory breach	• Compliance with legal and regulatory requirements through reliable corporate governance • Alignment with national strategies and visions • Protecting the consumer • Influencing awareness about the correlation between solid sustainability practices and financial performance with regulators	• Internal Audit and Control • External Audit • Compliance Unit • Risk Committee • Company Secretary • Annual Integrated Report	XXX
Suppliers Relationships with vendors, other third-party service providers and business partners	RAKBANK relies on healthy supplier relationships to achieve operational excellence. We are always working on improving this relationship with the objective of maximising efficiency and effectiveness. The Bank is committed to ethical, fair, transparent and sustainable dealings with our suppliers	• Timely payments • Fair and transparent bidding procedures • New opportunities for engagement and interaction • The inclusion of environmental criteria when RAKBANK screens suppliers	• Supplier portal through the Bank's intranet • Procurement department • Supplier Code of Conduct	XXX

Building and sustaining our talent pool

RAKBANK's human capital approach supports our 2026 strategy by ensuring the right people – with the right skills and values – collaborate to deliver on our vision to offer awesome customer experience and banking solutions for our customers across the UAE.

In 2023, our human capital approach continued to be that of hiring great talent, fostering continuous personal growth and enriching the overall work experience.

Our strategy includes the following key drivers designed to bring the Bank's transformation goals to life and build a vibrant team and culture:

- Attract the right talent: bring future-proof skill sets to the Bank while embracing workforce diversity
- Drive high performance: empower employees while setting clear goals and incentivise performance
- Invest in wellbeing: promote a healthy work-life balance with a collaborative and inclusive work environment
- Embrace change: upskill our workforce by fostering a culture of continuous learning with tailored learning paths
- Lead ethically: uphold a culture of strong compliance, transparency and accountability to ensure sustainability

In May, as part of our focus on values-driven behaviour across the Bank, we launched our revamped RAKBANK Code of Conduct. It encapsulates the "One Bank, One Team" principle to enable a dynamic work culture in which we can thrive and grow.

As is the case for most banks, RAKBANK addresses a range of material employment focus areas. Among these – with an increasing focus on Emiratisation – are retention and attrition in a highly competitive and increasingly regulated talent market.

RAKBANK's digital transformation journey, accompanied by rapid change and technological disruptions, brings with it organisational restructuring and optimisation. This echoes the need for the Bank, and the workforce, to adapt to more flexible and agile ways of working.

Workforce overview*

	2019	2020	2021	2022	2023
Total workforce (excluding trainees, students)	4,109	3,417	3,508	3,256	3,540
Full-time employees	4,085	3,395	3,488	3,232	3,521
Part-time employees	24	22	20	24	19
Senior Management employees	27	24	26	15	17
Middle Management employees	1,317	1,162	1,238	1,214	1,861
Non-Management employees (staff)	2,765	2,231	2,244	2,027	1,662
Trainees and sponsored students (only local sponsored students)	42	25	19	3	1
Number of nationalities	64	61	67	60	61

**Includes RAKINSURANCE data*

**The above numbers are in line with BRF reporting to the Central Bank of the UAE*

Workforce by age and gender	2019	2020	2021	2022	2023
Employees age 18-30	1,015	658	541	495	668
Employees age 31-50	2,994	2,663	2,851	2,630	2,726
Employees age 51+	100	96	116	131	146
Male employees	2,603	2,073	2,153	1,948	2,115
Female employees	1,505	1,344	1,355	1,308	1,425
Female employees in middle Management	425	386	402	430	678
Female employees in senior Management	3	2	3	2	3*

*New reporting methodology applied in 2023

New hires and turnover*	2019	2020	2021	2022	2023
Total new employee hires	705	280	574	758	908
Total new employees by age					
Age 18-30	317	126	164	293	382
Age 31-50	384	149	400	455	512
Age 51+	4	5	10	10	14
Total employees by gender					
Male	457	150	394	289	321
Female	248	130	180	469	587
Employee turnover (voluntary and involuntary)	981	957	497	802	834
Age 18-30	332	258	139	140	213
Age 31-50	628	668	353	629	601
Age 51+	21	31	5	33	20
Male	625	663	316	559	527
Female	356	294	181	243	307
Senior Management	2	4	1	5	6
Middle Management	253	222	132	212	232
Non-Management employees	726	731	364	585	313
Employee turnover (voluntary and involuntary) (%)	25%	27%	15%	24%	24 %
Employee turnover (voluntary)	650	368	428	607	679
Age 18-30	245	130	131	1236	187
Age 31-50	402	231	294	475	481
Age 51+	3	7	3	9	11
Male	398	221	259	404	426
Female	252	147	169	203	253
Senior Management	1	1	1	1	3
Middle Management	178	67	107	171	301
Non-Management employees	471	300	320	435	375

Employee turnover (voluntary) (%) (Total voluntary separations during the year/average annual headcount)	16%	10%	13%	18%	20%
Employee turnover (voluntary) (%) (Total voluntary separations during the year/total separations during the year)	66%	38%	86%	76%	81%

**2019 to 2022 data excludes RAKINSURANCE data. In 2023, RAKINSURANCE data is included*

WAVE: Embedding the 2026 strategy

RAKBANK's internal change management approach, geared towards aligning employees with the 2026 strategy and integrating it into RAKBANK's culture, is called WAVE.

WAVE	Description
Winning performance	Drive growth and profitability by optimising revenue streams and promoting business growth
Awesome customer experience	Align change initiatives that are personalised, relevant and omnichannel with the goal of delivering an awesome customer experience
Vibrant team and culture	Break down silos across divisions and foster collaboration and accountability while working towards common goals
Efficient and lean	Move to an operating model that optimises the business and operations with focus on scalability and efficiency

The WAVE themes provided guidance and support for RAKBANK's internal communication and transformation activities, fostering internal understanding, cohesiveness and productivity.

Learning pathways, training and development

During the year, we implemented a new approach to training and development that includes the use of psychometric evaluations and comprehensive development plans, supported by both coaching and 180-degree feedback. This is currently being rolled out across the Bank.

In 2023, our three focus areas were enhancing compliance-based learning, inducting new employees and bringing the 2026 strategy to life through specific learning paths. This involved the creation of bespoke induction programmes so that new employees can quickly become effective. These are complemented by fresh programmes for UAE nationals who are new to banking, as well as for our elite and direct sales teams.

In addition, we leveraged the learning capabilities of the Emirates Institute of Finance (EIF), which provides a comprehensive range of technical and behavioural courses through both virtual and face-to-face learning modes. Business-specific technical development is provided on a need's basis.

Learning

This year, RAKBANK piloted LinkedIn Learning to help identify and recommend learning paths for employees. Based on this, we will launch shorter learning paths in 2024, which will be blended with internally delivered learning experiences geared to make the learning more interactive.

The mandatory WAVE learning pathway on LinkedIn Learning consisted of the following:

W	Goal setting: objectives and key results (OKR)
A	Customer experience strategy: build a customer-centric culture
V	Taking ownership of your career
E	Cost reduction tips: how to cut costs and maximise profits

In addition, the following optional training courses aimed to support employees in their journey to the 2026 strategy.

W	• Creating a high-performance culture • Cultivating a growth mindset
A	• Design thinking: customer experience • Customer advocacy
V	• Diversity, inclusion and belonging • Critical thinking and problem solving
E	• Digital transformation • Agile foundations

During 2023, 99.6% of RAKBANK employees completed mandatory training.

Training and development (hours)	**2019**	**2020**	**2021**	**2022**	**2023**
Total training delivered	**85,092**	**42,592**	**22,688**	**58,480**	**54,629**
Average training per employee	**24.3**	**11.9**	**7.02**	**15**	**16.18**
Senior Management employee training					
… Total hours	124	84	60	136	73
… Average hours per employee	6.1	4.5	3.8	9.8	12.16
Middle Management employees					
… Total hours	38,922	23,508	9,534	16,247	34,621
… Average hours per employee	31.4	19.3	8.3	15.7	18.68
Non-Management employees					
… Total hours	46,046	19,000	13,094	33,022	19,936
… Average hours per employee	17.4	8.1	6.3	18.3	13.74
Male employees					
… Total hours	41,241	18,354	11,725	29,309	33,622
… Average hours per employee	16.3	8.2	5.9	17.5	16.76
Female employees					
… Total hours	43,851	24,238	10,962	20,096	21,008
… Average hours per employee	30.5	18.1	8.8	17.1	16.09

Attracting and retaining talent

Our talent acquisition strategy is aligned with market-leading global and local practices, leveraging our employer brand as well as reflecting our values and culture. Key talent is regularly engaged and developed via structured talent management, upskilling and cross-skilling, talent rotation, competitive total rewards and formal career progression paths.

Performance and career development reviews

Employees who join the Bank before 30 September in any year are eligible for performance reviews. In terms of the Bank's talent management framework, all employees at middle management level and above are eligible for career development reviews.

These reviews are supported by a robust performance management framework across three key stages: goal setting at the beginning of the year; a formal mid-year review; and a second formal year-end review. These include evaluation of what has been achieved in terms of established goals as well as in relation to the Bank's values. The outcomes of these reviews provide the foundation for the development of improvement plans for the next year.

Succession planning

The development of short- to medium-term succession plans for all Senior Management and other key positions is a crucial component of RAKBANK's formal talent management structure.

Flexible and work-from-home opportunities

We offer flexible working hours to enable employees to manage their priorities. Employees can choose from three in-office windows: 7am to 4pm, 8am to 5pm and 9am to 6pm.

Recognising the workforce trend of flexibility and agility, the Bank is also piloting models for new ways of working. These take advantage of recent technologies to provide employees with a dynamic work experience. Collaborative tools such as Microsoft 365 and Azure Virtual Desktops (AVD) enable employees to work remotely without compromising the security of the Bank or the privacy of its customers.

Remuneration, rewards and recognition

Our employee remuneration packages are based on industry norms and standards as well as competence. In addition to wages/salaries, their packages include leave and insurance.

Leave

We recognise that time off for rest and recuperation is essential to a healthy workforce. Prioritising the health and wellness of our employees, RAKBANK offers the following categories of leave:

- Annual
- Sick and/or unpaid or half pay
- Maternity and/or unpaid or half pay
- Paternity
- Military
- Study
- Compassionate

- Marriage
- Hajj
- Unpaid

Parental leave*	2019	2020	2021	2022	2023
Number of male employees who took parental leave**	N/A	N/A	N/A	73	77
Number of female employees who took parental leave	116	89	87	55	76
Number of female employees who returned to work after parental leave ended (return to work)	108	83	86	51	73
Return to work rate (%)	93%	93%	N/A	93%	96%

** Includes RAKINSURANCE data*

*** Above numbers are of only active male employees as of February 2024 who had taken parental leaves during these years. N/A until 2021 since parental leave was introduced in RAKBANK in 2021*

Insurance

RAKBANK provides its employees with life and health insurance. With the exception of the United States and Canada, health insurance covers front-line staff and officers worldwide. This year, it was expanded to include dental treatment.

Furthermore, we provide life insurance that covers both permanent partial disability and permanent entire disability, subject to the terms of the policy. The coverage for accidental death was expanded to include 18 more multiples this year.

RAKBANK SHINE

In August 2023, the Bank launched RAKBANK SHINE, a digital rewards and recognition programme. This allows employees to appreciate the achievements of colleagues across the Bank in non-monetary ways. Simultaneously, and aligned with the Bank's overall WAVE strategy outlined earlier, Senior Management can also recognise the outstanding contributions of employees via points-based awards. Since we launched, more than 4,000 appreciations – focussed on WAVE's four strategic pillars – have been shared via the platform.

Employee engagement and wellbeing

We conducted two key employee surveys during 2023: one full engagement survey and a subsequent pulse check. These focused on recognition, collaboration and workplace experience. Between the survey and the pulse check, overall employee engagement improved by 4% as novel initiatives were implemented based on employee feedback. These included RAKBANK SHINE and the launch of the RAKBANK Sports and Wellbeing councils, led by RAKBANK employees to support the mental, physical and social welfare of employees. Employee workspaces were upgraded, which comprised a new modern work environment in our Dubai Corporate Office and the rollout of new larger monitors across the organisation.

Driven by the Bank's employee engagement platform, RAKBANK Voice, the following took place during 2023:

- A roadshow on RAKBANK's strategy was used to bring teams together

- HR Connects conducted information-sharing sessions with employees to brief them on important topics such as medical benefits, how to prepare for performance reviews and employee benefits
- Business and management councils as well as steering committees were launched to drive collaboration and provide opportunities for staff to showcase their talent
- In the Majlis sessions, our CEO visited employee locations across RAKBANK for two-way interactions with employees in which they openly discussed challenges
- The newly launched Sports and Wellbeing councils conducted useful interventions such as doctors' visits, a breast cancer awareness programme and sports tournaments
- The Mawaheb Talent Show offered a platform for employees to highlight their unique talents, ranging from singing, dancing and drumming to acrobatics

In addition, the Sports and Wellbeing councils championed several initiatives aimed at raising employee engagement and awareness.

CYCLING DAY	65 RAKBANK cyclists participated in the RAKBANK Cycling Tournament in Al Qudra cycling track in December
FOOTBALL	A 13-member team participated in the RAK Football Tournament and reached the semifinals
CRICKET	Cricket tournament organised with 270+ colleagues participating and over 300+ attending in November
BADMINTON	100+ participants attended the Baseline Sports Academy at Al Quoz in September
MENTAL HEALTH AWARENESS	200 colleagues attended the session in May intended to provide an insightful, interactive, safe and supportive space for them to learn ways to cope and manage triggers for mindfulness
YOGA MONTH	Three weekly sessions were attended by 450 colleagues in June. The sessions were facilitated by a RAKBANK colleague who is a yoga expert
FIT DAY @ WORK	Eight, weekly sessions of 30 minutes duration were conducted at DSO and ROC. Each session encompassed stretching, mobility and light workout formats
ONE STEP AT A TIME	Motivational messages to encourage colleagues to take steps to wellness
HAPPINESS DAY CELEBRATIONS	Yellow themed decor and messages across DSO and ROC for Happiness Day in March

International Women's Week

In March 2023, we celebrated International Women's Week and all women employees were given one day off as a gesture of appreciation and support. We showcased three inspirational women role models at RAKBANK who have achieved great success in their careers and personal lives.

Employee engagement and wellbeing	2019	2020	2021	2022	2023
Employee engagement (%)	63%	N/A *	60%	63%	67%
Employee absentee rate	1.28%	0.58%	1.30%	2%	0.29%

**Due to circumstances related to COVID-19, the Employee Engagement Survey was not conducted in 2020*

***Excludes RAKINSURANCE data*

****2023 is the pulse survey data conducted during September 2023*

Employee grievances

RAKBANK implements a rigorous grievance mechanism and process to ensure employee complaints are treated confidentially, as well as efficiently and are fairly addressed. As far as possible, HR investigates any employee complaint and endeavours to resolve the matter before it escalates to an official grievance. In 2023, we handled 30 grievances.

Emiratisation

Being a UAE national bank, our goals are to cultivate a skilled Emirati workforce and encourage economic diversity among Emiratis. This indicates that RAKBANK is devoted to the national development objectives of the United Arab Emirates and that Emiratisation is of utmost importance to the Bank. Furthermore, RAKBANK's Emiratisation programme makes sure our employees and Emirati customers get along. Employees from the UAE are better able to relate to and comprehend the needs of local customers, which leads to improved service.

Initiatives for attracting and retaining Emirati talent include the following:

- **Divisional champions**

  RAKBANK appoints Emirati employees as divisional champions, responsible for representing Emirati employees at various levels. This ensures their concerns, aspirations and ideas are adequately addressed.

- **Round tables**

  Regular roundtable discussions encourage our Emirati employees to share their perspectives, suggestions and innovative ideas. This creates an inclusive environment and fosters a sense of ownership and engagement.

- **Talent development programmes**

  RAKBANK designs targeted talent development programmes for Emirati employees. These initiatives can consist of training, mentoring, coaching and leadership development opportunities to enhance their skills and career progression.

- **Career development**

  Implementing clear career paths and advancement opportunities designed specifically for Emiratis to attract and retain talent. This includes offering specialised training programmes, internal mobility options and mentorship opportunities that nurture talent within the Bank.

- **Collaboration with educational institutions**

  Establishing partnerships with local universities and educational institutions encompasses collaborative programmes, internships and scholarships to attract talented Emirati students and create a pipeline of Emirati talent.

- **Emirati cultural integration**

  Celebrating national holidays and cultural events fosters a sense of belonging and pride, enabling RAKBANK to promote Emirati culture and heritage within the organisation.

Nationalisation	2019	2020*	2021	2022	2023
Total Emiratisation points	1284.3	• Operational Emiratisation points: 1,273.5 • RAKINSURANCE Emiratisation points: 54 • Retention points: 228	N/A***	• Operational Emiratisation points: 1,245 • Recruitment points: 201	1,322
Total number of national employees **	571	583	551	604	665
Number of female national employees	504	515	489	534	576
Number of male national employees	67	68	62	70	89

** In 2020, the Bank was given two separate targets for Emiratisation: Operational Emiratisation Target Points and Retention Target. While the calculation basis of Operational Target Points is the same as 2019, Retention Target Points is achieved if the number of Emiratis working for the Bank as at 31 December 2020 is the same as 31 December 2019*

*** National employees with family book*

**** N/A given the Central Bank of the UAE issued a cumulative target for two years 2021 and 2022, which was then revised to the current target*

Type	2019	2020	2021	2022	2023
Emirati headcount	571	583	551	604	665
Expat headcount	3,538	2,834	2,957	2,652	2710
Total headcount	4,109	3,417	3,508	3,256	3375
% of total Emirati headcount	14%	17%	16%	19%	20%

Diversity and inclusion

Diversity and inclusion: RAKBANK understands the benefits of fostering an inclusive work environment where a range of viewpoints is respected. The Bank has selected gender, nationality and non-banking talent diversity as its strategic diversity and inclusion (D&I) pillars.

The Bank's total gender diversity increased slightly in 2023, with Senior Management exhibiting a greater degree of diversity. The establishment of a dedicated council to advance diversity and inclusion in the Bank and the heightened emphasis on diversity in talent acquisition have played significant roles in this transformation.

Gender pay ratio*	2020	2021	2022	2023
Median male compensation to median female compensation	0.9:1	0.9:1	0.9:1	0.97:1

**Excludes RAKINSURANCE data*

Looking to 2024

In the upcoming year, RAKBANK intends to leverage its cloud-based, digital HRM platform to further enhance employee engagement by incorporating innovative work practises. This will involve skill set mapping, continuous reviews, optimising spans and layers, and matching skills to jobs. It includes high potential future leaders rotating across functions, which is a crucial component of succession planning for all Senior Management.

Alongside this, we will keep finding and developing internal talent, advance our Emiratisation strategy, and fulfil our commitment to the diversity and inclusion plan. Our focus on competitive pay and benefits will help to enrich our employer value proposition.

Opportunities for the forthcoming year will concentrate on optimising talent management, fostering employee development and ensuring a workplace culture that aligns with the Bank’s objectives. RAKBANK is actively investing in attracting high quality, fit-for-future talent as well as implementing retention strategies by refining our recruitment processes, emphasising employer branding and creating a conducive work environment.

These opportunities align with RAKBANK's broader business objectives. They reflect a commitment to building a skilled, engaged and diverse workforce. By integrating these opportunities into our human resource strategy, RAKBANK aims to stay competitive, resilient and well positioned for future success.

Corporate social responsibility

RAKBANK is aware of the importance of corporate social responsibility (CSR) to both the expansion of the UAE and our company.

The Bank's three main pillars – economic, environmental and social – are addressed in its CSR Policy, which is centred on improving the environment and community in which the Bank operates.

Our business strategy is in line with our CSR initiatives. It promotes financial inclusion, fosters the growth of SMEs and raises financial literacy among both individuals and enterprises.

Events include athletic competitions, charitable giving and environmental and sustainability projects. Our awareness-raising efforts encourage people of determination and promote the Bank's Emiratisation initiatives.

RAKBANK selects beneficiaries for CSR funding through the following process:

Identify CSR opportunities that are in line with the Bank's ESG framework and identity	Seek out organisations that help the Bank achieve its CSR vision	Audit the potential non-profit to make sure that it is a legitimate organisation, as per the UAE laws and regulations	Onboard the selected beneficiary as a vendor with the Bank	Regularly monitor progress and impact

CSR 2022 spend

Community investment and volunteering	2020	2021	2022	2023
Value of investment in local community (AED 000)	1,017	1,149	906	750
Number of beneficiaries of community activities	11	14	5	6
Volunteering hours	750	1155	-*	784**

These figures are for Bank-wide CSR spending

**Number for 2022 unavailable*

*** Includes volunteering hours for financial literacy, INDIMAJ programme and activities held by the employee councils.*

Supporting people with autism

One of our community highlights is RAKBANK's continued support of people with autism through two initiatives. These form part of our long-term commitment to building a more empathetic and socially responsible culture.

RAK Autism Centre

The RAK Autism Centre is a not-for-profit organisation that has served children with autism spectrum disorder (ASD) in Ras Al-Khaimah since 2006. In 2023, the Bank contributed to educating 35 children with ASD through this centre.

INDIMAJ

In 2016, we launched our INDIMAJ programme. In Arabic, "indimaj" means "integration", which describes the core purpose of the programme – to help children of determination seamlessly integrate into society. INDIMAJ is a work experience programme specifically designed for students of determination and especially those who have ASD.

In 2023, RAKBANK partnered with three institutions and identified nine candidates. Each week they spend a few hours in selected offices where they learn new and useful skills such as data entry and filing. Teachers assist students as appropriate while they monitor their development and prepare weekly reports.

Changemakers Competition

The RAKBANK Changemakers competition offers a platform for university students to explore entrepreneurship linked to sustainability. Students participated in a competition for the best ESG business ideas. Guided by members of RAKBANK's BBG, students had to plan and build businesses. This competition showcases RAKBANK's lasting commitment to sustainability in partnership with universities across the country and is designed to educate and encourage passion in topics associated with ESG.

Three hundred students took part in the competition, either in groups or independently. Their innovative company concepts addressed issues associated with water, health, education and renewable energy. Six finalists were chosen and they presented their proposals to a group of judges drawn from within RAKBANK and beyond. The winning teams received cash awards and/or RAKBANK internships.

Prizes	University	Business idea
First prize		
AED 10,000 cash For each team member: a four-week, paid internship (AED 2,000)	**American University of Sharjah**	**Hydropreneur** Revolutionises home agriculture using traditional hydroponic techniques so that home-based entrepreneurs can produce sufficient fresh produce to sell and deliver to consumers.
Second prize		
AED 7,000	**American University of Sharjah**	**LeafLine Company** A "green" debit card and smart robo-adviser • Boosts eco-investments by rounding up purchases with the proceeds going towards green bonds • Helps consumers track their spending and its environmental impact • Suggests greener choices
Third prize		
AED 5,000	**Manipal Academy of Higher Education**	**Piezo Power** Piezoelectric technology to revolutionise water desalination and agriculture in the UAE. It reduces energy consumption, improves water infrastructure and increases precision agriculture, all of which will contribute to a more sustainable future.

Disaster relief

Working along with the Emirates Red Crescent, we are supporting the victims of the ongoing violence in Gaza in accordance with the UAE Government's Tarahum for Gaza initiative, which offers aid to affected Palestinians. In 2023, RAKBANK donated AED 175,000 to the initiative.

RAKBANK employees could choose to contribute to the relief operations by having money deducted from their salaries and sent to the Emirates' Red Crescent.

Supporting local communities through volunteering

RAKBANK created a CSR policy in 2021 in compliance with the Securities and Commodities Authority's regulations (SCA). This combines social, environmental and economic dimensions, driving initiatives for financial inclusion, sustainability and public awareness. In addition, we offer carefully selected volunteer opportunities for social problems, which are supervised by the RAKBANK Sustainability Council, and to further improve staff community involvement. Furthermore, the RAKBANK Sustainability Council hosts tailored financial literacy programmes covering a wide range of important and fundamental topics for every audience. These workshops are offered to RAKBANK employees internally, as well as to middle and high school students at education institutions.

Number of participants: **2,875** Includes financial literacy for school, financial clinics for employees and customers, as well as SME training in SMEsouk

RAKBANK Sustainability Council

Community development is a major aspect of sustainable development across all sectors. RAKBANK contributes to the betterment of the communities in which it conducts business by endorsing programmes that foster a beneficial societal influence by means of contributions and sponsorships, or by advancing financial literacy to empower customers to make judicious financial choices. By promoting a better now and tomorrow, we want to propel significant endeavours that are in line with our vision. Volunteer opportunities and initiatives that promote sustainability are being significantly advanced by our employee-driven Sustainability Council.

Council's summary of activities

	Q1	**Q2**	**Q3**	**Q4**
Sustainability Council	Clean UAE (Feb)	INDIMAJ (May) Financial literacy in schools (May)	Financial clinic (Sept) Financial literacy in schools (Sept)	Financial clinic (Oct) Tree plantation (Dec) Financial literacy in schools (Dec)

Financial inclusion

In its journey to provide awesome customer service, RAKBANK offers more than just products. The Bank has developed a suite of offerings that support customers, irrespective of their economic standing and experience.

C3Pay Card

RAKBANK partners with C3, a prepaid card service provider that is part of the Edenred Group – a world leader in prepaid corporate services – to provide immediate and secure salary transfers to blue-collar workers. This enables RAKBANK to offer payroll solutions for both banked and unbanked employees and companies, thus promoting financial inclusion and opening new markets for the Bank. The Edenred card is more than just a product offering, it is a core value of RAKBANK to extend banking services across the country and reduce cash vulnerability for all levels of society.

Through this partnership, RAKBANK is presently providing support to 1,74 million customers by introducing its C3Pay payroll cards throughout the UAE. The primary goal of the card is to assist blue-collar workers who are unable to obtain banking services owing to minimum wage restrictions set by the banking industry. With this package, employees can use RAKBANK's fast remittance service, RAKMoneyTransfer. It offers blue-collar workers the security of a recognised bank for handling their valuable personal finances, at a cost that is both reasonable and competitive when compared to exchange houses.

In collaboration with Ripple, this enables RAKBANK customers using the C3Pay app to transfer money to family members in countries such as India, Philippines, Pakistan, Nepal and Sri Lanka, without having to handle or physically move cash. Through our 2023 integration with Western Union, customers can now perform transfers to 179 countries.

RAKMoneyTransfer leverages innovative blockchain technology to mitigate cash vulnerability and enhance access to banking services. Using this solution, RAKBANK improves the speed, efficiency and security of cross-border remittances, facilitating seamless financial transactions for our customers.

Financial literacy

Having a thorough understanding of every aspect of finance improves one's ability to positively impact society; financial literacy is an essential life skill. We aim to raise the standard of financial literacy in the communities where we operate through training and educational programmes. As part of our social responsibility and to further the UAE's growth, we plan to empower and support different groups of people to achieve financial stability and security in the future.

A cohort of 650 pupils in grades 7 to 9 and 11 to 12 attended the first financial literacy programmes held at JSS International School in Dubai in 2023. To help students make better decisions in the future, we covered financial topics including debt management, investing, saving and budgeting.

In addition to the financial literacy programmes conducted with learners, RAKBANK hosted financial clinics to educate and raise awareness about important financial subjects. The first financial clinic was facilitated in association with RAKNIC and Al Tamimi & Co and was attended by 100 employees. It focused on life insurance, wills and personal status law, providing essential information to support employees and help with future financial planning.

Supporting SME growth

RAKBANK is striving to become the preferred partner for SMEs, and already provides a growing range of products that cater to the specific needs of startups and entrepreneurs. Among these are RAKstarter, Business Current Account and Business Elite, which are designed to help SMEs achieve their objectives from the beginning of their entrepreneurial adventure. In addition, RAKBANK also offers digital solutions like Quick Apply for customer onboarding and business finance, value propositions with cash management solutions and SMEsouk, a digital marketplace and ecosystem with offerings designed to help businesses at any stage of their journey.

RAKBANK partners for SME financing options

RAKBANK continued doing business with the Emirates Development Bank, Dubai SME, Abu Dhabi DED, RAK SME and other entities with which we have well-established alliances. We have collaborated with Tradeling, a B2B platform for businesses in the Middle East and North Africa, as part of our commitment to building an environment for the sustainable development of SMEs. The Tradeling.com website provides RAKBANK Business cardholders with access to preferred buying terms so that our SME customers can take advantage of competitive pricing, optimise their earning potential and streamline their procurement process. Additionally, Tradeling's platform makes use of cutting-edge technologies to enhance supply chain operations, generate revenue and reduces risk for small enterprises.

With an ever-evolving product portfolio to meet the specific needs of startups and entrepreneurs, RAKBANK intends to be the go-to partner for SMEs of all sizes. The Bank has enhanced the SMEsouk platform and the Quick Apply digital portal to further improve client experiences.

<table>
<tr><th>RAKstarter's main features</th><th>Quick Apply's main features</th></tr>
<tr><td>Current account with no minimum balance

Accounts available in AED, USD, EUR and GBP currencies

Attractive interest rates

No ledger/fall-back fee

Optional value-add packages with access to an array of business financing products including a cloud-based accounting package, business insurance and other banking benefits specifically targeted at entrepreneurs

Attractive foreign exchange and trade finance rates

Competitive interest rate on fixed deposits

Dedicated relationship manager

Phone banking services available 24 hours</td><td>Digital customer onboarding platform for Business accounts and Business Finance

Instant access to Business accounts at every stage of the business journey

Available in both conventional and Islamic options

Quick turnaround time for processing of business applications

Zero-balance accounts with preferential forex rates for startups

Access to low-balance accounts, preferential transaction fees, and a dedicated relationship manager for growing businesses

Business Elite Premium Services account for established businesses that offers an array of exceptional privileges, cost savings, priority services and preferential pricing, as well as lifestyle benefits

A dedicated relationship manager

Free electronic fund transfer through digital banking (excludes third-party charges)

Enhanced transaction limits</td></tr>
</table>

Strategic fintech partnerships

RAKBANK has strategic partnerships with innovative fintech providers, including Versify and Bitnudge, to augment our range of products and services. These collaborations are instrumental to RAKBANK's expansion and influence in the SME market.

SME education and training

RAKBANK hosts free educational webinars as part of SMEsouk, with the goal of giving our SME customers insightful information to support their efforts to grow their companies. These webinars act as a helpful tool to provide SMEs with the fundamental knowledge that drives their expansion.

In 2023, RAKBANK arranged the following webinars:

- Corporate Tax in collaboration with Deloitte Middle East and MI CAPITAL
- Business Insurance in collaboration with RAKINSURANCE and MetLife

Preservation of Natural Resources

Climate change is one of the biggest challenges the world has ever faced, and collective efforts are necessary as we tackle these risks and help our environment and society to get on a better trajectory. The financial industry is a key player in identifying and managing both the risks and opportunities related to climate change. Therefore, we are dedicated to integrating ESG principles into our core business strategy to create long-term financial growth and create a more sustainable future for all. We support national and international efforts to preserve natural resources, especially where we can have direct influence. This begins with assessing and disclosing our own resource use, putting appropriate initiatives in place, and continuing to focus on reducing our environmental impact in meaningful and measurable ways.

Thanks to our strategic partnership with Honeywell Middle East, we are implementing energy-saving measures that improve the environmental friendliness of RAKBANK's operations.

This year, we were able to successfully execute plans to cut total water usage by 14%, direct power consumption by 8%, and paper consumption overall by 14% in 2023. We are proud to have reduced both indirect energy usage and greenhouse gas (GHG) emissions by 100% when compared with 2022.[3]

EcoLabel Certification

The Ras Al-Khaimah Environment Protection and Development Authority presented RAKBANK with the EcoLabel certification honour on 5th December, during COP28.

For businesses whose goods adhere to stringent environmental protection requirements, the EcoLabel is a badge of excellence and sustainability in the environmental field. Recipients of the EcoLabel are recognised as important participants in maintaining and safeguarding the environment.

The efficient use of resources, such as electricity, water and raw materials; waste reduction; air pollution reduction; and the use of digital technology to implement ecologically friendly changes in all its activities are some of the factors considered during the EcoLabel certification process.

Water consumption

Adopting sustainable water management practices allows us to be responsible and efficient in our water usage, while addressing water insecurity through our business operations. As a result, we have installed sensors and dual flush systems on all urinals and wash basin faucets to conserve water. We recycle more than 2.5 million litres of water annually at our RAKBANK HQ in Ras Al-Khaimah through a grey water treatment plant, which is utilised to flush toilets and urinals.

Water Consumption

	Unit/ calculation	2019	2020	2021	2022	2023
Total water consumption	Litre	61,988,755	55,664,894	47,479,894	48,407,000	41,830,475

[3] ESG KPIs 2023.xlsx

Water consumption intensity	Litre/employee	15,895	17,271	13,535	14,867	12,383

** Excludes RAKINSURANCE data, but total employee figure is as per Group data (inclusive of RAKINSURANCE).*

Waste

We recognise that waste has a major global impact on greenhouse gas emissions. To reduce waste, we continue to work in partnership with Shred-It, a global leader in document destruction services. Solutions based on compliance are offered by Shred-It to help safeguard people, brands and the environment. We currently have 79 Shred-It recycling boxes distributed among our locations in Ras Al-Khaimah and Dubai. Furthermore, by using recycled plates instead of single-use paper ones, we helped preserve almost 40 trees in 2023. RAKBANK recycles about 25,000 kilograms on average, per quarter.

Materials Consumption and Waste

	2019	2020	2021	2022	2023
Total paper consumption (kg)	160,220.5	82,375	75,688	79,450	70 800
Total paper recycled (kg)	80,944	78,792	159,234	130,680	108 182

Retrofitting initiative

In 2023, RAKBANK commenced a new circular economy initiative for retrofitting our RAKBANK Corporate Office Dubai as part of our sustainability drive. We completed the retrofitting of one floor, which centres on the use of environmentally friendly materials and the integration of light and control sensors. Moreover, we have replaced the separate waste bins under each workstation with centralised waste bins as part of this endeavour.

We will continue our efforts in this space during 2024 and are planning for the retrofitting of several floors in our RAKBANK Corporate Office Dubai.

The road towards net zero[4]

Net zero commitment [5]

The road to net zero is crucial to limit global warming to 1.5° Celsius and minimise its negative impacts on our planet, people and economy. To help individuals and companies cut emissions, the banking industry has a key role to play in identifying and managing both the risks and opportunities related to climate change.

[4] Net zero (rakbank.ae)

[5] Net zero (rakbank.ae)

We are dedicated to integrating ESG principles into our core business strategy to create long-term financial growth and create a more sustainable future for all. This is why we are thrilled to begin our net zero journey by making a commitment that aligns with the UAE's vision for complete decarbonisation by 2050.

RAKBANK commitment:

Net zero in our banking operations by 2030

We have already taken steps to reduce our carbon footprint. Our efforts have led to the following changes:

- Replacement of existing fluorescent lamps to energy-efficient LED lamps
- Installation of automatic light sensors in the office space
- Installation of a transparent roof in the warehouse to harvest daylight
- Installation of chiller plant optimisation
- Installed HVAC optimisation that uses VFD controls
- Implemented indoor air quality monitoring with CO_2 management at our RAK headquarters

Currently, RAKBANK's electricity consumption from renewable sources is limited to a few solar-powered lights installed at our Dubai Silicon Oasis office (DSO). Once the Federal Electricity and Water Authority (FEWA) guidelines on solar integration to grid become available, we will proceed to reviewing RAK HQ and Nakheel, which offer potential for using renewable energy.

In conjunction with our newly announced net zero commitment, we are aiming to further advance this journey. Measures might include, but are not limited to the following:

- Measuring baseline emissions
- Developing net zero action plan for our banking operations
- Setting emission reduction targets
- Developing business strategies to achieve those targets
- Engaging with customers
- Incorporating ESG as part of vendor sourcing

Electricity and emissions

	Unit	**2019**	**2020**	**2021**	**2022**	**2023**
Indirect energy use	GJ	96,863	88,038	286	71,362	69,949
Direct electricity consumption	kWh	26,906,412	24,454,915	79,351	19,822,691	19,430,262
Total workforce	Number	3,900	3,223	3,508	3,256	3,378
Vehicle fuel consumption (gasoline)	Litre	294,335	138,174	106,345	106,461	82,632

**Excludes RAKINSURANCE data, but total employee figure is as per Group data (inclusive of RAKINSURANCE).*

	Unit	**2019**	**2020**	**2021**	**2022**	**2023**
GHG emissions	CO_2e (tonnes)	25,932	18,961	3,556	15,187	14,169

Emission intensity	CO2e (tonnes)/ employee	6.6	5.9	1.0	4.7	4.2
GHG emission percentage		30%	24%	5%	20%	18%

**Excludes RAKINSURANCE data, but total employee figure is as per Group data (inclusive of RAKINSURANCE).*

GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

Governance

RAKBANK believes its approach to corporate governance reflects its value system; encompassing its culture, policies and its relationship with all concerned stakeholders such as shareholders, regulators, employees, customers, vendors, government and the community at large. Corporate governance is a system of practices, processes and rules, which directs the affairs of an organisation in an efficient manner and helps it to maximise value for its stakeholders. These ensure the Bank's affairs are managed in a manner that prioritizes accountability, transparency and fairness in all transactions in the widest sense. Governance requires balancing the interests of the organisation with that of its various stakeholders.

At RAKBANK, corporate governance is not just a destination, rather it is a journey to constantly improve sustainable value creation. It is an upward-moving target that the Bank strives to achieve. As the Bank moves closer to its aspirations of being a global corporation, it is imperative that its corporate governance practices are globally benchmarked. RAKBANK not only adheres to the corporate governance practices prescribed by regulatory requirements, but is also committed to adopt sound corporate governance principles, including emerging global best practices. The Bank endeavours to achieve higher standards and provide oversight and guidance to the management in strategy implementation, risk management and fulfilment of stated goals and objectives.

The Bank has defined a multi-tier governance structure with defined roles and responsibilities for every constituent of this system. The key principles of this structure are as follows.

Board of Directors: The Board of Directors is the apex body created to oversee the overall functioning of the Bank. The Board provides strategic direction and leadership and oversees the management policies and their effectiveness, considering the long-term interests of shareholders and other stakeholders. The Board, inter alia, reviews and guides corporate strategy, major plans of action, risk policy, annual budgets, acquisitions and divestments. It also monitors implementation and effectiveness of governance structures. *For further details, see the section titled "Board of Directors" in this report.*

Board committees: The Board has delegated its functioning in relevant areas to designated Board committees to effectively deal with complex or specialised issues, as appropriate. *For further details, see the section titled "Board Committees" in this report.*

The Bank's governance structure is supplemented with several policies and codes that lay down the values and standard of conduct expected from the Board and the Bank's staff while performing their roles and responsibilities across various functions. Some of these policies are:

- Disclosure and Transparency Policy
- Policy on Related Party Transactions
- Share Dealing Policy
- Board Selection, Appointment and Remuneration Policy
- Whistleblowing Policy
- Code of Conduct and Ethics for Board Members

The Bank's investment in its corporate governance framework sets the tone for attaining its objectives across every sphere of management, from action plans and internal controls to performance measurement, ethics and corporate disclosures. Good corporate governance helps to build trust with the investors and the community and helps to create, enhance and safeguard long-term interest and sustainable value for all its stakeholders. The Bank is committed to meet the aspirations of all its stakeholders, which is reflected in shareholder returns, awards, recognitions and decision-making, resulting in a valuable relationship and trust with its stakeholders. Strong corporate governance practices form the foundation of the Bank's consistent performance and has helped it gain the respect and long-term association of its stakeholders.

BOARD OF DIRECTORS

The Board of Directors' primary responsibility is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, including its customers, employees, suppliers and local communities.

In all actions taken by the Board, the Directors are expected to exercise their business judgement in what they reasonably believe to be in the best interests of the Bank and to comply with relevant laws, regulations, rules and best banking practices. In discharging that obligation, Directors may rely on the Bank's Senior Executives, external advisers and Auditors.

The Board has overall responsibility for corporate culture, governance and stakeholders' rights, Sharia governance, risk, credit internal controls, strategy, financial transparency and disclosure, management oversight, and nomination and remuneration.

Rajan Khetarpal resigned as a board member in the Board meeting dated 13th February 2023 and Mr. Jonathan Morris was appointed as a Board member in the same Board meeting dated 13th February 2023

The Board of Directors is composed of seven members.

Name	H.E. Mohamed Omran Alshamsi
Position and membership capacity	Chairman – Independent, Non-Executive
Experience and qualifications	After graduating from Cairo University where he specialized in Telecom and Electronic Engineering, H.E. Mohammad Omran Alshamsi joined Etisalat (one of the world's leading telecom groups in emerging markets) in 1977. He started his career in the Engineering department, rising to the position of Chief Executive Officer in 2004. In 2005, he became Chairman and Chief Executive Officer of Etisalat. The position he held until he retired in 2012. He has received numerous awards for his personal contribution to the Telecom sector, including Lifetime Achievement Awards from CEO Middle East, Abu Dhabi Economic Forum, and the Middle East Business Leaders' Summit along with many other prestigious recognition. Mr. Alshamsi held multiple Board memberships. He was also the Chairman of the Board of Trustees for the American University in Ras Al Khaimah, Chairman of the Board of Trustees of Ras Al Khaimah Medical and Health Science University, and Chairman and Chancellor of the Higher Colleges of Technology.
Period spent as a Board member from the date of first election	Starting from 2015
Membership and positions at any other joint stock companies	Nil
Main positions at any other important regulatory, government or commercial entity	Nil

Name	H.H. Shaikha Amneh Al Qasimi
Position and membership capacity	Vice Chairman – Independent, Non-Executive
Experience and qualifications	As Chairman of the Investment and Development Office (IDO), the strategic investment arm of the Emirate of Ras Al Khaimah in the United Arab Emirates (U.A.E.), H.H. Shaikha Amneh Saud Al Qasimi is responsible for optimising the investments of the Emirate. H.H. Shaikha Amneh Saud Al Qasimi also serves on the boards of several of the IDO's portfolio companies. Prior to her role as Chairman of the IDO, Shaikha Amneh was a member of Goldman Sachs' Investment Strategy Group in New York, where she focused on identifying tactical asset allocation opportunities in emerging market currencies and equities. Shaikha Amneh earned an MBA from the Stanford Graduate School of Business and a Bachelor of

	Science degree in Business Administration from the American University of Sharjah.
Period spent as a Board member from the date of first election	Starting from 2018
Membership and positions at any other joint stock companies	Nil
Main positions at any other important regulatory, government or commercial entity	• Chairman of the Investment and Development Office (IDO)

Name	Mr. Ahmed Essa Al Naeem
Position and membership capacity	Board Member – Non-Independent, Non-Executive
Experience and qualifications	Mr. Ahmed Essa Al Naeem has over 39 years of experience with the Ras Al Khaimah Government. He is the former Chairman of Ras Al Khaimah's Electricity and Water Authority, and General Manager of RAK National Oil Company and RAK Gas. He is also a former member of the Ras Al Khaimah Municipal Council and the Ras Al Khaimah Chamber of Commerce and Industry and Agriculture and has held additional posts in several ministries. Mr. Al Naeem is currently Chairman of RAK Trade Centre, Al Naeem Mall, Al Naeem City Centre, and Khalifa Mall. Additionally, he is Vice Chairman of RAK Insurance and Director of Majan Printing.
Period spent as a Board member from the date of first election	Starting from 2009
Membership and positions at any other joint stock companies	Vice Chairman of RAKINSURANCE PSC
Main positions at any other important regulatory, government or commercial entity	• Chairman of RAK Trade Centre, Al Naeem Mall, Al Naeem City Centre, and Khalifa Mall • Director of Majan Printing

Name	Mr. Salem Ali Al Sharhan
Position and membership capacity	Board Member – Independent, Non-Executive
Experience and qualifications	Mr. Salem Ali Al Sharhan worked at Emirates Telecommunication Corporation (Etisalat) for 23 years until May 2011 as Group Chief Financial Officer. During this time, he represented the company on many boards of international telecommunication companies. At present, Mr. Al Sharhan is Board member of Dubai International Financial Centre (DIFC), member of the Board of National Cement Company (PJSC), member of the Board of Trustees of American University of Ras Al Khaimah, as well as the Chairman of the Board of Trustees of Ras Al Khaimah Medical and Health Science University. Mr. Al Sharhan holds a Bachelor of Science degree in Accounting and Business Administration from United Arab Emirates University, UAE.
Period spent as a Board member from the date of first election	Starting from 2012
Membership and positions at any other joint stock companies	• Board Member of National Cement Company PJSC
Main positions at any other important regulatory, government or commercial entity	• Board Member of Dubai International Financial Centre (DIFC) • Member of the Board of Trustees of American University of Ras Al Khaimah • Member of Board of Trustees of Ras Al Khaimah Medical and Health Science University

Name	Mr. Kantic Dasgupta
Position and membership capacity	Board Member – Independent, Non-Executive
Experience and qualifications	Mr. Kantic Dasgupta is a highly qualified risk management professional with extensive banking experience across all aspects of risk management including credit, market and operational risk. Before joining RAKBANK as a Board member, Mr. Dasgupta spent two and a half years as an adviser and consultant on risk to Abu Dhabi Islamic Bank, a role that included the oversight of strategic issues and where he was the Chairman of the Governance and Risk Policy Committee. Mr. Dasgupta came to the UAE in 2007 following his appointment as CRO for Mashreq Bank. Prior to that, he spent a long and successful career with Citibank spanning multiple geographies and a variety of senior roles in risk management.
Period spent as a Board member from the date of first election	Starting from 2017
Membership and positions at any other joint stock companies	Nil
Main positions at any other important regulatory, government or commercial entity	Nil

Name	Mr. Steven Monaghan
Position and membership capacity	Board Member – Independent, Non-Executive
Experience and qualifications	Mr. Steven Monaghan is a general partner at FinMirai, based in Tokyo, Japan. Mr. Monaghan founded the Innovation Groups at DBS Bank and AIA Company Limited and has created new products, businesses and companies across the technology and financial services industries. He is a private investor in the quantum computing, artificial intelligence, life sciences, healthtech and fintech sectors. He has served on the advisory boards of HK Agency Science and Technology Research Institute, Intel, Veritas Genetics, and as an Investment Committee member of True Global Ventures. Mr. Monaghan has filed six patents, including DBS's first patent and Citibank's first mobile payments patent. He has helped numerous tech and financial services institutions in their innovation journeys. He holds an EMBA from Helsinki School of Economics and has completed leadership courses at IMD and Wharton.
Period spent as a Board member from the date of first election	Starting from 2021

Membership and positions at any other joint stock companies	Nil
Main positions at any other important regulatory, government or commercial entity	Nil

Name	Mr. Jonathan Edward Morris
Position and membership capacity	Board Member – Independent, Non-Executive
Experience and qualifications	Mr. Jonathan Morris has over 38 years of banking experience across multiple geographies including 16 years in the UAE and GCC markets. Prior to joining RAKBANK as a Board member, Mr. Morris spent five years as the Group Head of Wholesale Banking at Emirates NBD with the overall responsibility for corporate and institutional banking, investment banking and global markets and treasury and, most recently, was a Board member, responsible for DenizBank AS in Turkey. Before Emirates NBD, Mr. Morris spent 14 years at Standard Chartered Bank where his last role was as CEO for the UAE, and 16 years at HSBC across various corporate banking and risk management roles in Europe and the United States. Mr. Morris holds a BSc (Hons) degree in Banking and Finance from Loughborough University in the UK.
Period spent as a Board member from the date of first election	Starting from 2023
Membership and positions at any other joint stock companies	Nil
Main positions at any other important regulatory, government or commercial entity	Nil

Board gender diversity

The Board acknowledges the benefits of diversity, particularly gender diversity, on the performance of the Board and the Bank. A key component of the Board agenda is advancing a framework for inclusion and promoting gender diversity at Board level.

The Board of Directors of the National Bank of Ras Al Khaimah PSC includes H.H. Shaikha Amneh Al Qasimi, who is an Independent, Non-Executive Board member. H.H. Shaikha Amneh Al Qasimi, therefore, represents 14% of the Bank's Board of Directors.

2023 Board meetings

Number of Board meetings held during the 2023 fiscal year along with their convention dates.

Ser.	Date of meeting	Number of attendees	Names of absent members
1	13th February 2023	7	Nil
2	20th March 2023	7	Nil
3	26th April 2023	7	Nil
4	20th June 2023	6	Mr. Ahmed Essa Al Naeem
5	31st August 2023	7	Nil
6	26th October 2023	7	Nil
7	14th December 2023	7	Nil

Board resolutions

Outside Board meetings, two (2) written resolutions were issued during the year: one was issued on 6th December 2023 and another was issued on 22nd December 2023.

Annual General Meeting

In 2023, RAKBANK held its Annual General Meeting on 10th April 2023. RAKBANK also held a General Assembly Meeting on 14th June 2023. The meeting resolutions are disclosed to the Abu Dhabi Securities Exchange (ADX) and the signed minutes of the meeting are sent to the Securities and Commodities Authority (SCA).

The Annual General Meeting in respect of the financial year ended 2023 will be held in March 2024. Results and resolutions of the meeting will be published on the Bank's website and will be shared with RAKBANK's regulators.

Board members remuneration

The total remunerations paid to the Board members for 2022 was AED 4.8 million, and the proposed remuneration for 2023 will be presented at the Annual General Assembly meeting, scheduled to be held in March 2024, for approval.

RAKBANK's Board members did not receive additional allowances, salaries or fees other than the allowances for attending the committee meetings/Board committees.

BOARD COMMITTEES

The Board has established the minimum permanent committees responsible for Audit, Risk, Nomination and Compensation as stipulated in the applicable laws and regulations. In addition, the Board has established a Credit Committee and Strategy Committee. The Board may establish any specialised committee to monitor, study or implement any matters, as it deems suitable.

Audit Committee

The Board has established the Audit Committee to assist the Board in the oversight, monitoring and review of the following:

- The quality and integrity of financial statements and financial reporting
- The effectiveness of governance, risk management and internal control systems
- Compliance with laws and regulations
- Compliance with the Group Code of Conduct
- The Group Internal Audit (GIA) function

- The statutory audit process and External Auditors
- Compliance with the Sharia in respect of Islamic banking products and services

Ser.	Name	Title	Number of meetings held during the financial year	Attendance (%)
1	Mr. Salem Ali Al Sharhan	Chairman	9	100%
2	H.H. Shaikha Amneh Al Qasimi	Member	9	100%
3	Mr. Rajan Khetarpal*	Member	2	20%
4	Mr. Jonathan Morris**	Member	7	70%

**Mr. Rajan Khetarpal resigned as a Board member in the Board meeting dated 13th February 2023*
***Mr. Jonathan Morris was appointed as a Board member in the Board meeting dated 13th February 2023*

Risk Committee

The Board has established a Risk Committee to assist the Board in fulfilling its responsibility with respect to the oversight of the Bank's risk management framework specifically relating to Bank's overall risk appetite and management of specific risk areas, which includes credit risk, market risk, liquidity risk, operational risk, cyber risk, interest rate risk, IT risk, Sharia non-compliance risk, business continuity risk, conduct risk and model risk, including the significant risk management policies used in managing these risks and approval of policies relating to these areas.

The Bank's compliance framework specifically relates to anti money laundering, sanctions, regulatory compliance, subsidiaries compliance, Sharia compliance, consumer protection, corporate governance and legal, including approval of policies (as relevant) relating to these areas.

Ser.	Name	Title	Number of meetings held during the financial year	Attendance (%)
1	Mr. Kantic Dasgupta	Chairman	8	100%
2	H.H. Shaikha Amneh Al Qasimi	Member	8	100%
3	Mr. Steven Robert Monaghan	Member	8	100%

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee to assist the Board in areas of Board composition. This includes nomination and remuneration of Board members and Senior Management; setting the induction and director ongoing development programs; assessment of the Board, its committees, and Directors; succession planning for Board members and Senior Management, and HR policies. The scope of the committee includes RAKBANK and its subsidiaries.

Ser.	Name	Title	Number of meetings held during the financial year	Attendance (%)
1	H.E. Mohamed Omran Alshamsi	Chairman	2	100%
2	Mr. Ahmed Essa Al Naeem	Member	2	100%

3	Mr. Steven Robert Monaghan	Member	2	100%

Strategy Committee

The Strategy Committee has been established by the Board of Directors to assist the Board and provide guidance to the Group Chief Executive Officer and Senior Management in managing the affairs of the Bank in areas of its overall strategy, operational and financial performance monitoring, and budgeting. The scope of the committee includes RAKBANK and its subsidiaries.

Ser.	Name	Title	Number of meetings held during the financial year	Attendance (%)
1	H.H. Shaikha Amneh Al Qasimi	Chairman	7	100%
2	Mr. Salem Ali Al Sharhan	Member	7	100%
3	Mr. Steven Monaghan	Member	7	100%

Credit Committee

The Credit Committee was established by the Board to assist the Board of Directors to primarily manage credit risks of all segments of the Bank and to recommend, review and approve individual or Group credits within the authorities delegated by the Board. The scope of the committee includes RAKBANK and its subsidiaries.

Ser.	Name	Title	Number of meetings held during the financial year	Attendance (%)
1	Mr. Rajan Khetarpal*	Chairman (until Feb 2023)	30	3
2	Mr. Jonathan Morris**	Chairman (since Feb 2023)	30	27
3	Mr. Salem Ali Al Sharhan	Member	30	30
4	Mr. Kantic Dasgupta	Member	30	30

**Mr. Rajan Khetarpal resigned as a Board member in the Board meeting dated 13th February 2023*
***Mr. Jonathan Morris was appointed as a Board member in the Board meeting dated 13th February 2023*

Executive Management

There is a clear demarcation of roles and responsibilities between the Board and Senior Management that fosters an environment of transparency, confidence, and mutual trust in which the Board is able to constructively challenge and provide guidance to Management.

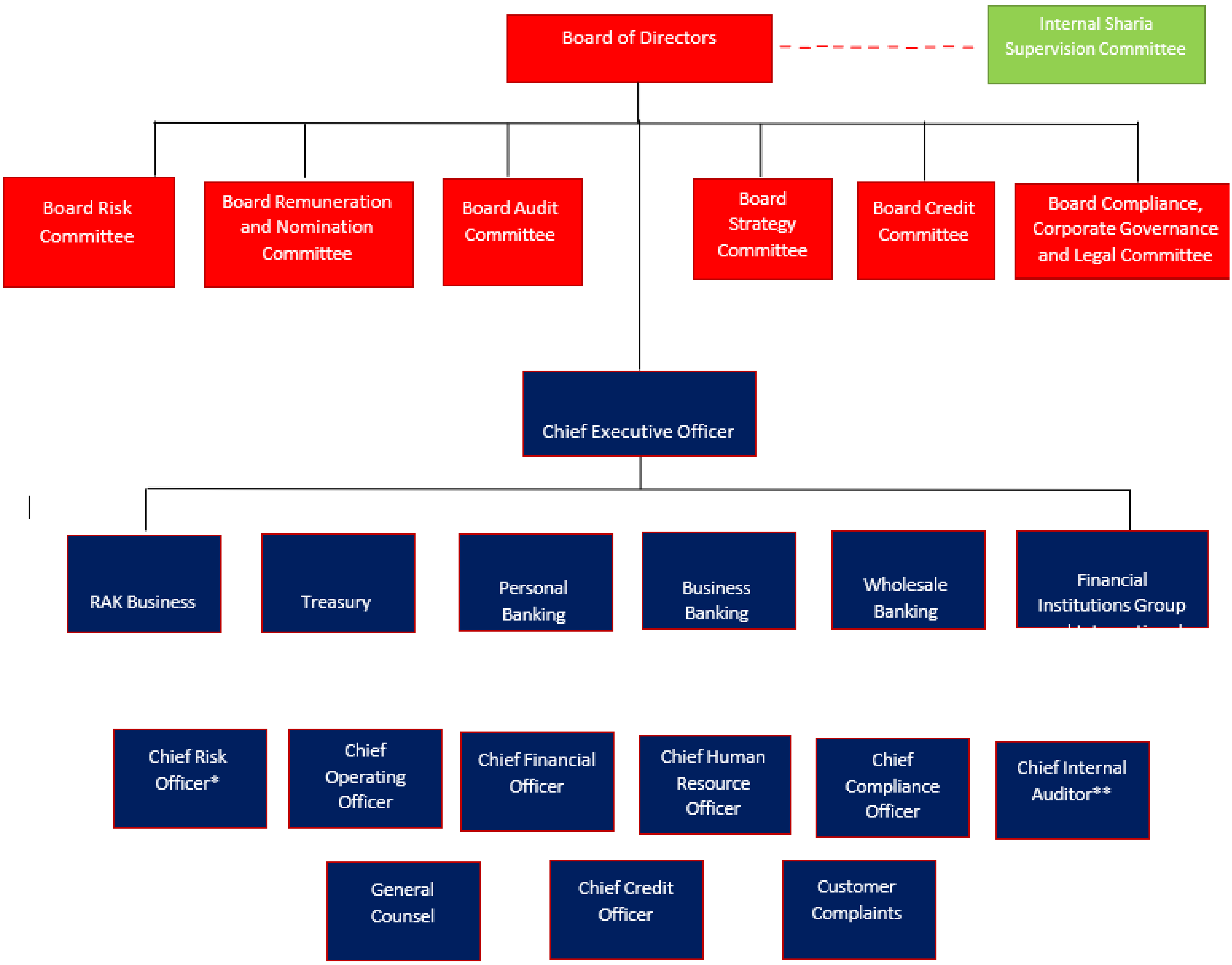
The Senior Management operates within the organisational structure and clearly defined delegated authorities as determined by the Board.

The Executive Management team supports the Chief Executive Officer (CEO) in the preparation of strategies, budget, policies and procedures, and handling of significant or fundamental operative matters as well as ensuring effective internal communications. The CEO operates in accordance with the authority delegated to him by the Board of Directors through a power of attorney. The CEO, with

support from the Executive Management team, is responsible for the day-to-day management of the business, in line with the annual Strategy Plan approved by the Board of Directors.

Management Group Photo

The following illustrates the complete organisational structure of the Bank.



*Chief Risk Officer reports directly to the Risk Committee and administratively reports to Chief Executive Officer

**Chief Internal Auditor reports directly to the Audit Committee

Annual Report of the Internal Shari'ah Supervision Committee of the Islamic Window

RAKBANK
RAKislamic
الخدمات المصرفية الإسلامية

لجنة الرقابة الشرعية الداخلية
Internal Sharia Supervision Committee

Annual Report of the Internal Shari'ah Supervision Committee of the Islamic Window of National Bank of Ras Al Khaimah

Issued on: 15 January 2024

To: Shareholders of "The National Bank of Ras Al Khaimah" (in relation to its Islamic window) ("the RAKislamic")

Assalam Alaikum Wa Rahamtoolah Wa Barakatu,

Dear Respected Shareholders,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of RAKislamic ("ISSC") presents to you the ISSC's Annual Report regarding Shari'ah compliant business and operations of RAKislamic for the financial year ending on 31 December 2023 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of RAKislamic and RAKislamic policies, accounting standards, operations and activities in general, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("RAKislamic Activities") and issue Shari'ah resolutions in this regard, and

b. determine Shari'ah parameters necessary for the RAKislamic's Activities, and the RAKislamic's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the RAKislamic with the Islamic Shari'ah.

The senior management is responsible for compliance of RAKislamic with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all RAKislamic's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the RAKislamic's Activities without exception.

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Internal Sharia Supervision Committee

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of RAKislamic Activities by reviewing those Activities, and monitoring them through the internal Shari'ah control department and internal Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (5) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the RAKislamic's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the RAKislamic to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shari'ah control department and internal Shari'ah audit, of the RAKislamic's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in RAKislamic – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control department and internal Shari'ah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Communicating with the Board and its subcommittees, and the senior management of the Rakbank (as needed) concerning the RAKislamic's compliance with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the RAKislamic is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of Rakbank. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

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لجنة الرقابة الشرعية الداخلية
Internal Sharia Supervision Committee

5. The ISSC's Opinion on the Shari'ah Compliance Status of the RAKislamic

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the RAKislamic's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shari'ah Supervision Committee of the RAKislamic.

Mian Muhammad Nazir	ISSC Chairman	
Prof Dr. Mohamad Akram Laldin	ISSC Member	
Prof. Dr. Ali Husain Al Junaidi	ISSC Member	

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INTERNAL CONTROLS

The Board acknowledges its responsibility for the Bank's internal control systems, review of its work mechanisms and ensures operation effectiveness. All the Bank's risk management policies – including the internal controls, enterprise risk, ICAAP and overall risk appetite statement – are approved by the Risk Committee covering the risk and control governance within the Bank.

According to the SCA Corporate Governance regulations article 76 and 77 (Integrated Reporting) and Corporate Governance CBUAE Regulation 2019/83, the declaration for internal controls comes along with the Risk Management framework and Internal Audit and Compliance statements. RAKBANK's structures the internal controls function as part of the Risk Management Framework and policies and there is no separate internal control reporting to a Board level committee. However, the complete internal controls assessment is included in the risk management's regular reporting and the Bank's risk appetite statement to the Board Risk Committee. There is a quarterly risk report submitted to a Board level committee, which includes the internal control framework and its effectiveness.

Furthermore, no major problems have been detected for 2023 by the Internal Control department. The Bank aligns itself with reporting standards of any issues with that of the Central Bank of the U.A.E. and S.C.A., including compliance.

Lastly, there is no major violation to be reconciled back with any major reporting done to the CBUAE or S.C.A., including the compliance function.

External Audit

The External Auditor is appointed annually at the Annual General Assembly. The Audit Committee is responsible for recommending to the Board the appointment, re-appointment and rotation of the auditing firm and/or the principal partner in charge of the Bank's audit to the Board.

The Audit Committee has oversight responsibility for the External Auditors, whom they meet regularly to review the scope, quality, effectiveness and conclusions of their work. The Committee also considers the provision of non-audit services performed by the Auditors to ensure they are objective and independent of the Bank.

The External Auditor attends and presents to the Board the results of the annual audit of the accounts. In addition, they also attend the General Assembly meeting and are available to answer questions.

The External Auditor submits an overview of the Company's Audit Report to the shareholders. The Bank's External Auditor for year 2022 was PricewaterhouseCoopers (PwC), one of the world's big four auditors. PwC was reappointed for the 2023 financial year by the shareholders at the AGM held in April 2023.

Statement of fees and costs for the audit or services provided by the External Auditor are according to the following schedule.

Name of the audit office and partner auditor	PwC (Ras Al Khaimah Branch), Licence no. 41548, Julphar Towers Level 24, Office No. 2402, Ras Al Khaimah - United Arab Emirates. Jigesh Shah is the Partner
Number of years he served as the Company External Auditor	Reappointed from 1 January 2023 for one year.

	Previously audited the Bank and its subsidiaries for 25 years from year 1994 to year 2015 and years 2019 to year 2022
Total audit fees for 2023 in (AED)	2,149,351
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly	Agreed-upon procedures as required by the regulators
Statement of other services that an External Auditor other than the Company Accounts Auditor provided during 2023 (if any). In the absence of another External Auditor, this matter is explicitly stated	Auditor name: PWC Details of provided services: Agreed-upon procedures as required by the regulators

Company's Auditor had NO reservations included in the interim or annual financial statements for 2023.

Group Internal Audit

The role of Group Internal Audit (GIA), as the third line of defence, is to provide independent assurance to the Board and Executive Management on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate key risks in order to achieve the Group's objectives.

RAKBANK has fully adopted the principles and standards promulgated by the Institute of Internal Auditors (IIA) and adheres to the International Professional Practices Framework (IPPF) for provision of its internal audit services. GIA is also an active proponent of the Bank's Emiratisation, employee development programmes and its CSR activities.

The Group Chief Audit Officer (GCAO) reports directly to the Board Audit Committee (BAC), which is responsible for the oversight, monitoring and review of the internal audit function; the quality and integrity of the Group's financial reporting and its published financial statements; and the statutory audit process and External Auditors.

At least annually, GIA conducts a comprehensive top-down risk assessment of RAKBANK's business activities, products, services, policies and processes, including those of its subsidiary entities. Risks arising from all Group operations are considered, in conjunction with emerging and behavioural risk parameters, to form the basis of the annual audit plan, which is subject to approval by BAC. This systematically includes coverage of the Bank's Corporate Governance framework, conduct risk, procurement and complaint handling processes as well as controls supporting the Anti-Bribery and Corruption policy and Financial Crime Compliance framework.

Risk-based audits are performed at both a process level and on a functional level for aspects of governance, risk and control, which contributes to enhanced stakeholder confidence and trust in the Bank.

Whistleblowing

RAKBANK places considerable value in ensuring business ethics and compliance and works to protect the Bank by promoting organisational behaviour of which RAKBANK and its stakeholders can be proud. The Bank encourages anyone with reason to believe that the law, regulation, Code of Conduct or any RAKBANK policy and procedure has been violated to immediately report what they know or suspect, for immediate action.

To facilitate an ethical and transparent culture at RAKBANK, all internal and external stakeholders are encouraged to raise their concerns through whichever of the Bank's channels they prefer. The Bank's whistleblower reporting line is available through the Bank's internal and external websites and facilitates direct communication and reporting of any inappropriate or unethical behaviours.

GIA holds ethical responsibility in the highest regard and supports the Bank in implementing robust and ethical business practices. All whistleblower cases raised during 2023 have been attended to with utmost priority, each of which has been resolved with independence and fairness.

Whistleblowing management	2019	2020	2021	2022	2023
Cases reported	16	28	22	35	38
Confirmed whistleblower cases	13	10	0	22	23

**Notifications on fraudulent activities include accusations of bribery and corruption, receipt of fraudulent customer/employee data and documentation. Cases reported that could be evidenced were investigated with assistance from relevant teams (Fraud and HR) and disciplinary actions were initiated against such staff, including termination. Staff complaints and grievance matters were addressed to resolution with Business and HR intervention. Cases that were not actioned included operational gaps, service complaints and personal grievances, which were forwarded to respective teams (including E-Channels, SOC and HR) for analysis and appropriate resolution.*

Risk Management

Overview

Proactive and efficient risk management is crucial for improving enterprise-wide awareness of the risk drivers, for guiding mitigation steps and for optimising the cost of risk. Strong risk governance and a proactive approach to risk management enable the Bank to navigate potential threats in a secure manner. Moreover, risk influences the execution of business strategies and expansion.

The Bank aims to continuously enhance its risk management capabilities, especially with respect to the ongoing digitisation and emergence of new technologies such as AI.

In 2023, the Bank strengthened its Group-wide risk framework. Alignment of Group risk appetite with the strategy and enhancements to risk models has driven improved policies, procedures and more effective risk management. Risk Management also embarked on an ambitious plan to enhance its quantitative capabilities through improved risk models and modelling techniques.

Our approach to risk

Our active risk management approach consists of strong risk governance, risk culture, risk appetite, comprehensive risk policies, processes and risk models. Coupled with responsive risk practices and a highly competent team, this helps the Bank to navigate the threat landscape safely, while providing strategic support and advice for its growth ambitions and the implementation of its business strategy.

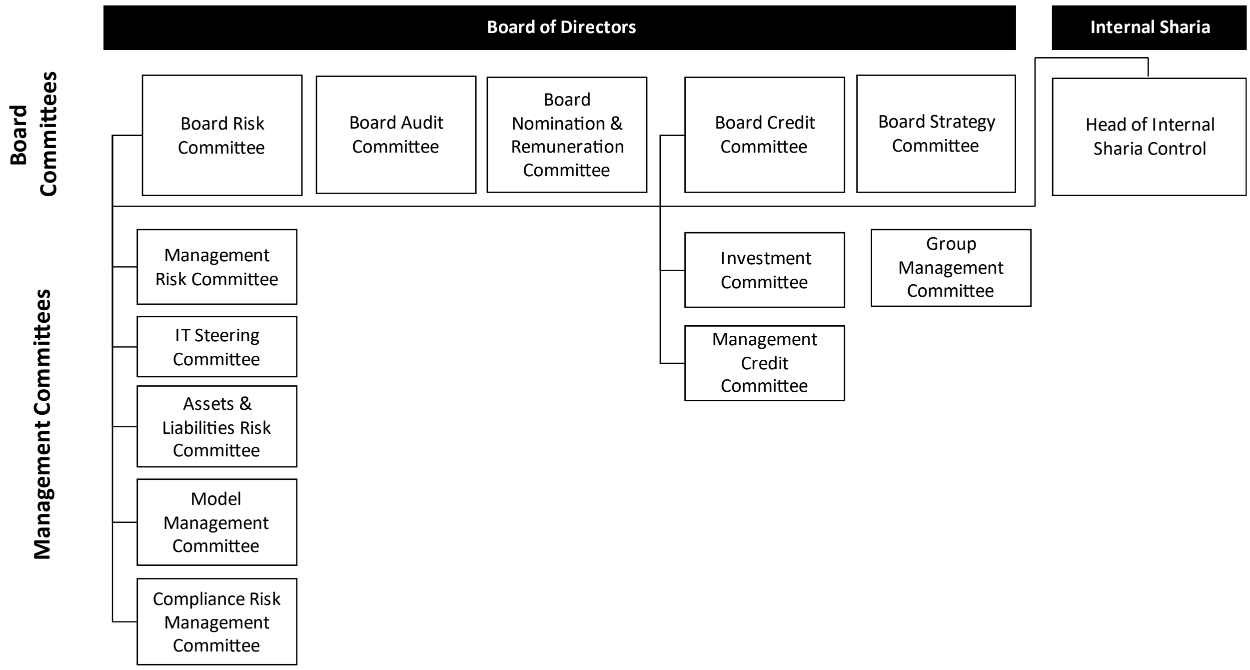
The Bank's risk management strategy is characterised by the active participation of senior management and the Board at all levels, which guarantees efficient supervision and a strong risk management culture. It establishes accountability for risk management and guarantees the implementation of processes to detect, evaluate, control, communicate and oversee all conceivable risks that may have an impact on the Bank.

RAKBANK implements comprehensive risk monitoring procedures to verify adherence to our authorised risk appetite. These efforts are further reinforced by an effective reporting framework to both the Board Risk Committee and Management committees.

Risk Governance

The RAKBANK Board Risk Committee is the custodian of, and provides necessary guidance for, our risk management strategy. Executive level committees – such as the Management Risk and the Management Credit committees – are tasked with evaluating and supervising our risk environment and management effectiveness. An independent risk division, led by the Group Chief Risk Officer (CRO), consolidates various risk functions, ensuring autonomy from the risk-taking functions and aligning our activities with global best practices. The CRO is accountable to the Group Board Risk Committee.

Governance and structures, responsibilities and processes are delineated in our risk management policies to oversee, control and reduce the risks that the Bank accepts and incurs in its operations. Our risk management function operates autonomously from Bank's risk-taking functions, in line with the directives of the Central Bank of the UAE. RAKBANK has incorporated the three lines of defence, which are globally recognised as best practices, into the design of its risk governance framework as illustrated below.



Implementing the 2026 transformation strategy

Our risk management strategy aligns with our business model and overall strategy, aiming to enhance shareholder value by synchronising risk appetite with business strategy.

RAKBANK formed a partnership with an industry-leading AI platform utilised by many of the world's most prestigious financial institutions. We upgraded the Bank's information security processes and tools, while redesigning critical risk quantification models. Careful risk management has enabled the Bank to implement the digital origination of microfinance and retail credit.

We remain committed to digital transformation of our services and operations. Risk Management facilitates this by conducting exhaustive risk assessments for each step of the process and offering constructive strategies for mitigating potential risks.

Risk Management supports RAKBANK's partnership in the largest and inaugural fintech accelerator and hub in the region by evaluating and supporting the Bank's endeavours to simplify payments. The Bank's SMEsouk is a digital marketplace that aggregates services for SMEs and includes some banking services such as digital account opening and merchant acquisition (POS and e-commerce).

RAKBANK's specialised risk units help to combat fraud, adopting leading-edge solutions for application- and digital fraud detection. By employing rule engines and behaviour anomaly detection algorithms, these solutions are capable of promptly detecting and thwarting potential fraudulent attempts.

Our three-pronged strategy – prevention, detection and response – is bolstered by teams that are adept at addressing both digital and non-digital fraud. The Bank's Fraud Risk Management framework addresses fraud risk by establishing systems and procedures that actively detect and mitigate potential opportunities for fraudulent activities.

A global leader in monitoring services has partnered with RAKBANK to detect and remediate smishing, phishing and vishing attempts targeted at our customers. Our customers are continually educated about fraud risks through e-mail and SMS.

The Bank's exceptional BitSight security rating of 800 is at the top end of the global financial industry's accepted range of 250-900. BitSight security ratings are a material, validated data-driven and dynamic evaluation of the cybersecurity performance of an organisation; daily ratings are based upon objective and verifiable information. The Bank has achieved compliance to PCI-DSS version 3.2.1 and was successfully recertified in December 2023. The Bank is committed to continuously investing in security controls proportionate to cyber threats in the banking landscape.

Improving our risk management activities

We have incorporated robust controls and tools into our comprehensive Risk Management framework. Increasing interdependencies between risks associated with technology, digital banking, third parties, new products, fraud and transaction processing contribute to the complexity of the operational risk landscape. These robust controls and tools will assist the Bank in enhancing risk quantification and management, as well as in streamlining digital journeys. In addition, RAKBANK's annual internal employee survey includes aspects of risk management, thereby informing the ongoing enhancement of our procedures.

Risk Management has made significant efforts to reduce the RAKBANK portfolio risk. This is achieved through a well-defined, Board-approved risk appetite statement and policies covering all aspects of our business.

Given RAKBANK's necessary and increasing number of partnerships with fintechs, we have introduced a specialised technology and third-party Risk Management function. This is part of our overall operational risk strategy and establishes a uniform approach to critical risk oversight.

In terms of our new product approval policy and framework, the Bank's New Product Approval Committee actively participates in product development, implementation and review, with risk management evaluating all new products prior to their release.

Tax transparency

In 2022, the UAE Ministry of Finance introduced a federal corporate tax (CT) regime (Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses – the UAE CT Law) which came into effect on 1 June 2023. With effect from 16 January 2023 and in terms of Decision No. 116 of 2022, taxable income not surpassing AED 375,000 is subject to a 0% UAE CT rate, while taxable income surpassing AED 375,000 is subject to the 9% UAE CT rate. The UAE CT Law is deemed to have been materially implemented for the fiscal year that concluded on 31 December 2023, and for the purposes of income tax accounting, upon the publication of this decision.

RAKBANK will be liable for corporate tax in terms of this legislation, with effect from 1 January 2024.

The UAE CT Law has undergone several amendments since its inception, as recognised by the Cabinet of Ministers of the UAE (decisions). Important details regarding the interpretation of the UAE CT Law are contained in such UAE Federal Tax Authority decisions and other interpretive guidance, which are necessary for a comprehensive evaluation of the UAE CT Law's impact on the Group.

After evaluating the potential effects of the UAE CT Law on the balance sheet, RAKBANK reflected taxable temporary differences in relation to purchase price allocation (PPA) adjustments on the Group's consolidated balance sheet. These differences pertain to transactions that occurred in prior accounting periods. A potential deferred tax liability of AED 13.7 million has been assessed by the Group in relation to the PPA that is attributable to a group entity based in the UAE. Despite the fact that numerous facets of the UAE CT Law are ambiguous, the Group believes it is correct to record this deferred tax liability in its financial year ending on 31 December 2023.

As at 31 December 2023, no additional potential deferred tax assets or liabilities have been identified. The Group shall persist in evaluating the anticipated consequences of the UAE CT Law and its interpretation in consideration of the decisions and associated guidance. Additionally, the Group will proceed with a more comprehensive examination of its financial affairs, assessing any potential adjustments to this stance in subsequent reporting periods and will conduct a further analysis of the anticipated magnitude of the UAE CT Law's impact on the Group in subsequent accounting periods.

As a result, a deferred income tax expense amounting to AED 13.7 million has been acknowledged in the statement of profit or loss for the current year.

Compliance

The compliance function serves as an independent unit that ensures the Board and Management comply with standards and regulations of the Central Bank of the UAE. RAKBANK's Chief Compliance Officer is directly accountable to the CEO and has direct access to the Board's Risk Committee.

Regulatory, anti-money laundering and sanctions compliance

Our autonomous compliance function complies with the regulations set out by the Central Bank of the UAE. This is an essential function for managing compliance risks. This encompasses the surveillance of illicit financial and regulatory activities, such as bribery and corruption, sanctions compliance, anti-money laundering (AML), the financing of terrorism and proliferation. We ensure rigorous adherence to compliance standards by employing a team of highly skilled professionals who conduct ongoing training, customer screening and sophisticated automated monitoring. Any violation of compliance is met with a strict zero-tolerance policy by the Bank. Staff, Board members and Management all receive regular training. The Bank effectively implemented a Tone from the Top campaign as part of its efforts to foster a risk and compliance-oriented environment. This campaign reaffirms that the Board and Management expect all personnel to maintain constant vigilance and adherence to regulations.

The compliance function also establishes the risk appetite within which the businesses operate. It provides regular updates on compliance risk at each meeting of the Board Risk Committee. In addition to being designated by the regulators as RAKBANK's Money Laundering Reporting Officer, our Chief Compliance Officer (CRO) directs our counter-money laundering, counterterrorism, financing and sanctions procedures.

Data privacy and security

RAKBANK is committed to data privacy and security, aligning with ISO 27001 and National Electronic Security Authority (NESA) guidelines. We conduct regular risk assessments on critical applications, ensuring our security parameters remain at industry benchmarks and providing our customers with a secure banking environment. Risk assessments are conducted on critical applications that provide support to the contact centre and branches, in accordance with the authorised risk management process. Identified risks are mitigated in accordance with the risk management procedure.

RAKBANK constantly evaluates that its security parameters remain aligned with industry standards.

Islamic banking governance

RAKislamic, our Islamic banking division, operates under the oversight of the Higher Sharia Authority and the Central Bank of the UAE. It maintains distinct documentation for Islamic and conventional businesses, ensuring adherence to Sharia principles. As an honorary member of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), RAKislamic exemplifies our commitment to Sharia-compliant banking.

RAKislamic offers an extensive selection of Sharia-compliant financial solutions to our Personal, Business and Wholesale Banking customers through an Islamic banking platform. Analytics and Retail Risk have collaborated to facilitate the implementation of digitisation and straight through processing (STP) initiatives across operations offering Islamic banking options.

Its operations are subject to the oversight of an autonomous Internal Sharia Supervision Committee (ISSC). Sharia governance is administered in accordance with the directives of the ISSC, a three-member body that convenes on a regular basis to provide strategic direction for the organisation. It guarantees RAKislamic's adherence to the standards and resolutions promulgated by the Central Bank of the UAE and HSA.

In order to promote clarity and transparency in its operations, the Bank maintains distinct collections of legal documentation, application forms, product-specific terms and conditions, service and price guides for the Islamic and conventional segments of the business. A distinct tariff board is exhibited at each branch, and all transactional documentation incorporates Islamic characteristics.

The Islamic banking division's Islamic liquidity and asset liability funding are managed independently by the Treasury segment of RAKBANK.

Portfolio diversification

The diversified portfolio of RAKBANK, which is detailed below, spans numerous industries. This contributes to the Bank's ability to serve its diverse customer base and aids in the maintenance of a low concentration risk.

RAKBANK demonstrates adherence to all internal and regulatory risk diversification parameters.

	On balance sheet items				Off balance sheet items AED 000	Total AED 000
	Loans and advances AED 000	Investment securities AED 000	Due from other banks AED 000	Total Funded AED 000		
31 December 2023						
Agriculture, fishing and related activities	147,008	74,234	-	221,242	24,871	246,113
Crude oil, gas, mining and quarrying	795,560	598,986	-	1,394,546	73,963	1,468,509
Manufacturing	3,153,314	586,640	-	3,739,954	175,027	3,914,981
Electricity and water	104,387	609,885	-	714,272	111,625	825,897
Construction and real estate	1,645,791	368,000	-	2,013,791	668,582	2,682,373
Trading	5,785,347	-	-	5,785,347	476,005	6,261,352
Transport, storage and communication	2,206,916	546,904	-	2,753,820	1,095,260	3,849,080
Financial institutions	1,770,318	6,985,166	12,438,123	21,193,607	681,768	21,875,375
Services	4,969,205	135,366	-	5,104,571	2,223,275	7,327,846
Government	367,666	3,410,594	-	3,778,260	72,205	3,850,465
Personal and consumer banking	21,036,875	-	-	21,036,875	3,746	21,040,621
Total exposures	41,982,387	13,315,775	12,438,123	67,736,285	5,606,327	73,342,612

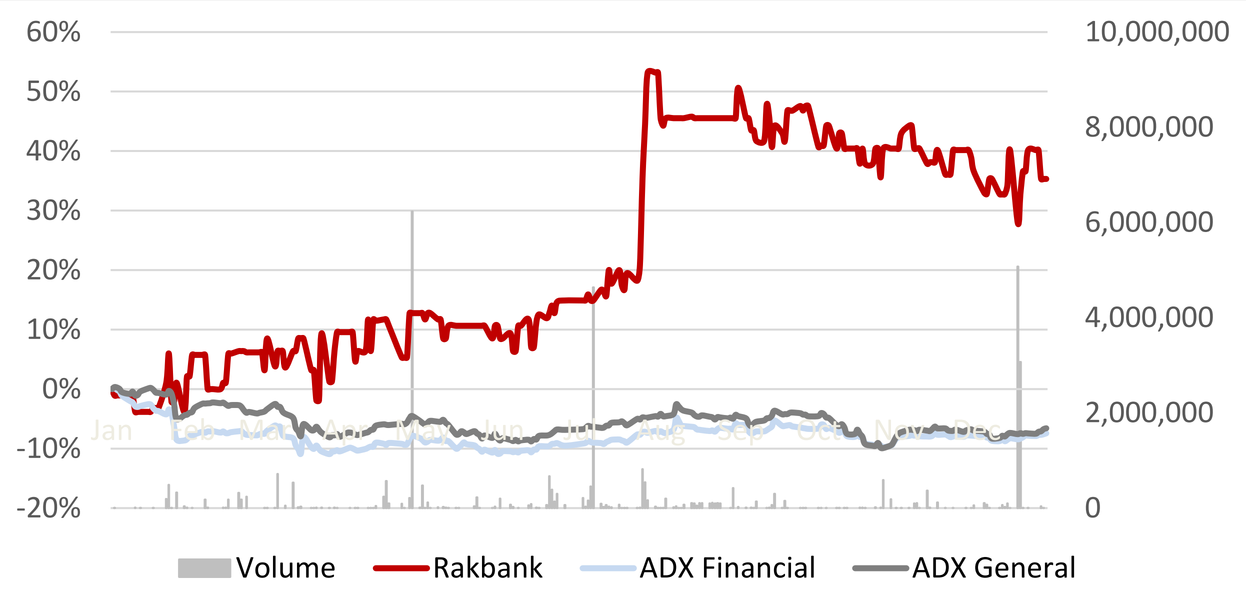
Provision for credit loss	**(2,514,887)**	**(77,708)**	**(51,627)**	**(2,644,222)**	**24,871**	**(2,666,256)**
Net exposures	**39,467,500**	**13,238,067**	**12,386,496**	**65,092,063**	**5,584,293**	**70,676,356**

Looking to 2024

The Bank is committed to continuously updating its Risk Management framework, embracing new policies and technologies to adeptly handle complex risks. As the digital transformation journey accelerates, the Bank anticipates a heightened focus on technology-driven risks. RAKBANK will continue to invest in ensuring its technology infrastructure and systems are protected against all threats. The regulatory environment in UAE is dynamic and consistently setting higher standards for banks and this will be an area of ongoing focus for RAKBANK in 2024.

Investor relations

General information pertaining to the Bank's share price movement with the general market index and sector index to which the Bank belongs to during 2023.



A. Statement of the shareholders' ownership distribution as at 31 December 2023 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign.

	Shareholders' classification	Percentage of owned shares			
No.		**Individual**	**Company**	**Government**	**Grand total**
1	**Local**	**14.00%**	**18.80%**	**52.78%**	**85.58%**
2	**Arab**	**4.48%**	**8.56%**		**13.04%**
3	**Foreign**	**0.28%**	**1.09%**		**1.37%**
	Grand total	**18.77%**	**28.46%**	**52.78%**	**100.00%**

B. Statement of shareholders owning 5% or more of the Company's capital as at 31 December 2023.

Shareholder's name	Percentage owned
Government of Ras Al-Khaimah Group	**52.78%**
Mr. Ahmed Essa Ahmed Al Naeem	**6.89%**

C. Statement of how shareholders are distributed according to the closing

position as at 31 December 2023.

Sl No.	Shares ownership	Count of quantity	Sum of quantity	Owned Shares of Capital
1	Less than 50,000	223	1,868,140	0.09%
2	from 50,000 to less than 500,000	114	22,169,779	1.10%
3	from 500,000 to less than 5,000,000	58	104,112,978	5.18%
4	More than 5,000,000	27	1,883,343,616	93.63%
	Grand total	422	2,011,494,513	100.00%

D. Shares owned/held by Board members as at 31 December 2023.

Directors and CEO ownership as at 31 December 2023.		
Name	**Designation**	**Shares owned**
H.E. Mohammed Omran Al Shamsi	Chairman	253,320
H.H. Shaikha Amneh Al Qasimi	Vice Chairman	-
Mr. Ahmed Essa Al Naeem	Board Member	138,500,000
Mr. Salem Ali Al Sharhan	Board Member	-
Mr. Jonathan Morris	Board Member	-
Mr. Kantic Dasgupta	Board Member	-
Mr. Stephen Robert Monaghan	Board Member	-
Mr. Raheel Ahmed	Chief Executive Officer	-

E. The Investor Relations team can be reached via e-mail at ir@rakbank.ae and you can access all the available investor relations information on our website at https://www.rakbank.ae/

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December, 2023

RAKBANK
Simply Better

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

These audited financial statements are subject to approval of the Central bank of U.A.E. and adoption by shareholders at the annual general meeting.

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DIRECTORS' REPORT TO THE SHAREHOLDERS

For and on behalf of the Board of Directors

We are proud and excited to present the financial and operational results of RAKBANK (the "Bank") and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2023. Group Profit before tax for the year at AED 1,797.5 million is up 54.6% over the previous year. The Group Profit after tax for the year ended 31 December 2023 amounted to AED 1,783.7 million with no comparative as no tax was applicable in previous year. Total Assets stood at AED 74.0 billion, increasing by 11.5% over 2022. Gross Loans and Advances closed at AED 42.0 billion, up by 10.1% over the previous year. Deposits grew by 12.3% with current and savings deposit (CASA) growing by AED 2.2 billion and time deposits growing by AED 3.4 billion. The Return on Average Assets ratio for the year was 2.6% compared to 1.9% for the previous year and Return on Average Equity was 18.4%, compared to 13.5% in 2022.

Financial performance

The increase of AED 634.5 million in Profit before tax was mainly due to increase in Net interest income and net income from Islamic financing by AED 846.9 million and Non-interest income by AED 161.6 million partly offset by increase in provisions for expected credit losses by AED 208.1 million and operating expenses by AED 165.9 million.

Gross interest income and income from Islamic financing increased by AED 1,576.4 million which was offset by increase in Interest expense and distributions to depositors by AED 729.5 million that resulted in total increase in Net interest income and net income from Islamic financing of AED 846.9 million. Interest income from conventional loans and investments increased by AED 1,464.2 million (58.9%), while interest costs on conventional deposits and borrowings increased by AED 627.3 million (152.1%). Net income from Sharia-compliant financing increased by AED 10.0 million. Gross interest income and income from islamic financing increased due to an increase in yields on loans and investment books.

Non-Interest Income increased by AED 161.6 million to AED 1,067.9 million. This was mainly due to an increase of AED 107.7 million in foreign exchange and derivative income due to increase in customer volumes and increase in investment income by AED 41.1 million.

Operating Expenses increased by AED 165.9 million compared to the previous year. The staff and outsourcing costs increased by AED 73.8 million, credit cards service provider related costs increased by 32.2 million, depreciation and amortization increased by AED 25.8 million, technology costs increased by 21.5 million and other operating expenses by AED 20.5 million, which was partially offset by a decrease of AED 12.0 million in occupancy cost and other cost efficiency initiatives executed during the year. The Group's Cost to Revenue ratio improved to 36.4% compared to 42.3% for the previous year.

Operating Profit before provision for credit loss increased by AED 842.6 million from 2022 and provisions for credit losses also increased by AED 208.1 million (26.1%) from the previous year. Total impairment provision for the year was AED 1,005.5 million compared to AED 797.4 million in 2022. Increase in credit loss is driven by global macroeconomic and regional geopolitical developments, partially offset by a shift in the business mix towards secured low risk assets with better portfolio performance.

Group has performed the assessment of the potential impact of the UAE CT Law on the Balance Sheet and has recognized a potential deferred tax liability of AED 13.7 million which relates to the PPA attributable to UAE-based Group entity.

Financial performance (continued)

The Non-Performing Loans and Advances to Gross Loans and Advances ratio improved to 2.6% from 3.0 % in the previous year. Additionally, the net credit losses to average loans and advances increased to 2.5% in 2023 compared to 2.1% in 2022.

Total Assets increased by 11.5% to AED 74.0 billion compared to 2022. This was mainly due to an increase in Gross Loans and Advances by AED 3.8 billion, Investments by AED 1.8 billion, Cash and Balance with CBUAE by AED 1.0 billion and Due from other banks by AED 0.9 billion. Wholesale Banking and Financial Institutions lending increased by AED 1.7 billion, Retail banking lending by AED 1.3 billion and Business Banking lending by AED 0.9 billion respectively compared to prior year.

Customer deposits grew by AED 5.5 billion to AED 50.4 billion compared to 2022. This growth came mainly from an increase of AED 3.4 billion in Time Deposits and increase of AED 2.2 billion in CASA accounts.

After taking into consideration the profit for 2023 and expected dividend, the Bank's Capital adequacy ratio as per Basel III was 17.8% at 31 December 2023 as compared with 16.4% at 31 December 2022. This level of capital provides the Bank with adequate room for growth in 2024. The regulatory Eligible Liquid Asset Ratio at the end of the year was 13.0%, compared to 12.8% for the previous year. The Advances to Stable Resources ratio stood at a comfortable 82.1% compared to 79.4% at the end of 2022.

Ratings

The Bank is currently rated by the following agencies. The ratings are given below:

Rating Agency	Last update date	Deposits	Outlook
Moody's	November 2023	Baa1 / P-2	Stable
Fitch	October 2023	BBB+ / F2	Stable
Capital Intelligence	August 2023	A / A1	Stable

Regulatory disclosure

During the year, the Group has engaged its external auditor PricewaterhouseCoopers for non-audit services. Total payment made during the year for non-audit services amount to AED 0.52 million.

Key Achievements

The Bank continues to deliver on our transformation agenda with 2023 seeing several key milestone achievements as we continue to build a Digital Bank with a Human Touch.

Some highlights include:

- Maintaining market leading Business Banking CASA balances through strong relationship management.
- Market launch of digital onboarding for Personal Banking CASA accounts and Credit Cards, enhancing key customer journeys.
- Launch of RAKFx, our electronic FX platform allowing for more efficient foreign exchange transactions.
- Continued growth in Skiply, our educational payment platform and addition of new functionality.
- Launch of the refreshed RAKBANK website in both Arabic and English driven by human-centric design.
- Implementation of advanced data analytics capabilities via our partnership with Data Robot to support increased personalization.
- Continued modernization of the Bank's core technology infrastructure supporting the Bank's digital transformation.
- Increased Employee Engagement via various initiatives including launch of new recognition scheme.
- Joined UAE Banks Federation (UBF) commitment to mobilise AED 1 trillion in sustainable finance by 2030 and pledged to achieve Net Zero emissions in banking operations by 2030.
- Signed Memorandums of Understanding (MoUs) with several entities during the year including the RAK Digital Assets Oasis (RAKDAO), the Meydan Freezone, Network International and Union Pay amongst others to better support our customers.
- Empanelled as an Escrow bank by RERA authority of RAK

DIRECTORS' REPORT TO THE SHAREHOLDERS (continued)

Recognition in 2023

- Best SME Bank in the UAE – Global SME Bank in the UAE
- Best Innovation in Corporate Banking & Finance (Digital SME Loan) – MEA Finance Awards
- Most Innovative Home Loan Product for the UAE – International Finance Award
- Most Innovative Digital Financing Initiative for SMEs-UAE 2023 – Global Business Outlook
- Best User Experience Solution Provider – UAE (Skiply) - MEA Finance Awards
- Most Transformed Islamic Bank in the UAE – Euromoney
- Digital Account On-boarding – Channel Innovation – Platinum Award Winner- Infosys Finacle Innovation Awards 2023
- Fraud Initiative of the Year – The Asian Banking & Finance Retail Banking Awards 2023
- BFSI Cybersecurity Leader of the year 2023 – CXO Insight Middle East
- Best Use Case of Customer Analytics – 5th Middle East Banking AI and Analytics Summit & Awards 2023
- Innovative Leader 2023 - 5th Middle East Banking AI and Analytics Summit & Awards 2023
- Best Pure-Play Digital Initiative – Middle East & Africa Retail Banking Innovation Awards 2023
- Excellence in Digital Innovation - Middle East & Africa Retail Banking Innovation Awards 2023
- Outstanding Digital Innovation in SME Banking – Middle East & Africa Retail Banking Innovation Awards 2023
- Islamic Bank of the Year – The Asset Triple A Islamic Finance Awards 2023
- 2nd place as The Top Investment House in G3 Asian Bonds from Middle East for 2023 by the Asset

Outlook for 2024

As we look ahead, we remain cautiously optimistic about 2024. While the broader global macroeconomic environment remains challenging, we have confidence in the strength of the UAE economy. The country continues to see strong growth driven by key initiatives taken by the UAE leadership including economic diversification initiatives, residency reforms, and further policy changes in key areas including business ownership. While the oil price will continue to be a key driver of the UAE economy, with uncertainty over economic growth in key consumers of oil and geopolitical concerns impacting price forecasts, the initiatives taken in the UAE have contributed to a more diversified and robust economy with continued strong performance in tourism, real estate, and trade. We have confidence that the Bank is well positioned to benefit from this growth while remaining vigilant on broader global macroeconomic issues including ongoing inflationary pressure and related interest rate impact.

The Board approved a new strategy for RAKBANK in Q4 2022 and we are pleased with the progress against that plan. We remain committed to driving a customer-centric transformation, leveraging investments in technology and digital capabilities to build a digital bank with a human touch. We continue to focus on delivering a hyper-personalized and seamless experience for customers across all our business lines along with diversifying our business mix and strengthening our governance and risk management capability. We are confident that these initiatives will ensure that RAKBANK produces sustainable growth for our shareholders and allows us to continue to positively contribute to the UAE economy by supporting our customers.

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Mohamed Omran Alshamsi
Chairman

29 January 2024

Independent auditor's report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The National Bank of Ras Al-Khaimah (P.S.C) (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent auditor's report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C) (continued)

Our audit approach

Overview

Key Audit Matters	Measurement of Expected Credit Losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL")	
The Group applies ECL on all its financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and financial guarantee contracts including financing commitments. The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures, forward looking adjustments and staging criteria subject to ECL.	We performed the following audit procedures to assess the adequacy of the ECL provision included in the Group's consolidated financial statements for the year ended 31 December 2023. We tested the completeness and accuracy of the data used in the calculation of ECL provision. For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria.

Independent auditor's report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C) (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of such collateral. The Group's impairment policy under IFRS 9 Financial Instruments is presented in Note 3 (g) to the consolidated financial statements. Measurement of ECL is considered as a key audit matter as the Group applies significant judgments, estimates, the use of complex models and this has a material impact on the consolidated financial statements of the Group.	We involved our internal experts to assess the following areas: ● Evaluation of the appropriateness of the accounting policies adopted by the Group based on the requirements of IFRS 9. ● Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for the models selected for testing. ● Reasonableness of the key assumptions made in developing the modelling framework including assumptions used for Significant Increase in Credit Risk (SICR) and for estimating forward-looking scenarios. ● For a sample of exposures, we recomputed ECL provisions for selected portfolios across different stages to assess mathematical integrity of the ECL computation. We performed an independent credit assessment for a sample of exposures, including stage 3 exposures, by assessing quantitative and qualitative factors, including as necessary, assessment of financial performance of the borrower, source of payments and its history, future cash flows of the borrower and other relevant risk factors. We assessed the adequacy of the disclosures made in the Group's consolidated financial statement around ECL provisions as required by IFRS Accounting Standards.

Independent auditor’s report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C) (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Directors’ report (but does not include the consolidated financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal-Decree Law No. (32) of 2021, and Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, and for such internal control as Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Independent auditor's report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report to the shareholders of The National Bank of Ras Al-Khaimah (P.S.C) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on other legal and regulatory requirements

Further, as required by the UAE Federal-Decree Law No. (32) of 2021, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Directors' report to the shareholders is consistent with the books of account of the Group;
- (v) as disclosed in note 7 to the consolidated financial statements the Group has purchased or invested in shares during the year ended 31 December 2023;
- (vi) note 35 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2023 any of the applicable provisions of the UAE Federal-Decree Law No. (32) of 2021, or in respect of the Bank, it's Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- (viii) note 45 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2023.

Further, as required by the Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership - RAK Branch
29 January 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 AED'000	2022 AED'000 Restated
ASSETS			
Cash and balances with UAE Central Bank	4	**5,725,115**	4,713,892
Due from other banks, net	5	**12,386,496**	11,456,321
Investment securities measured at fair value	7	**6,038,538**	4,242,242
Investment securities measured at amortised cost	7	**7,199,529**	7,221,806
Loans and advances, net	6	**39,467,500**	36,071,267
Reinsurance contract assets	15	**176,312**	146,864
Customer acceptances		**273,350**	145,973
Other assets	8	**1,740,849**	1,410,729
Property and equipment	10	**485,153**	454,134
Right-of-use assets	36	**109,821**	112,657
Goodwill and intangible assets	9	**351,971**	370,497
Total assets		**73,954,634**	66,346,382
LIABILITIES AND EQUITY			
LIABILITIES			
Due to other banks	12	**6,717,589**	6,191,834
Deposits from customers	13	**50,395,142**	44,871,310
Customer acceptances		**273,350**	145,973
Debt securities issued and other long term borrowings	14	**3,482,001**	3,999,743
Insurance contract liabilities	15	**383,311**	315,478
Other liabilities	16	**2,231,677**	1,698,482
Lease liabilities	37	**103,304**	102,912
Deferred tax liability	11	**13,733**	-
Total liabilities		**63,600,107**	57,325,732
EQUITY			
Share capital	17	**2,011,495**	1,676,245
Legal reserve	18	**1,128,804**	950,431
Retained earnings		**4,019,394**	3,392,307
Other reserves	19	**3,167,378**	2,975,326
Equity attributable to owners of the Bank		**10,327,071**	8,994,309
Non-controlling interests	20	**27,456**	26,341
Total equity		**10,354,527**	9,020,650
Total Liabilities and Equity		**73,954,634**	66,346,382

These consolidated financial statements were duly approved and authorised for issue by the Board of Directors on 29 January 2024 and signed on their behalf by:

……………………………………… ………………………………………

Mohamed Omran Alshamsi
Chairman

Raheel Ahmed
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 AED'000	2022 AED'000 Restated
Interest income	21	**3,951,066**	2,486,834
Interest expense	21	**(1,039,765)**	(412,465)
Net interest income		**2,911,301**	2,074,369
Income from Islamic financing	22	**618,490**	506,300
Distribution to depositors	22	**(193,501)**	(91,320)
Net income from Islamic financing		**424,989**	414,980
Net interest income and net income from Islamic financing		**3,336,290**	2,489,349
Net fees and commission income	23	**660,413**	658,159
Foreign exchange & derivative income		**326,086**	218,343
Investment income	24	**48,672**	7,592
Insurance revenue		**592,160**	522,471
Insurance expense		**(632,959)**	(577,009)
Other operating income	25	**73,534**	76,795
Non-interest income		**1,067,906**	906,351
Operating income		**4,404,196**	3,395,700
General and administrative expenses	26	**(1,601,261)**	(1,435,332)
Operating profit before provision for credit loss		**2,802,935**	1,960,368
Provision for credit loss, net	30	**(1,005,477)**	(797,421)
Profit before tax		**1,797,458**	1,162,947
Income tax expense	11	**(13,733)**	-
Profit for the year after tax		**1,783,725**	1,162,947
Attributed to:			
Owners of the Bank		**1,783,559**	1,170,313
Non-controlling interests	20	**166**	(7,366)
Profit for the year		**1,783,725**	1,162,947
Earnings per share:			
Basic and diluted in AED	27	**0.89**	0.58

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 AED'000	2022 AED'000 Restated
Profit for the year	**1,783,725**	1,162,947
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets measured at fair value through other comprehensive income, (equity instruments)	**(16,294)**	(24,211)
(Loss) / profit on sale of equity investments held at fair value through other comprehensive income	**(5,398)**	17,429
Re-measurements of post-employment benefit obligations	**(2,613)**	4,605
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets measured at fair value through other comprehensive income, net (debt instruments)	**145,982**	(112,997)
Profit on sale of debt instruments transferred to profit and loss	**(1,612)**	(8,246)
Net changes in fair value arising from cash flow hedges	**10**	(17,581)
Other comprehensive income/(loss) for the year	**120,075**	(141,001)
Total comprehensive income for the year	**1,903,800**	1,021,946
Attributed to:		
Owners of the Bank	**1,902,685**	1,031,992
Non-controlling interests	**1,115**	(10,046)
Total comprehensive income for the year	**1,903,800**	1,021,946

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STAEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Other reserves AED'000	Equity attributable to owners of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2022	1,676,245	950,431	2,584,864	3,131,076	8,342,616	39,226	8,381,842
Adjustment on initial application of IFRS 17			(3,144)		(3,144)	(824)	(3,968)
Restated balance at 1 January 2022	1,676,245	950,431	2,581,720	3,131,076	8,339,472	38,402	8,377,874
Restated profit for the year	-	-	1,170,313	-	1,170,313	(7,366)	1,162,947
Other comprehensive income / (loss)	-	-	17,429	(155,750)	(138,321)	(2,680)	(141,001)
Total comprehensive income / (loss) for the year	-	-	1,187,742	(155,750)	1,031,992	(10,046)	1,021,946
Dividend paid	-	-	(377,155)	-	(377,155)	(2,015)	(379,170)
Restated balance at 31 December 2022	1,676,245	950,431	3,392,307	2,975,326	8,994,309	26,341	9,020,650
Balance at 1 January 2023	**1,676,245**	**950,431**	**3,392,307**	**2,975,326**	**8,994,309**	**26,341**	**9,020,650**
Profit for the year			**1,783,559**	**-**	**1,783,559**	**166**	**1,783,725**
Other comprehensive (loss) / income			**(7,835)**	**126,961**	**119,126**	**949**	**120,075**
Total comprehensive income for the year	**-**	**-**	**1,775,724**	**126,961**	**1,902,685**	**1,115**	**1,903,800**
Transfer to statutory reserve		**178,373**	**(243,464)**	**65,091**	**-**	**-**	**-**
Stock dividend paid	**335,250**		**(335,250)**	**-**	**-**	**-**	**-**
Dividend paid	**-**	**-**	**(569,923)**	**-**	**(569,923)**	**-**	**(569,923)**
At 31 December 2023	**2,011,495**	**1,128,804**	**4,019,394**	**3,167,378**	**10,327,071**	**27,456**	**10,354,527**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 AED'000	2022 AED'000 *Restated*
Cash flows from operating activities		
Profit for the year	**1,783,725**	1,162,947
Adjustments:		
Provision for credit losses, net	**1,005,477**	797,421
Depreciation and amortization of property and equipment and intangibles	**144,298**	118,555
Depreciation of Right-of-use assets	**22,203**	29,696
Interest cost on lease liability	**4,175**	5,387
Gain on disposal of property and equipment	**(3,654)**	(34)
Amortization of discount relating to investments securities	**(117,602)**	(26,824)
Gain on sale of investment securities measured at FVOCI	**(1,612)**	(8,246)
Gain on sale of investment securities held at FVTPL	**(17,582)**	(3,172)
Gain on sale of investment securities held at amortized cost		-
Net changes in fair value arising from hedge and forex revaluation	**(20,232)**	301,679
Fair value change on FVTPL investment securities	**(8,742)**	22,357
Amortization of discount of debt securities	**17,471**	10,544
Deferred tax provision	**13,733**	-
Changes in operating assets and liabilities	**2,821,658**	2,410,310
Increase in due from other banks with original maturities of three month or over	**(511,305)**	(2,709,909)
Increase in loans and advances, net	**(4,343,371)**	(3,116,338)
(Increase) / Decrease in Investment securities measured at fair value	**(112,204)**	110,195
(Increase) / Decrease in reinsurance contract assets	**(29,448)**	206,979
Increase in other assets	**(463,150)**	(703,864)
Increase in due to other banks	**525,755**	3,017,611
Increase in deposits from customers	**5,523,832**	5,944,535
Increase / (Decrease) in insurance contract liabilities	**67,833**	(159,739)
Increase in other liabilities and customer acceptances	**653,801**	594,037
Net cash generated from operating activities	**4,133,401**	5,593,817
Cash flows from investing activities		
Purchase of investment securities	**(10,709,061)**	(7,122,975)
Proceeds from maturity/disposal of investment securities	**9,278,358**	4,450,088
Purchase of property and equipment and intangible assets	**(165,380)**	(82,585)
Proceeds from disposal of property and equipment	**12,242**	86
Net cash used in investing activities	**(1,583,841)**	(2,755,386)
Cash flows from financing activities		
Dividends paid	**(569,923)**	(379,170)
Payment for rentals on lease contracts	**(20,002)**	(31,577)
Payment of debt security and other borrowings	**(2,185,435)**	(1,272,273)
Issue of debt security and other borrowings	**1,650,222**	-
Net cash used in financing activities	**(1,125,138)**	(1,683,020)
Net increase in cash and cash equivalents	**1,424,422**	1,155,411
Cash and cash equivalents, beginning of the year	**6,522,377**	5,366,966
Cash and cash equivalents, end of the year (Note 33)	**7,946,799**	6,522,377
Interest/profit paid during the year	**1,066,594**	375,841

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

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

The Bank is engaged in providing retail, commercial, islamic banking and treasury services through a network of 20 branches (2022: 20) in the UAE. The Bank is controlled by the Government of Ras Al-Khaimah by majority of voting rights.

At 31 December 2023, The National Bank of Ras Al-Khaimah (P.S.C.) comprises the Bank and seven subsidiaries (together referred to as the "Group"). The consolidated financial statements for the year ended 31 December 2023 comprises the Bank and following direct subsidiaries:

Subsidiary	*Authorized & issued capital*	*Ownership interest*	*Incorporated*	*Principal Activities*
Ras Al Khaimah National Insurance Company PSC	AED 121.275 million	79.23%	UAE	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 5,000,000	100%	Dubai International Financial Centre, UAE	Arranging and advising on Financial products, Investments and custody.
Protego Insurance Brokers L.L.C.	AED 8,500,000	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.

In compliance with Dubai Financial Services Authority and CBUAE regulations, during the year Bank has infused additional capital of USD 3,700,000 and AED 5,500,000 respectively in RAK Financial Services Limited and Protego Insurance Brokers L.L.C.

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

2.1 Standards amendments and interpretations that are effective for the Group accounting period beginning on 1 January 2023

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Title	***Key requirements***	***Effective date***
IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts (Note 15). 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.	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.	1 January 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

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

2.2 New and revised IFRSs that have been issued but are not yet effective

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16, In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	January 1, 2024
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7, The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.	January 1, 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28, The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.	Not applicable

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are mandatorily effective. The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements.

3. Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws of the United Arab Emirates ("UAE"). Group has also complied with provisions of the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") which was issued on 20 September 2021 and came into effect on 2 January 2022.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments, including derivatives, investments at fair value which are measured at fair value and the obligation related to employees end of service benefit, which is recognised at the present value of future obligations using the Projected Unit Credit Method. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and balances with UAE Central Bank and customer acceptances. The following balances would generally be classified as non-current: property and equipment and goodwill. The following balances are of mixed nature (including both current and non-current portions): due from other banks - net, loans and advances – net, investment securities measured at fair value, investment securities measured at amortised cost, insurance contract assets receivables – net, other assets, right-of-use assets, due to other banks, deposits from customers, debt securities issued and other long term borrowings, insurance contract liabilities and payables, other liabilities and lease liabilities.

(b) Consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- *has power over an investee,*
- *is exposed, or has rights, to variable returns from its involvement with the investee, and*
- *has the ability to use its power over the investee to affect the amount of the investor's returns.*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

3. Material accounting policies (continued)

(b) Consolidation (continued)

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9: Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Material accounting policies (continued)

(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 as per Note 3(e).

i) Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets by disclosing agreed upon profit and 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 recognised as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

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 recognised 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.

3. Material accounting policies (continued)

(c) Islamic financing (continued)

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.

vi) *Profit distribution mechanism*

Deposits of Islamic banking are managed in accordance with Shari'ah principles through a Mudaraba pool and profit is distributed in accordance with the Shari'ah approved profit distribution mechanism. To ensure the competitive return to the depositors, Shari'ah compliant reserves are maintained as followed;

- *Profit Equalization Reserves (PER) is appropriated out of the Common Mudaraba Pool's profit in order to maintain the adequate return on investments for participants of Common Mudaraba Pool.*
- *Investment Risk Reserve (IRR) is appropriated from the depositors' share of profits set aside as a reserve.*

(d) Business combination and goodwill

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. Material accounting policies (continued)

(d) Business combination and goodwill (continued)

Business combination (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 with the corresponding gain or loss being recognised in profit and loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in consolidated statement of comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising of an acquisition of a business combination is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit might be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in the subsequent periods.

3. Material accounting policies (continued)

(d) Business combination and goodwill (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL). A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument -by-instrument basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

In both the current period and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

3. Material accounting policies (continued)

(e) Classification of financial assets and financial liabilities (continued)

Financial liabilities (continued)

- Financial liabilities at fair value through profit or loss: the classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and

- Financial guarantee contracts and loan commitments.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Material accounting policies (continued)

(e) Classification of financial assets and financial liabilities (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI Test")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

(a) Contingent events that would change the amount and timing of cash flows;
(b) Leverage features;
(c) Prepayment and extension terms;
(d) Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
(e) Features that modify consideration of the time value of money - e.g. periodical reset of interest rate.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

(f) Measurement of financial assets and financial liabilities

Investment securities

The investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and

equity investment securities designated as at FVOCI - Equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the group considers this classification to be more relevant.

3. Material accounting policies (continued)

(f) Measurement of financial assets and financial liabilities (continued)

Investment securities (continued)

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

Financial liabilities (including customer deposits and due to other banks, repurchase agreements with banks, and debt securities issued and other long term borrowings) are initially recognised as fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby for financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

3. Material accounting policies (continued)

(f) Measurement of financial assets and financial liabilities (continued)

Financial liabilities (continued)

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is “substantial” or whether the original debt has been replaced by another debt with “substantially” different terms.

(g) Impairment

Measurement of ECL

The Group recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- 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.

No impairment loss is recognised on equity investments.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1: When there has not been a Significant Increase in Credit risk (SICR) since its initial recognition, an amount equal to 12 months Expected Credit Loss (ECL) is recorded. 12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2: When a financial instrument shows a Significant Increase in Credit Risk (SICR) since its initial recognition, it is moved to Stage 2 and an amount equal to Lifetime ECL is recorded against these financial instruments. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

3 Material accounting policies (continued)

(g) Impairment (continued)

Measurement of ECL (continued)

Stage 3: Financial instruments considered as credit impaired are moved to Stage 3 and amount equal to Lifetime ECL is recorded against these financial instruments.

The Group employs statistical models for ECL calculations. For measuring ECL under IFRS 9, the key inputs are the term structure of the following:

- Probability of default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters are derived from the Group's internally developed statistical models or external data, and other historical data. These are adjusted to reflect forward-looking information. Additionally, the Group has elaborate review process to adjust the ECL numbers for the factors not being captured in the model, as a part of Management Overlay.

Summary of statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date upto default date.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and expect recovery including expected amount from sale of collateral. It is usually expressed as a percentage of the EAD.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.
- The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics (Retail portfolio). The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original interest rate whether it is measured on an individual basis or a collective basis.

3. Material accounting policies (continued)

(g) Impairment (continued)

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as timing of coupon payments, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Definition of default

Group defines a non-retail, retail and investment instrument as in default, which is largely aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is 90 (or more) days past due on its contractual payments.

3. Material accounting policies (continued)

(g) Impairment (continued)

Definition of default (continued)

Qualitative criteria:

The bank classifies the loans as Non-performing (NPA) when:

- Such loans, which may lead to incurring of some loss due to adverse factors (financial, economic, legal, political or managerial) which may hinder repayment, or due to weakening of security.
- Loans whose full recovery seems doubtful on the basis of information available, leading, generally, to a loss of part of these loans (when the financial position of the customer and securities are not sufficient).
- Loans where bank has exhausted all courses of action available but failed to recover anything, or where there is a possibility that nothing shall be recovered.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the contractual ability to demand repayment and cancel the undrawn commitment is present; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may vary from remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle like credit cards, overdraft balances, etc. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Modification of financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. Where this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share / equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

3. Material accounting policies (continued)

(g) Impairment (continued)

Modification of financial assets (continued)

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecogntion, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition of Financial Assets

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownerships, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for de-recognition are therefore not met. This also applies to certain securitisation transactions in which the Group retain a subordinated residual interest.

3. Material accounting policies (continued)

(g) Impairment (continued)

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group categorises a retail loan or receivable for write off when a debtor fails to make contractual payments exceeding a certain number of days, and meets other pre-defined criteria as per bank's internal policy. As regards the non retail loans, the write off of loans is done based on the individual assessment of these loans on a case to case basis. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Financial guarantees contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values. Subsequently they are measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies. Customer acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset. Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and are recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Curing period

The Group continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

3. Material accounting policies (continued)

(h) Derivatives and hedging

IFRS 9 expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 envisions an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Bank shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in income from trading activities except for gains and losses on those derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in 'Other Operating Income'.

(i) Due from/to other banks

Amounts due from/to banks are initially recognised at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amount due from banks is assessed as outlined in the accounting policy for financial instruments.

(j) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise of cash on hand, unrestricted balances held with central banks and highly liquid financial assets (such as current, call accounts and placements) with original maturities of three months or less from the date of its acquisition.

(k) Customer acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset. Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and are recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3. Material accounting policies (continued)

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments are disclosed in Note 32.

Fair value hedge

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

3. Material accounting policies (continued)

(l) Derivative financial instruments (continued)

<u>*Cash flow hedge*</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in cash flow hedge reserve are reclassified to profit or loss in the same period during which the hedged future cash flows affect profit or loss, in the same line in which the hedged cash flows are recognised. If the Group expects that all or a portion of the accumulated loss will not be recovered, then that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

(m) Debt securities issued

Debt issued is recognised initially at fair value, net of transaction costs incurred. After initial measurement, debt issued is subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(n) Property and equipment

Land and buildings comprise branches, offices and certain residential premises purchased for occupation of management and staff. Property and equipment is stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

3. Material accounting policies (continued)

(n) Property and equipment (continued)

Land is not depreciated as it is deemed to have an infinite life. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

	Years
Buildings	15 – 30
Computer equipment and software	2 -15
Furniture, fixtures and equipment	4 – 6
Leasehold improvements	2 – 6
Motor vehicles	2 – 4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Capital work in progress is stated at cost and is transferred to the appropriate asset category when it is brought into use and is depreciated in accordance with the Group's accounting policy.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to the carrying value of the asset disposed and are taken into account in determining operating income.

(o) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in consolidated income statement in the periods during which services are rendered by employees. Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security.

3. Material accounting policies (continued)

(o) Employee benefits (continued)

(ii) Defined benefit plan

Provision is made for the end of service benefits due to non-UAE nationals in accordance with the UAE Labor Law for their periods of service up to the financial position date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The provision arising is disclosed as 'provision for employees' end of service benefits' under other liabilities in the consolidated statement of financial position.

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to financial position date. This provision is included in other liabilities.

(p) Fiduciary assets

Assets and the income arising on the Group's fiduciary activities, where it acts in a fiduciary capacity such as nominee, trustee or agent, are excluded from these consolidated financial statements. Income earned by the Group from its fiduciary services is recognized in accordance with the accounting policy on fees and commission income.

(q) Share capital

(i) Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Group's shareholders.

3. Material accounting policies (continued)

(r) Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control; or are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements, unless they are remote.

(s) Deposits from customers

Deposits from customers are recognized initially at fair value, net of transaction costs incurred. Deposits from customers are subsequently carried at amortized cost using the effective interest method.

(t) Foreign currencies

Items included in the consolidated financial statements of the Group are measured using UAE Dirhams which is the currency of the primary economic environment in which the Group operates ('functional currency'). The consolidated financial statements are presented in UAE Dirhams. Foreign currency transactions are translated into the UAE Dirham at the rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-translated into UAE Dirhams at the rates ruling at the consolidated statement of financial position date. Any resultant gains or losses are accounted for in the consolidated income statement other than for items presented in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(u) Interest income and expense

Interest income and expense are recognized in the consolidated income statement for all instruments measured at amortized cost using the effective interest method. Interest earned whilst holding investment securities is reported in interest income in the consolidated income statement.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3. Material accounting policies (continued)

(u) Interest income and expense (continued)

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(v) Fee and commission income

Fees and commissions, other than loan arrangement fees, are generally recognized when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees earned on the Bank's fiduciary activities are recognized over the period in which the service is provided. The same principle is applied to custody services that are continuously provided over an extended period of time.

(w) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-maker. The Chief Operating Decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8 Operating Segments, the Group has the following business segments: retail banking, Wholesale banking, business banking, treasury and Insurance business.

(y) Intangible assets

Intangible assets acquired in a business combination are measured on initial recognition at cost, which is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible asset.

3. Material accounting policies (continued)

(y) Intangible assets (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(i) License

The license represents the right to conduct insurance operations, which is granted by the relevant insurance regulator. This license is assessed as having an indefinite useful life and included in goodwill.

(ii) Customer relationships

The value of customer relationships represents the value of future cash flows expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition and will be amortized on a straight-line basis over the estimated useful life which is four years.

(z) Insurance contracts

Insurance and reinsurance contracts held

Insurance contracts

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfer insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Unit of account

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts, which are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured.

3. Material accounting policies (continued)

(z) Insurance contracts (continued)

Unit of account *(continued)*

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

Recognition and derecognition

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

(a) the beginning of the coverage period;

(b) the date when the first payment from the policyholder is due or actually received, if there is no due date; and

(c) when the Group determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognised as follows:

(a) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:

   i. the beginning of the coverage period of the group; and
   ii. the initial recognition of any underlying insurance contract;

(b) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

(c) unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised. Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

3. Material accounting policies (continued)

(z) Insurance contracts (continued)

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

(a) the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

(b) both of the following criteria are satisfied:

i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

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

Measurement

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

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

3. Material accounting policies (continued)

(z) Insurance contracts (continued)

Measurement (continued)

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.
For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.
The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

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

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

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

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

a. increased for premiums received in the period
b. decreased for insurance acquisition cash flows paid in the period;
c. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

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

a. increased for ceding premiums paid in the period;
b. increased for broker fees paid in the period, if any; and
c. decreased for the expected amounts of ceding premiums and broker fees, if any, recognised as reinsurance expenses for the services received in the period recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

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

3. Material accounting policies (continued)

(z) Insurance contracts (continued)

Onerous contract

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

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. The loss component is remeasured at each subsequent reporting date.

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

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

Insurance revenue

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

Insurance expense

Insurance service expenses include the following:

- incurred claims for the period.
- other incurred directly attributable expenses.
- insurance acquisition cash flows expense.
- An element of time value of money of LIC for the period.

3. Material accounting policies (continued)

(z) Insurance contracts (continued)

Insurance acquisition costs

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

Insurance finance income or expenses and reissuance finance expense or income

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

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

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

- interest accreted on the LIC & Assets of incurred claims ("AIC"); and
- the effect of changes in interest rates and other financial assumptions.

3. Material accounting policies (continued)

(aa) Right-of-use assets and lease liabilities

Lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

Interest rate for discounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. Cash and balances with UAE Central Bank

	2023 AED'000	2022 AED'000
Cash in hand	**819,513**	711,362
Balances with the UAE Central Bank	**4,905,602**	4,002,530
	5,725,115	4,713,892

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE Central Bank reserve account, while ensuring that they meet the reserve requirements over 14 days period. Therefore the balances have been classified as part of cash and cash equivalent (Note 33).

5. Due from other banks, net

	2023 AED'000	2022 AED'000
Placements with other banks	**1,069,269**	514,066
Demand deposits	**1,635,959**	1,626,926
Banker's acceptances	**4,053,914**	3,958,875
Syndicated loans	**4,083,711**	3,664,294
Trade loans	**1,548,797**	1,724,013
Others	**46,473**	25,445
Total due from other banks	**12,438,123**	11,513,619
Provision for credit loss	**(51,627)**	(57,298)
Due from other banks, net	**12,386,496**	11,456,321

The below represents deposits and balances due from:

	2023 AED'000	2022 AED'000
Banks in UAE	**927,050**	357,897
Banks outside UAE	**11,511,073**	11,155,722
Total due from other banks	**12,438,123**	11,513,619

6. Loans and advances, net

	2023 AED'000	2022 AED'000
(a) Loans and advances:		
Retail banking loans	**20,106,097**	18,815,285
Wholesale banking loans	**11,953,190**	10,279,813
Business banking loans	**9,923,100**	9,049,221
Total loans and advances [Note 6(b)]	**41,982,387**	38,144,319
Provision for credit loss [Note 6(c)]	**(2,514,887)**	(2,073,052)
Net loans and advances	**39,467,500**	36,071,267
(b) Analysis of loans and advances:		
Personal loans	**5,652,481**	5,545,961
Mortgage loans	**9,292,485**	7,670,327
Credit cards	**2,385,714**	2,196,406
Auto loans	**451,065**	400,301
RAK Business loans	**3,938,071**	3,404,286
Other Business banking loans	**5,985,029**	5,644,935
Wholesale banking loans	**11,953,190**	10,279,813
Other retail loans	**2,324,352**	3,002,290
Total loans and advances	**41,982,387**	38,144,319
(c) Movement in provision for credit losses:		
Balance at the beginning of the year	**2,073,052**	1,893,208
Impairment allowance for the year [Note 6(d)]	**1,065,534**	702,030
Written-off during the year	**(623,699)**	(522,186)
Balance at the end of the year	**2,514,887**	2,073,052

6. Loans and advances, net (continued)

(d) Provision for credit losses of loans and advances, net:

	2023 **AED'000**	2022 AED'000
Impairment allowance for the year	**1,065,534**	702,030
Net recovery during the year	**(118,396)**	(93,712)
	947,138	608,318

Net recovery mainly represents amounts subsequently recovered from fully written-off loans.

(e) Islamic financing assets:

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

	2023 **AED'000**	2022 AED'000
Islamic financing assets		
Islamic retail financing assets	**3,138,902**	3,445,674
Islamic business banking assets	**2,226,653**	2,252,856
Islamic wholesale banking assets	**248,028**	412,679
Total Islamic financing assets	**5,613,583**	6,111,209
Provision for impairment	**(411,976)**	(394,217)
	5,201,607	5,716,992
Analysis of Islamic financing assets		
Islamic Salam personal finance	**1,960,270**	2,082,846
Islamic Auto Murabaha	**43,934**	38,586
Islamic business banking finance	**2,226,653**	2,252,856
Islamic Ijara Property Finance	**1,095,658**	1,278,451
Murabaha Islamic credit cards	**38,797**	43,995
Islamic wholesale banking	**248,028**	412,679
Islamic finance – other	**243**	1,796
	5,613,583	6,111,209

6. Loans and advances, net (continued)

(f) Movement in provision for credit losses - Islamic	**2023 AED'000**	2022 AED'000
Balance at the beginning of the year	**394,217**	399,390
Impairment allowance for the year	**126,563**	119,548
Written-off during the year	**(108,804)**	(124,721)
Balance at the end of the year	**411,976**	394,217

7. Investment securities, net

	2023 AED'000	2022 AED'000
Securities at fair value through other comprehensive income (FVOCI)		
Quoted equity securities	**445,814**	437,494
Unquoted equity securities	**-**	5,240
Quoted debt securities*	**5,232,837**	3,655,522
Unquoted debt securities	**113,863**	36,490
	5,792,514	4,134,746
Securities at fair value through profit or loss (FVPL)		
Quoted funds	**71,091**	66,071
Unquoted funds	**43,960**	41,425
Quoted equity securities	**18,964**	-
Quoted debt securities	**112,009**	-
	246,024	107,496
Investment securities measured at fair value	**6,038,538**	4,242,242
Securities held at amortized cost		
Quoted debt securities*	**7,277,237**	7,163,089
Unquoted debt securities	**-**	115,841
	7,277,237	7,278,930
Provision for credit loss for Securities held at amortized cost	(77,708)	(57,124)
Investment securities measured at amortised cost	**7,199,529**	7,221,806
Net investment securities	**13,238,067**	11,464,048

7. Investment securities, net (continued)

* As at 31 December 2023, quoted debt securities with fair value of AED 2,627 million and carrying value of AED 2,647 million (31 December 2022: fair value of AED 3,046 million and carrying value AED 3,135 million) have been given as collateral against repo borrowings of AED 2,246 million (31 December 2022: AED 2,639 million).

During the year ended 31 December 2023, change in fair value of investment securities measured at FVPL resulted in gain of AED 8.7 million (31 December 2022: loss of AED 22.4 million) and was recognised as investment income / loss in the consolidated statement of profit or loss (Note 24).

	2023	2022
	AED'000	AED'000
The composition of the investment portfolio by category is as follows:		
Federal and local Government - UAE	**2,374,633**	2,605,832
Government related entity - UAE	**759,903**	862,482
Government - GCC	**461,613**	572,937
Government - other	**574,348**	850,247
Banks and financial institutions - UAE	**1,270,199**	635,725
Banks and financial institutions - GCC	**1,003,797**	1,014,027
Banks and financial institutions - other	**2,346,014**	1,827,012
Public limited companies - UAE	**785,653**	381,795
Public limited companies - GCC	**1,113,739**	716,984
Public limited companies - other	**2,046,047**	1,503,901
Total debt securities	**12,735,946**	10,970,942
Quoted equity securities	**464,778**	437,494
Quoted funds	**71,091**	66,071
Unquoted funds	**43,960**	41,425
Unquoted equity securities	**-**	5,240
Total investment securities	**13,315,775**	11,521,172

7. Investment securities, net (continued)

Movement in investment securities for the year ended 31 December 2023 and 31 December 2022:

	FVOCI AED'000	FVPL AED'000	Amortized Cost AED'000	Total AED'000
At 1 January 2023	**4,134,746**	**107,496**	**7,278,930**	**11,521,172**
Purchases	**3,638,742**	**2,750,473**	**7,070,319**	**13,459,534**
Proceeds from disposal/maturities	**(2,125,188)**	**(2,638,269)**	**(7,153,170)**	**(11,916,627)**
Net changes in fair value due to revaluation	**128,076**	**-**	**-**	**128,076**
Net changes in fair value due to hedge and forex	**19,547**	**-**	**685**	**20,232**
Net changes in fair value through profit or loss	**-**	**8,742**	**-**	**8,742**
Profit on sale of equity investments measured at FVOCI	**(5,398)**	**-**	**-**	**(5,398)**
Amount charged to income	**(36,752)**	**-**	**-**	**(36,752)**
Amortization of premium / discount	**37,129**	**-**	**80,473**	**117,602**
Profit on sale of debt instruments transferred to profit and loss	**1,612**	**17,582**	**-**	**19,194**
At 31 December 2023	**5,792,514**	**246,024**	**7,277,237**	**13,315,775**

	FVOCI AED'000	FVPL AED'000	Amortized Cost AED'000	Total AED'000
At 1 January 2022	4,661,991	236,876	4,591,996	9,490,863
Purchases	2,965,252	1,866,173	4,157,723	8,989,148
Proceeds from disposal/maturities	(2,991,979)	(1,976,368)	(1,458,109)	(6,426,456)
Net changes in fair value due to revaluation	(145,454)	-	-	(145,454)
Net changes in fair value due to hedge and forex	(301,000)	-	(679)	(301,679)
Net changes in fair value through profit or loss	-	(22,357)	-	(22,357)
Profit on sale of equity investments measured at FVOCI	17,429	-	-	17,429
Amount charged to income	(118,564)	-	-	(118,564)
Amortization of discount	38,825	-	(12,001)	26,824
Profit on sale of debt instruments transferred to profit and loss	8,246	3,172	-	11,418
At 31 December 2022	4,134,746	107,496	7,278,930	11,521,172

8. Other assets

	2023 AED'000	2022 AED'000 Restated
Interest receivable	**519,593**	446,933
Profit receivable on Islamic financing assets	**94,147**	64,310
Prepayments	**67,613**	36,113
Foreign exchange and other derivative contracts (Note 32)	**516,092**	563,489
Gold in hand	**72,741**	38,684
Islamic profit paid in advance	**61,577**	14,195
Assets acquired in settlements of debts*	**73,500**	11,395
Other	**335,586**	235,610
	1,740,849	1,410,729

* The carrying amount of assets acquired in settlement of debts will be recovered principally through a sale transaction rather than through continuing use. Assets acquired in settlement of debts are subject to revaluation at each reporting date, and is recorded at lower of fair value less cost of sale and the carrying amount in the books.

9. Goodwill and intangible assets

	Goodwill AED'000	Intangible assets Software AED'000	Total AED'000
Cost			
At 01 January 2022	166,386	843,097	1,009,483
Additions	-	3,568	3,568
Transfers	-	47,916	47,916
At 31 December 2022	**166,386**	**894,581**	**1,060,967**
Additions	**-**	**715**	**715**
Transfers	**-**	**88,083**	**88,083**
Disposals	**-**	**(9,151)**	**(9,151)**
At 31 December 2023	**166,386**	**974,228**	**1,140,614**
Accumulated amortization			
At 01 January 2022	-	610,820	610,820
Charge for the year	-	79,650	79,650
Disposals	-	-	-
At 31 December 2022	**-**	**690,470**	**690,470**
Charge for the year	**-**	**105,328**	**105,328**
Disposals	**-**	**(7,155)**	**(7,155)**
At 31 December 2023	**-**	**788,643**	**788,643**
Net book value			
At 31 December 2023	**166,386**	**185,585**	**351,971**
At 31 December 2022	166,386	204,111	370,497

For the purpose of impairment assessment, goodwill is allocated to the Group's insurance business. Goodwill is tested for impairment annually or at a more frequent basis when there is evidence that the fair value of the unit is less than the carrying value. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place. For this purpose, the recoverable amount of each cash generating unit has been determined based on a value-in-use calculation using cash flow projections, based on financial forecasts made by senior management, covering a five year period. Cash flows beyond the five-year period are valued using a terminal growth rate, which management believes approximates the long term growth rate for the industry in which the cash generating unit operates. The judgements applied in the value-in-use calculation are disclosed in note 43.

10. Property and equipment

	Land and buildings AED'000	Leasehold improvements AED'000	Information technology assets AED'000 (Restated)	Office Furniture and Equipment AED'000	Motor Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000 (Restated)
Cost							
At 31 December 2021	668,539	100,714	228,374	127,385	5,343	30,157	1,160,512
Additions	346	4	4,780	1,443	-	72,444	79,017
Transfers	2,847	6,957	5,360	1,250	-	(64,330)	(47,916)
Disposals	-	-	(1,857)	(1,344)	(1,160)	-	(4,361)
At 31 December 2022	**671,732**	**107,675**	**236,657**	**128,734**	**4,183**	**38,271**	**1,187,252**
Additions		**2**	**3,559**	**536**	**1,161**	**159,407**	**164,665**
Transfers	**2,791**	**5,536**	**18,739**	**925**	**-**	**(116,074)**	**(88,083)**
Disposals	**(13,809)**	**(22,598)**	**(12,011)**	**(11,295)**	**(2,221)**	**-**	**(61,934)**
At 31 December 2023	**660,714**	**90,615**	**246,944**	**118,900**	**3,123**	**81,604**	**1,201,900**
Accumulated depreciation and impairment							
At 31 December 2021	262,364	98,172	211,373	121,714	4,899	-	698,522
Charge for the year	21,818	2,491	11,013	3,232	351	-	38,905
Disposals	-	-	(1,852)	(1,296)	(1,161)	-	(4,309)
At 31 December 2022	**284,182**	**100,663**	**220,534**	**123,650**	**4,089**	**-**	**733,118**
Charge for the year	**21,790**	**3,059**	**10,903**	**2,980**	**238**	**-**	**38,970**
Disposals	**(7,514)**	**(22,594)**	**(11,926)**	**(11,155)**	**(2,152)**	**-**	**(55,341)**
At 31 December 2023	**298,458**	**81,128**	**219,511**	**115,475**	**2,175**	**-**	**716,747**
Net book value							
At 31 December 2023	**362,256**	**9,487**	**27,433**	**3,425**	**948**	**81,604**	**485,153**
At 31 December 2022	387,550	7,012	16,123	5,084	94	38,271	454,134

11. Deferred tax liability

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 was published setting in place an income tax for Corporations and Businesses for the first time. The taxable income threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Company's first tax year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base.

Based on the assessment, the Group considers that taxable temporary differences arise in respect of Purchase Price Allocation (PPA) adjustments carried on the Group's Consolidated Balance Sheet and relating to transactions in prior accounting periods. The Group has assessed a potential deferred tax liability in the amount of AED 13.7 million.

The Group will continue to assess the expected impact, and continue to evaluate its interpretation in light of the Decisions and related guidance.

12. Due to other banks

	2023	2022
	AED'000	AED'000
Term borrowings	**4,185,160**	3,289,580
Repurchase agreements (Note 7)	**2,246,190**	2,638,670
Demand deposits	**286,239**	263,584
	6,717,589	6,191,834

13. Deposits from customers

	2023	2022
	AED'000	AED'000
Current accounts	**29,577,190**	27,088,001
Call deposits	**1,134,999**	1,226,314
Saving deposits	**3,024,141**	3,269,816
Time deposits	**16,658,812**	13,287,179
	50,395,142	44,871,310

Deposits include AED 1,814 million (2022: AED 1,509 million) held by the Group as cash collateral for loans and advances granted to customers.

13. Deposits from customers (continued)

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

	2023 AED'000	2022 AED'000
Wakala deposits	**1,300,884**	1,756,700
Mudaraba term investment deposits	**8,427**	11,401
Murabaha Term Deposit	**2,719,355**	1,465,862
Qard-E-Hassan - current accounts	**1,239,814**	987,471
Mudaraba - current accounts	**495,171**	526,405
Mudaraba - saving accounts	**214,513**	197,140
Mudaraba - call deposits	**9,787**	20,442
	5,987,951	4,965,421

14. Debt securities issued and other long term borrowings

	31 December 2023 (audited) AED'000	31 December 2022 (audited) AED'000
USD 500 million medium term note issued at discount in April 2019 (a)	**1,836,170**	1,834,955
USD 145 million private placement net of discount (a)	**-**	531,557
USD 75 million private placement (a)	**-**	275,475
USD 75 million private placement (a)	**-**	275,475
USD 100 million bilateral borrowing (b)	**-**	367,300
USD 125 million bilateral borrowing (c)	**-**	459,125
USD 75 million bilateral borrowing (d)	**-**	275,475
AED 370 million bilateral borrowing (e)	**370,000**	-
USD 50 million bilateral borrowing (f)	**183,650**	-
AED 370 million Islamic bilateral borrowing (g)	**370,000**	-
USD 100 million bilateral borrowing (h)	**367,300**	-
USD 100 million bilateral borrowing (i)	**367,300**	-
Less: Debt securities and other borrowing issue costs	**(8,086)**	(8,153)
Fair value adjustment on hedged medium term note	**(4,333)**	(11,466)
	3,482,001	3,999,743

14. Debt securities issued and other long term borrowings (continued)

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

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

The Group issued USD 75 million of floating rate notes on 24 May 2021 through a private placement with an interest rate of USD 3 months LIBOR + 1% with maturity date of 24 November 2023. This was repaid in advance in August 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 got matured and repaid in November 2023.

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

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

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

(e) In June 2023 the Group borrowed AED 370 million at an interest rate of 6 months EIBOR + 0.90% per annum which matures in June 2026.

(f) In June 2023 the Group borrowed USD 50 million at an interest rate of daily SOFR + 1.10% per annum which matures in June 2026.

(g) In June 2023 the Group borrowed AED 370 million at a profit rate of 6 months EIBOR + 0.90% per annum which matures in June 2026.

(h) In July 2023 the Group borrowed USD 100 million at an interest rate of USD 3 month SOFR + 1% which matures in July 2026.

(i) In September 2023 the Group borrowed USD 100 million at an interest rate of USD daily SOFR + 1% which matures in September 2026.

14. Debt securities issued and other long term borrowings (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows.

	1 January 2023 AED'000	Financing cash flows AED'000	Non cash changes AED'000	31 December 2023 AED'000
USD 500 million medium term note - 2019	1,817,551	-	13,080	1,830,631
USD 145 million private placement - 2018	531,539	(532,585)	1,046	-
USD 75 million private placement - 2021	275,016	(275,475)	459	-
USD 75 million private placement - 2021	275,333	(275,475)	142	-
USD 100 million bilateral borrowing - 2021	367,300	(367,300)	-	-
USD 125 million bilateral borrowing - 2021	458,129	(459,125)	996	-
USD 75 million bilateral borrowing - 2021	274,875	(275,475)	600	-
AED 370 million bilateral borrowing - 2023	-	367,373	290	367,663
USD 50 million bilateral borrowing - 2023	-	183,295	75	183,370
AED 370 million Islamic bilateral borrowing - 2023	-	367,158	474	367,632
USD 100 million bilateral borrowing - 2023	-	365,096	309	365,405
USD 100 million bilateral borrowing - 2023	-	367,300	-	367,300
Total liabilities from financing activities	**3,999,743**	**(535,213)**	**17,471**	**3,482,001**

15. Insurance contract liabilities

Roll-forward of insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims:

2023	Life and Medical				General and Motor				
	Liabilities for remaining coverage		Liabilities for incurred claims		Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Total AED
Insurance contract liabilities as at 1 January	31,755	428	94,113	2,418	52,975	5,268	121,109	7,412	315,478
Insurance revenue	(187,736)	-	-	-	(155,353)	-	-	-	(343,089)
Insurance service expenses	36,202	5,934	188,427	591	36,325	(5,268)	93,233	2,646	358,090
Incurred claims and other expenses	-	-	228,405	6,877	-	-	133,076	6,158	374,516
Amortisation of insurance acquisition cash flows	36,202	-	-	-	36,325	-	-	-	72,527
Losses on onerous contracts and reversals of those losses	-	5,934	-	-	-	(5,268)	-	-	666
Changes to liabilities for incurred claims	-	-	(40,179)	(6,286)	-	-	(39,842)	(3,512)	(89,819)
Insurance service result	(151,534)	5,934	188,427	591	(119,028)	(5,268)	93,233	2,646	15,001
Insurance finance expenses	-	-	3,345	163	-	-	6,344	458	10,310
Total changes in the statement of comprehensive income	(151,534)	5,934	191,772	754	(119,028)	(5,268)	99,577	3,104	25,311
Cash flows									
Premiums received	185,996	-	-	-	156,704	-	-	-	342,700
Claims and other expenses paid	-	-	(176,677)	-	-	-	(62,826)	-	(239,503)
Insurance acquisition cash flows	(21,252)	-	-	-	(39,423)	-	-	-	(60,675)
Total cash flows	164,744	-	(176,677)	-	117,281	-	(62,826)	-	42,522
Net insurance contract liabilities as at 31 December	44,965	6,362	109,208	3,172	51,228	-	157,860	10,516	383,311

15. Insurance contract liabilities (continued)

Roll-forward of insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims:

2022	Life and Medical				General and Motor				
	Liabilities for remaining coverage		Liabilities for incurred claims		Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000
Insurance contract liabilities as at 1 January	45,148	595	103,944	2,683	33,925	4,172	129,992	7,657	328,116
Insurance revenue	(198,500)	-	-	-	(145,566)	-	-	-	(344,066)
Insurance service expenses									
Incurred claims and other expenses	-	-	226,747	5,035	-	-	103,712	3,978	339,472
Amortisation of insurance acquisition cash flows	29,269	-	-	-	34,313	-	-	-	63,582
Losses on onerous contracts and reversals of those losses	-	(167)	-	-	-	1,096	-	-	929
Changes to liabilities for incurred claims	-	-	(47,334)	(5,344)	-	-	(34,242)	(4,356)	(91,276)
Insurance service result	(169,232)	(167)	179,413	(309)	(111,253)	1,096	69,471	(378)	(31,359)
Insurance finance expenses	-	-	221	44	-	-	(946)	133	(548)
Total changes in the statement of comprehensive income	(169,232)	(167)	179,634	(265)	(111,253)	1,096	68,525	(245)	(31,907)
Cash flows									
Premiums received	206,687	-	-	-	160,969	-	-	-	367,656
Claims and other expenses paid	-	-	(189,465)	-	-	-	(77,408)	-	(266,873)
Insurance acquisition cash flows	(50,848)	-	-	-	(30,665)	-	-	-	(81,513)
Total cash flows	155,839	-	(189,465)	-	130,303	-	(77,408)	-	19,269
Net insurance contract liabilities as at 31 December	31,755	428	94,113	2,418	52,975	5,268	121,109	7,412	315,478

15. Insurance contract liabilities (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

2023	**Life and Medical**				**General and Motor**				
	Assets for remaining coverage		**Amounts recoverable on incurred claims**		**Assets for remaining coverage**		**Amounts recoverable on incurred claims**		
	Excluding loss recovery component AED	**Loss component AED**	**Estimates of the present value of future cash flows AED**	**Risk adjustment AED**	**Excluding loss recovery component AED**	**Loss component AED**	**Estimates of the present value of future cash flows AED**	**Risk adjustment AED**	**Total AED**
Reinsurance contract assets as at 1 January	**(176,793)**	**346**	**223,720**	**1,317**	**(57,546)**	**1,676**	**149,459**	**4,685**	**146,864**
Reinsurance contract liabilities as at 1 January	**-**	**-**	**-**	**-**	**(127,656)**	**4**	**105,556**	**1,120**	**(20,976)**
Net reinsurance contract (liabilities)/assets as at 1 January	**(176,793)**	**346**	**223,720**	**1,317**	**(185,202)**	**1,680**	**255,015**	**5,805**	**125,888**
Allocation of reinsurance premiums	**(123,735)**	**-**	**-**	**-**	**(79,473)**	**-**	**-**	**-**	**(203,208)**
Amounts recoverable from reinsurers for incurred claims	**-**	**3,064**	**112,290**	**666**	**-**	**(1,680)**	**42,265**	**2,050**	**158,655**
Amounts recoverable for incurred claims and other expenses	**-**	**-**	**135,525**	**4,030**	**-**	**-**	**74,322**	**4,031**	**217,908**
Loss-recovery on onerous underlying contracts and adjustments	**-**	**3,064**	**-**	**-**	**-**	**(1,680)**	**-**	**-**	**1,384**
Changes to amounts recoverable for incurred claims	**-**	**-**	**(23,235)**	**(3,364)**	**-**	**-**	**(32,057)**	**(1,981)**	**(60,637)**
Net income or expense from reinsurance contracts held	**(123,735)**	**3,064**	**112,290**	**666**	**(79,473)**	**(1,680)**	**42,265**	**2,050**	**(44,553)**
Reinsurance finance income	**-**	**-**	**12,219**	**101**	**-**	**-**	**10,142**	**359**	**22,821**
Effect of changes in non-performance risk of reinsurers	**-**	**-**	**998**	**-**	**-**	**-**	**(2,876)**	**-**	**(1,878)**
Total changes in the statement of comprehensive income	**(123,735)**	**3,064**	**125,507**	**767**	**(79,473)**	**(1,680)**	**49,531**	**2,409**	**(23,610)**
Cash flows									
Premiums paid	**202,794**	**-**	**-**	**-**	**213,912**	**-**	**-**	**-**	**416,706**
Amounts received	**-**	**-**	**(176,229)**	**-**	**-**	**-**	**(167,841)**	**-**	**(344,070)**
Total cash flows	**202,794**	**-**	**(176,229)**	**-**	**213,912**	**-**	**(167,841)**	**-**	**72,636**
Net reinsurance contract assets/(liabilities) as at 31 December 31 December	**(97,734)**	**3,410**	**172,998**	**2,084**	**(50,763)**	**-**	**136,705**	**8,214**	**174,914**
								8,158	
Reinsurance contract assets as at 31 December	**(97,734)**	**3,410**	**172,998**	**2,084**	**(47,922)**	**-**	**135,318**		**176,312**
Reinsurance contract liabilities as at 31 December	**-**	**-**	**-**	**-**	**(2,841)**	**0**	**1,387**	**56**	**(1,398)**
Net reinsurance contract assets/(liabilities) as at 31 December 31 December	**(97,734)**	**3,410**	**172,998**	**2,084**	**(50,763)**	**0**	**136,705**	**8,214**	**174,914**

15. Insurance contract liabilities (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

2022	Life and Medical				General and Motor				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Total AED
Reinsurance contract assets as at 1 January	(182,384)	489	259,798	1,578	(159,030)	1,428	271,101	5,951	198,931
Reinsurance contract liabilities as at 1 January	-	-	-	-	(11,572)	-	3,663	149	(7,760)
Net reinsurance contract assets/(liabilities) as at 1 January	(182,384)	489	259,798	1,578	(170,602)	1,428	274,764	6,100	191,171
Allocation of reinsurance premiums	(91,705)	-	-	-	(82,785)	-	-	-	(174,490)
Amounts recoverable from reinsurers for incurred claims	-	(143)	65,942	(285)	-	252	19,094	(399)	84,461
Amounts recoverable for incurred claims and other expenses	-	-	92,972	2,270	-	-	49,596	2,444	147,282
Loss-recovery on onerous underlying contracts and	-	(143)	-	-	-	252	-	-	109
Changes to amounts recoverable for incurred claims	-	-	(27,030)	(2,555)	-	-	(30,502)	(2,843)	(62,930)
Net income or expense from reinsurance contracts held	(91,705)	(143)	65,942	(285)	(82,785)	252	19,094	(399)	(90,029)
Reinsurance finance income	-	-	2,608	24	-	-	731	104	3,467
Effect of changes in non-performance risk of reinsurers	-	-	(9,340)	-	-	-	(146)	-	(9,486)
Total changes in the statement of comprehensive income	(91,705)	(143)	59,210	(261)	(82,785)	252	19,679	(295)	(96,048)
Cash flows									
Premiums paid	97,296	-	-	-	68,186	-	-	-	165,482
Amounts received	-	-	(95,288)	-	-	-	(39,428)	-	(134,716)
Total cash flows	97,296	-	(95,288)	-	68,186	-	(39,428)	-	30,766
Net reinsurance contract assets/(liabilities) as at 31 December	(176,793)	346	223,720	1,317	(185,201)	1,680	255,015	5,805	125,889
Reinsurance contract assets as at 31 December	(176,793)	346	223,720	1,317	(57,546)	1,677	149,459	4,684	146,864
Reinsurance contract liabilities as at 31 December	-	-	-	-	(127,656)	4	105,556	1,120	(20,976)
Net reinsurance contract assets/(liabilities) as at 31 December	(176,793)	346	223,720	1,317	(185,201)	1,680	255,015	5,805	125,889

16. Other liabilities

	2023 AED'000	2022 AED'000 Restated
Interest payable	**325,185**	170,772
Profit distributable on Islamic deposits	**43,650**	31,391
Accrued expenses	**421,363**	348,880
Provision for staff end-of-service benefits [Note 29]	**126,793**	125,496
Foreign exchange and other derivatives derivative contracts	**455,027**	524,049
Credit card payables and liabilities	**169,940**	41,014
Managers cheques issued	**300,249**	185,479
Mortgage payables and liabilities	**28,339**	17,809
Insurance related payables	**13,496**	13,093
Reinsurance contract liabilities	**1,398**	20,976
Provision for credit loss on contingent assets and customer acceptances	**22,034**	27,700
Others	**324,203**	191,823
	2,231,677	1,698,482

17. Share capital

At 31 December 2023, the authorised, issued and fully paid share capital of the Bank comprised 2011 million shares of AED 1 each (31 December 2022: 1,676 million shares of AED 1 each).

At the meeting held on 14 June 2023, the shareholders of the Bank approved issuance of bonus shares (335.25 million shares of AED 1 each) in respect of the year 2023 representing 20% of the issued and paid up capital of 1,676 million (bonus shares for year ended 31 December 2022 : Nil). Subsequently the bonus shares were distributed on 26 June 2023 and issued and paid up share capital increased by this amount.

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

18. Legal reserve

In accordance with the UAE Federal Law No (32) of 2021 and Articles of Association of the Bank, 10% of the Bank's net profit for the year is transferred to a legal reserve, until such time as the balance in the reserve equals 50% of the paid up share capital. During the year, the Bank has transferred AED 178.4 million to legal reserve (2022: Nil). This reserve is not available for distribution.

19. Other reserves

	Voluntary reserve AED'000	General banking risk reserve AED'000	Credit risk reserve AED'000	Fair value reserve AED'000	Total AED'000
At 31 December 2021	337,208	1,000,000	1,742,000	51,868	3,131,076
Changes during the year	-	-	-	(155,750)	(155,750)
At 31 December 2022	**337,208**	**1,000,000**	**1,742,000**	**(103,882)**	**2,975,326**
Changes during the year	**65,091**	**-**	**-**	**126,961**	**192,052**
At 31 December 2023	**402,299**	**1,000,000**	**1,742,000**	**23,079**	**3,167,378**

19. Other reserves (continued)

The Bank maintains a general banking risk reserve to address the risks inherent in the Bank's operating environment. Contributions to this reserve are made at the discretion of the Directors. This reserve is available for distribution.

The Bank has also established a special reserve for credit risk. Contributions to this reserve are voluntary and made at the discretion of the Directors. This reserve is available for distribution. This reserve is available for loss absorption.

Fair value reserve includes fair value of equity instruments that will not be reclassified subsequently to profit or loss, debt instruments that may be reclassified subsequently to profit or loss and fair value of cash flow hedges**.**

* The CBUAE issued its IFRS 9 guidance on 30 April 2018 via notice No.: CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE ("the Guidance").

Pursuant to clause 6.4 of the Guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2023	2022
	AED'000	AED'000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**752,744**	721,433
Less: Stage 1 and Stage 2 provisions under IFRS 9	**1,870,401**	1,299,121
General provision transferred to the regulatory impairment reserve*	**-**	-
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**786,891**	944,486
Less: Stage 3 provisions under IFRS 9	**986,703**	1,059,901
Opening balance regulatory impairment reserve 1 January	**-**	**-**
Amount reversed from regulatory impairment reserve*	**-**	**-**
Total provision transferred to the regulatory impairment reserve	**-**	**-**

* In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

20 Non-controlling interests

	2023 AED'000	2022 AED'000 Restated
Balance at the beginning of the year	**26,341**	38,402
Profit / (Loss) for the year	**166**	(7,366)
Dividends paid	**-**	(2,015)
Change in other comprehensive income / (loss) for the year	**949**	(2,680)
Balance at the end of the year	**27,456**	26,341

21. Interest income and interest expense

	2023 AED'000	2022 AED'000
Interest income		
Personal loans	**258,170**	230,032
Mortgage loans	**260,686**	172,367
Credit cards	**324,835**	314,823
Auto loans	**24,954**	20,951
RAK business loans	**462,825**	346,584
Wholesale banking loans	**714,594**	342,830
Other business banking loans	**418,338**	325,191
Other retail loans	**159,219**	102,129
Investment securities	**529,763**	292,737
Deposits with the U.A.E. Central Bank	**60,949**	30,304
Other banks	**736,733**	308,886
	3,951,066	2,486,834
Interest expense		
Deposits from customers	**556,688**	166,439
Debt securities issued and other long-term borrowings	**135,539**	115,455
Borrowings from other banks	**347,538**	130,571
	1,039,765	412,465

22. Income from Islamic Financing and distribution to depositors

	2023 AED'000	2022 AED'000
Income from Islamic financing		
Islamic salam personal finance	**149,210**	150,293
Islamic auto Murabaha	**2,856**	2,493
Islamic business banking finance	**287,302**	240,397
Islamic wholesale banking finance	**54,772**	26,810
Islamic investment Income	**58,965**	39,162
Islamic ijara property finance	**65,385**	47,145
	618,490	506,300
Distribution to depositors		
Distribution of profit on Islamic term investment deposits	**179,329**	69,926
Bilateral long term borrowing	**12,883**	20,275
Distribution of profit on Islamic demand deposits	**1,289**	1,119
	193,501	91,320

23. Net fees and commission income

	2023 AED'000	2022 AED'000
Personal loans	**16,472**	9,569
Mortgage loans	**7,653**	15,839
Credit cards	**249,645**	243,399
Auto loans	**4,945**	6,704
RAK business loans	**53,251**	47,404
Wholesale banking	**51,681**	61,210
Other business banking	**183,384**	175,989
Fiduciary income	**43,248**	50,171
Bancassurance	**25,092**	24,704
Other	**25,042**	23,170
	660,413	**658,159**

24. Investment income

	2023	2022
	AED'000	AED'000
Dividend income	**20,736**	18,531
Net gain on disposal of investments	**19,194**	11,418
Fair value gain / (loss) net	**8,742**	(22,357)
	48,672	7,592

25. Other operating income

	2023	2022
	AED'000	AED'000
		Restated
Net insurance income	**3,152**	5,587
Other income	**70,382**	71,208
	73,534	76,795

26. General and administrative expenses

	2023	2022
	AED'000	AED'000
		Restated
Staff costs (Note 28)	**891,908**	816,881
Outsourced staff costs	**33,684**	34,889
Occupancy costs	**51,457**	63,437
Marketing expenses	**29,575**	24,318
Depreciation and amortization	**143,030**	117,198
Communication costs	**49,270**	50,508
Credit card expenses	**148,866**	116,621
Information and technology expenses	**122,669**	101,186
Other	**130,802**	110,294
	1,601,261	1,435,332

26. General and administrative expenses (continued)

General and administrative expenses include below auditors' remuneration:

	2023 AED'000	2022 AED'000
Audit fees	**2,150**	2,206
Non-audit fees	**537**	16
	2,687	2,222

27. 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 year:

	2023 AED'000	2022 AED'000 Restated
Profit for the year (AED'000) [attributed to owners of the Bank]	**1,783,559**	1,170,313
Weighted average number of shares in issue (in 000's)	**2,011,495**	2,011,495
Basic earnings per share (AED)	**0.89**	0.58

As the number of ordinary shares outstanding increased as a result of bonus shares issued in June 2023, the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively as per IAS 33.

28. Staff costs

	2023 AED'000	2022 AED'000 Restated
Salaries, allowances and bonus	**777,236**	718,908
Pension	**14,750**	13,071
End-of-service benefits	**21,272**	19,903
Other	**78,650**	64,999
	891,908	816,881

29. Provision for staff end-of-service benefits

The Group provided for end of service benefits for its eligible employees. An actuarial valuation has been carried out as at 31 December 2023 to ascertain present value of the defined benefit obligation. A registered actuary in the UAE was appointed to evaluate the same. The liabilities were measured using the projected unit credit method. For valuing liability as of 31 December 2023, a discount rate of 4.7% (December 2022: 4.2%) and salary escalation rate of 2% (December 2022: 2%) were used for the Group except for subsidiary RAK National Insurance Company (RAKNIC). For RAKNIC, discount rate of 5.1% (December 2022: 4.6%) and salary escalation rate of 3% (December 2022: 0%) were used.

Below table illustrates the impact of shift in the discount rate and the salary increment assumption on staff end-of-service benefits liabilities.

Scenario	**2023 AED'000**	2022 AED'000
Discount Rate: Increase by 1% increase	**(6,836)**	(7,017)
Discount Rate: Decrease by 1% decrease	**7,625**	7,856
Salary Escalation Rate: Increase by 1% Increase	**7,735**	7,926
Salary Escalation Rate: Decrease by 1% decrease	**(7,055)**	(7,207)

The change in defined benefit obligation as follows:

Change in Defined Benefit Obligation:	**2023 AED'000**	2022 AED'000
Balance at 1 January	**125,496**	129,096
Service cost:		
-Current service cost	**17,581**	17,662
-Past service cost	**(16)**	480
Interest expense	**4,621**	2,588
Net benefits paid	**(23,863)**	(19,331)
Remeasurements:		
-Effect of changes in demographic assumptions	**-**	72
-Effect of changes in financial assumptions	**(4,277)**	(8,927)
-Effect of experience adjustments	**6,858**	2,995
Consolidation adjustments	**393**	861
Balance at 31 December	**126,793**	125,496

There are no scheme assets as at 31 December 2023 and 31 December 2022. Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligations at 31 December 2023 is not materially different from the provision computed in accordance with the UAE Labour Law. The provision arising is disclosed as 'provision for staff end-of-service benefits' in the consolidated statement of financial position under 'Other liabilities' (Note 16).

30. Provision for credit loss, net

	2023 AED'000	2022 AED'000 Restated
Net impairment charge on loans and advances [Note 6(d)]	**947,138**	608,318
Net impairment charge on due from other banks	**(5,671)**	18,029
Net impairment charge on investment securities measured at fair value through OCI	**36,752**	118,564
Net impairment charge on investment securities measured at amortised cost	**20,584**	32,184
Net impairment charge on other receivables	**2,505**	2,051
Net impairment charge on customer acceptances	**6,433**	435
Net impairment charge on off balance sheet items	**(2,264)**	17,840
Net impairment charge for the year	**1,005,477**	797,421

31. Contingencies and commitments

	2023 AED'000	2022 AED'000
Irrevocable commitments to extend credit	**4,117,756**	4,492,089
Letters of guarantee - Financial	**679,064**	340,684
Letters of guarantee – Non Financial	**696,093**	804,121
Letters of credit	**113,414**	94,792
Capital commitments and other contingencies	**20,025**	35,870
	5,626,352	5,767,556

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some risk associated with the remainder of commitments, the risk is viewed as modest, since it results firstly from the possibility of the unused portion of loan authorisations being drawn by the customer, and second, from these drawings subsequently not being repaid as due. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of risk than shorter term commitments. Commitments to extend credit amounting to AED 8,179 million (2022: AED 7,398 million) that are revocable at the option of the Bank and not included in the above table.

31. Contingencies and commitments (continued)

The Group is holding AED 24.8 million (31 December 2022: AED 27.0 million) provision for expected credit loss on off balance sheet items as per IFRS 9, out of which AED 9.6 million (31 December 2022: AED 15.7 million) of provision relates to irrevocable commitments.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Letters of credit are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank, up to a stipulated amount, under specific terms and conditions. These letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

32. Derivative contracts

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Unrealised gains and losses are either recognised in profit and loss or in cash flow hedge reserve. In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes:

(a) Swaps are commitments to exchange one set of cash flows for another. In interest rate swaps, counterparties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. In cross-currency swaps interest payments and principal in one currency are exchanged for interest payments and principal in another currency. In periodic knockout swaps, counterparties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal, however they have a rate knockout beyond which neither counterparty is obligated to the other.

(b) Credit Default Swap (CDS) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a debt instrument goes into default and fails to pay.

(c) Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are marked to market daily.

(d) Forward rate agreements are similar to interest rate futures but are individually negotiated. They call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

32. Derivative contracts (continued)

(e) Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

(f) Coupon only Swap is a contract to exchange coupons in one currency for coupons in another currency. It is a form of cross-currency swap that entails no exchange of principal in different currencies at maturity, and only interest payments are exchanged.

(g) Range accrual is a structured product where the coupon is linked to a reference index, such as LIBOR, being within a defined range. Callable range accrual is a range accrual where the issuer has option to call the note at specified dates in the future.

(h) Interest rate cap is a type of interest rate derivative in which the buyer receives payments at the end of each period in which the interest rate exceeds the agreed strike price. Interest rate floor is a derivative contract in which the buyer receives payments at the end of each period in which the interest rate is below the agreed strike price.

(i) A target redemption forward (TARF) is a structured forward contract that allows the holder to buy or sell a currency against another in a regular sequence of transactions at a lower or higher level than the respective forward rate on the trade date. The product automatically expires if the enhanced rate reaches a target level.

Derivatives held or issued for hedging purposes

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall financial position exposures.

The Group uses forward foreign exchange contracts, NDFs, Futures and swaps to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the changes in the cash flow arising from certain Floating interest rate loans and deposits.

For interest rate risks strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into interest rate swaps to hedge a proportion of the interest rate exposure. As strategic hedging does not qualify for hedge accounting, the related derivatives are accounted for as regular derivative transactions.

The Group has entered into interest rate swaps that are designated as fair value hedges, for hedging the interest rate risk on certain Fixed rate Investments and Loans.

The group's accounting policy for its derivative financial instruments and fair value and cash flow hedges are set out in note 3(h).

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 43(d).

32. Derivative contracts (continued)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The group uses the hypothetical derivative method to assess hedge effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship between the hedged item and the hedging instrument.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases which may occur due to difference in critical terms between the interest rate swaps and hedged items.

The table on the following page shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

32. Derivative contracts (continued)

31 December 2023				Notional amount by term to maturity				
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Over 5 Years AED'000
Derivatives held for trading:								
Forward foreign exchange contract	49,849	49,277	16,600,274	13,990,611	717,669	1,891,994	-	-
Foreign exchange options (bought)	15,151	-	5,821,286	5,821,286	-	-	-	-
Foreign exchange options (sold)	-	15,031	5,718,780	5,718,780	-	-	-	-
Interest rate swaps	371,659	275,336	11,033,997	183,650	721,611	134,112	4,545,912	5,448,712
Knockout swaps	6,339	5,486	734,600	-	-	-	734,600	-
Structured forward contracts (bought)	2	-	4,253	-	-	4,253	-	-
Structured forward contracts (sold)	-	2	4,253	-	-	4,253	-	-
Structured -Equity options (bought)	5,761	-	156,231	2,387	48,429	105,415	-	-
Structured -Equity options (sold)	-	5,761	156,231	2,387	48,429	105,415	-	-
Futures Contracts	8,409	8,311	712,570	712,570	-	-	-	-
Multi callabale range arrangement	1,406	74,209	870,000	-	-	-	770,000	100,000
Sub total	458,576	433,413	41,812,475	26,431,671	1,536,138	2,245,442	6,050,512	5,548,712
Derivatives held as fair value hedge								
Interest rate swap	49,154	15,980	2,418,743	110,190	587,680	-	1,337,983	382,890
Sub total	49,154	15,980	2,418,743	110,190	587,680	-	1,337,983	382,890
Derivative held as cash flow hedge:								
Forward foreign exchange contract	7,119	3,336	1,037,407	1,021,831	15,576	-	-	-
Interest rate swap	-	2,298	200,000	-	-	-	200,000	-
Cross-currency swap	1,243	-	330,570	-	146,920	183,650	-	-
Sub total	8,362	5,634	1,567,977	1,021,831	162,496	183,650	200,000	-
Total Derivatives	516,092	455,027	45,799,195	27,563,692	2,286,314	2,429,092	7,588,495	5,931,602

32. Derivative contracts (continued)

31 December 2022				**Notional amount by term to maturity**				
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 – 6 months AED'000	6 – 12 months AED'000	1 – 5 years AED'000	Over 5 Years AED'000
Derivatives held for trading:								
Forward foreign exchange contract	27,984	33,926	10,409,927	8,042,040	819,679	1,364,558	183,650	-
Foreign exchange options (bought)	5,406	-	1,786,774	1,786,774	-	-	-	-
Foreign exchange options (sold)	-	5,407	1,759,568	1,759,568	-	-	-	-
Interest rate swaps	456,185	363,893	11,742,439	64,291	800,000	146,920	3,450,403	7,280,825
Knockout swaps	444	-	367,300	-	-	-	-	367,300
Structured forward contracts (bought)	16	515	72,384	-	30,268	42,116	-	-
Structured forward contracts (sold)	515	16	72,384	-	30,268	42,116	-	-
Structured -Equity options (bought)	-	-	-	-	-	-	-	-
Structured -Equity options (sold)	-	-	-	-	-	-	-	-
Futures Contracts	-	-	-	-	-	-	-	-
Multi callabale range arrangement	77	90,914	770,000	-	-	-	450,000	320,000
Sub total	490,627	494,671	26,980,776	11,652,673	1,680,215	1,595,710	4,084,053	7,968,125
Derivatives held as fair value hedge								
Interest rate swap	55,939	15,321	2,465,849	-	73,460	121,209	1,750,184	520,996
Sub total	55,939	15,321	2,465,849	-	73,460	121,209	1,750,184	520,996
Derivative held as cash flow hedge:								
Forward foreign exchange contract	15,119	11,153	2,313,075	932,385	1,380,690	-	-	-
Interest rate swap	-	2,904	200,000	-	-	-	200,000	-
Cross-currency swap	1,804	-	477,490	-	-	146,920	330,570	-
Sub total	16,923	14,057	2,990,565	932,385	1,380,690	146,920	530,570	-
Total Derivatives	563,489	524,049	32,437,190	12,585,058	3,134,365	1,863,839	6,364,807	8,489,121

32. Derivative contracts (continued)

The following table contains details of the hedged exposures covered by the Group's hedging strategies:

31 December 2023

	Carrying amount of hedged item		Accumulated amount of fair value adjustments on hedged item		Balance sheet item	Cash flow hedge reserve	
	Assets AED'000	Liabilities AED'000	Assets AED'000	Liabilities AED'000		Continuing hedges AED'000	Discontinued hedges AED'000
Derivatives held as fair value hedge							
Interest rate swap	**1,799,622**	**-**	**49,154**	**4,590**	Investment securities measured at fair value	N/A	N/A
Interest rate swap	-	**472,758**	-	**11,390**	Debt securities issued and other long-term borrowings	N/A	N/A
Interest rate swap	-	-	-	-	Loans and advances, net	N/A	N/A
Sub total	**1,799,622**	**472,758**	**49,154**	**15,980**		N/A	N/A
Derivative held as cash flow hedge:							
Forward foreign exchange contract-XAU	**342,948**	-	-	-	Loans and advances, net	**199**	-
Forward foreign exchange contract-Margin FI deposit	-	-	-	-	Deposits from customers	-	-
Forward foreign exchange contract-Call deposit	-	**618,213**	-	-	Deposits from customers	**(116)**	-
Interest rate swap	**200,346**	-	-	-	Loans and advances, net	**(3,732)**	-
Coupon only swap	-	-	-	-	Debt securities issued & other long term borrowings	-	-
Cross-currency swap	**329,934**	-	-	-	Investment securities measured at amortised cost	**1,098**	-
Sub total	**873,228**	**618,213**	-	-		**(2,551)**	-
Total Derivatives	**2,672,850**	**1,090,971**	**49,154**	**15,980**		**(2,551)**	-

32. Derivative contracts (continued)

The following table contains details of the hedged exposures covered by the Group's hedging strategies:

31 December 2022

	Carrying amount of hedged item		Accumulated amount of fair value adjustments on hedged item		Balance sheet item	Cash flow hedge reserve	
	Assets AED'000	Liabilities AED'000	Assets AED'000	Liabilities AED'000		Continuing hedges AED'000	Discontinued hedges AED'000
Derivatives held as fair value hedge							
Interest rate swap	1,682,032	-	54,767	4,161	Investment securities measured at fair value	N/A	N/A
Interest rate swap	-	464,078	-	11,160	Debt securities issued and other long term borrowings	N/A	N/A
Interest rate swap	122,747	-	1,172	-	Loans and advances, net	N/A	N/A
Sub total	1,804,779	464,078	55,939	15,321		-	-
Derivative held as cash flow hedge:							
Forward foreign exchange contract-XAU	242,876	-	N/A	N/A	Loans and advances, net	(68)	-
Forward foreign exchange contract-Margin FI deposit	-	344,168	N/A	N/A	Deposits from customers	244	-
Forward foreign exchange contract-Call deposit	-	356,160	N/A	N/A	Deposits from customers	185	-
Interest rate swap	200,346	-	N/A	N/A	Loans and advances, net	(4,432)	
Coupon only swap	-	-	N/A	N/A	Debt securities issued & other long term borrowings	-	277
Cross-currency swap	1,771,611	-	N/A	N/A	Investment securities measured at amortised cost	1,233	-
Sub total	2,214,833	700,328	-	-		(2,838)	277
Total Derivatives	4,019,612	1,164,406	55,939	15,321		(2,838)	277

33. Cash and cash equivalents

	2023 **AED'000**	2022 AED'000 Restated
Cash in hand and balances with UAE Central Bank	**5,725,115**	4,713,892
Due from other banks	**12,438,123**	11,513,619
	18,163,238	16,227,511
Less: Due from other banks with original maturity of greater than three months	**(10,216,439)**	(9,705,134)
	7,946,799	6,522,377

34. Operating segments

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

The Group has five main business segments:

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

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

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

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment revenue. Interest charged for these funds is based on the Bank's funds transfer pricing guidelines. 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.

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the CEO (the chief operating decision maker) in order to allocate resources to the segment and to assess its performance.

34. Operating segments (continued)

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

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
31 December 2023								
Net external interest income	**837,431**	**956,916**	**790,267**	**311,709**	**14,270**	**(6,571)**	**7,279**	**2,911,301**
Income from Islamic financing net of distribution to depositors	**194,709**	**(76,923)**	**280,518**	**26,685**	**-**	**-**	**-**	**424,989**
Internal revenue	**(114,708)**	**(512,752)**	**339,409**	**(344,349)**	**-**	**632,400**	**-**	**-**
Net interest income and net income from Islamic financing	**917,432**	**367,241**	**1,410,194**	**(5,955)**	**14,270**	**625,829**	**7,279**	**3,336,290**
Non-interest income	**478,612**	**57,730**	**320,281**	**258,628**	**15,270**	**(45,770)**	**(16,845)**	**1,067,906**
Operating income	**1,396,044**	**424,971**	**1,730,475**	**252,673**	**29,540**	**580,059**	**(9,566)**	**4,404,196**
Operating expense excluding depreciation & amortisation	**(657,348)**	**(45,481)**	**(277,092)**	**(28,220)**	**(11,340)**	**(448,316)**	**9,566**	**(1,458,231)**
Depreciation & amortisation	**(49,031)**	**(2,197)**	**(13,249)**	**(4,010)**	**(956)**	**(73,587)**	**-**	**(143,030)**
Total operating expense	**(706,379)**	**(47,678)**	**(290,341)**	**(32,230)**	**(12,296)**	**(521,903)**	**9,566**	**(1,601,261)**
Provision for credit loss, net	**(165,446)**	**(246,356)**	**(532,277)**	**(58,696)**	**(2,702)**	**-**	**-**	**(1,005,477)**
Profit before tax	**524,219**	**130,937**	**907,857**	**161,747**	**14,542**	**58,156**	**-**	**1,797,458**
Income tax expense	-	-	-	-	-	-	(13,733)	(13,733)
Profit for the year after tax	**524,219**	**130,937**	**907,857**	**161,747**	**14,542**	**58,156**	**(13,733)**	**1,783,725**
Segment assets	**19,943,928**	**21,324,179**	**8,896,894**	**21,666,410**	**617,124**	**1,848,281**	**(342,182)**	**73,954,634**
Segment liabilities	**17,806,382**	**14,717,525**	**21,759,554**	**7,686,928**	**457,571**	**1,336,132**	**(163,985)**	**63,600,107**

34. Operating segments (continued)

	Retail Banking AED'000	Wholesale Banking AED'000	Business Banking AED'000	Treasury & other AED'000	Insurance business AED'000	Head office & Unallocated costs AED'000	Consolidation adjustments AED'000	Total AED'000
31 December 2022								
Net external interest income	792,631	498,089	645,906	126,302	9,621	-	1,820	2,074,369
Income from Islamic financing net of distribution to depositors	195,066	(30,027)	237,500	12,441	-	-	-	414,980
Internal revenue	(126,322)	(189,067)	210,015	(118,283)	-	223,657	-	-
Net interest income and net income from Islamic financing	861,375	278,995	1,093,421	20,460	9,621	223,657	1,820	2,489,349
Non-interest income	467,441	64,863	296,470	134,640	(34,265)	(4,590)	(18,208)	906,351
Operating income	1,328,816	343,858	1,389,891	155,100	(24,644)	219,067	(16,388)	3,395,700
Operating expense excluding depreciation & amortisation	(627,301)	(45,216)	(268,669)	(24,030)	(9,187)	(352,432)	8,701	(1,318,134)
Depreciation & amortisation	(37,863)	(1,575)	(8,117)	(3,140)	(1,022)	(65,481)	-	(117,198)
Total operating expense	(665,164)	(46,791)	(276,786)	(27,170)	(10,209)	(417,913)	8,701	(1,435,332)
Provision for credit loss, net	(251,629)	(64,828)	(303,040)	(150,677)	(611)	(26,636)	-	(797,421)
Profit before tax	412,023	232,239	810,065	(22,747)	(35,464)	(225,482)	(7,687)	1,162,947
Income tax expense	-	-	-	-	-	-	-	-
Profit for the year after tax	412,023	232,239	810,065	(22,747)	(35,464)	(225,482)	(7,687)	1,162,947
Segment assets	18,842,431	19,485,537	8,464,319	18,140,049	558,467	1,173,965	(318,386)	66,346,382
Segment liabilities	15,787,793	12,680,445	18,614,076	9,015,413	417,986	963,897	(153,878)	57,325,732

35. Related parties transactions and balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Compensation of key management personnel comprises of salaries, bonuses and other benefits.

During the year, the Group entered into transactions with related parties in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. No stage 3 provisions for impairment have been recognized pertinent to related parties (2022: Nil). Further, stage 1 and 2 ECL amounted to AED 11.6 million (2022: AED 4.0 million).

The transactions with related parties and balances arising from these transactions are as follows:

	2023	2022
	AED'000	AED'000
Transactions during the year		
Interest income	**70,283**	20,367
Interest expense	**77,657**	14,643
Commission income	**861**	714
Other income	**2,700**	1,760
Other expenses	**348**	346
Directors' and key management personnel's remuneration and sitting fees	**46,810**	48,698
Balances		
Loans and advances:		
- Shareholders and their related companies	**1,783,452**	753,948
- Directors and their related companies	**116,617**	134,178
- Key management personnel	**10,839**	6,994
	1,910,908	895,120
Deposits:		
- Shareholders and their related companies	**3,278,338**	2,768,984
- Directors and their related companies	**13,163**	15,448
- Key management personnel	**13,060**	20,269
	3,304,561	2,804,701
Irrevocable commitments and contingent liabilities and forward contracts:		
- Shareholders and their related companies	**194,309**	66,923
- Directors and their related companies	**40**	40
	194,349	66,963
Insurance related receivables:		
Due from policy holders	**10,216**	11,715
Insurance related payables:		
Due to policy holders	**55**	862

Interest income and expense majorly relates to transactions with major shareholder and their related entities.

36. Right-of-use assets

	2023	2022
	AED'000	AED'000
Balance at the beginning of the year	**112,657**	134,424
Additions during the year	**409**	29,847
Changes in lease contract	**18,958**	(21,918)
Depreciation for the year	**(22,203)**	(29,696)
Balance at the closing of the year	**109,821**	112,657

37. Lease liabilities

	2023	2022
	AED'000	AED'000
Balance at the beginning of the year	**102,912**	130,600
Additions during the year	**409**	29,847
Changes in lease contract	**15,810**	(31,345)
Interest cost on lease liability for the year	**4,175**	5,387
Less: Rental payments made during the year	**(20,002)**	(31,577)
Balance at the closing of the year	**103,304**	102,912

38. Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse. At 31 December 2023, the market value of such assets amounted to AED 5,627 million (2022: AED 5,147 million) and are excluded from the consolidated financial statements of the Group.

39. Legal proceedings

The Bank is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements if settled unfavorably.

The Bank's subsidiary, RAKNIC as common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

40. Seasonality of results

There is no income of seasonal nature during year 2023 and 2022.

41. Financial risk management

Risk management review

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Bank's Board and Management believe that an effective risk department is vital to achieving the Bank's strategic growth objectives in a sustainable manner. The Board Risk Committee endorses the Bank's overall risk management strategy and appetite, providing the necessary direction concerning risk management measures undertaken by the Group. The Risk Management function of the Bank is independent of the risk taking functions which is in line with the guidelines of the UAE Central Bank and consistent with Group's model of three lines of defence.

"The Group has a Board approved Enterprise Risk Management policy which covers the Group's Risk Appetite framework including the Financial Risks and operating within the thresholds approved for Financial Risks".

The Group's risk management policies are designed to identify, analyse, define appropriate limits/controls and monitor adherence thereof by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors have established five mentioned below committees to supervise specific areas and to prepare topics for consideration by the complete Board. The broad role of each committee is described in the table below:

Committee	Roles & Responsibilities
1. Board Credit Committee (BCC):	
Board Credit Committee (BCC) will have its credit approval authority delegated by the Board. Board/BCC will thereafter sub delegate or approve delegated authorities of MCC and below. BCC will also have authority to ratify approvals made by any other officers of the bank beyond their delegated authority; (typically in an emergency situation).	▪ Review and approve the Credit proposals which are above the delegated limits given to management. ▪ Review and approve Credit grading methodology for the Bank. ▪ Approve investments within the delegated lending authority as stated in the Investment Policy of the Bank. ▪ Review and approve, the Product Program Guidelines (PPGs) for Asset products relating to all segments of the bank and any other areas of Business

41. Financial risk management (continued)

Risk management review (continued)

Committee	Roles & Responsibilities
2. Board Nomination & Remuneration Committee (BNRC): The BNRC of RAKBANK has been established by the Board of Directors to assist them to oversee, monitor and review matters relating to the board composition, nomination and remuneration of board members and senior management, Setting the induction and director ongoing development programs, assessment of the Board, its committees and directors, Succession planning for Board Members and Senior Management, and HR policies.	• The Committee shall review the composition and diversity at the Board and Board committees' to ensure an appropriate balance of skills, diversity, expertise, independence and meet regulatory requirements and recommend to the Board changes if and when required. The Committee shall ensure that the Board Members and Committee members remain individually and collectively qualified for their positions. • Review and oversee the implementation the process for identifying and selecting the candidates of the Board, reviewing and approving the Fit and Proper process. establish, assess, and review the application and elections of Board Membership policy. Oversee the appointment documentation of Board Members. Monitor the independence of Board Members and recommend necessary actions. Review and maintain succession plans for the Board and Senior Management members. • The Committee shall review and approve the Fit and Proper process for the selection of senior management, including Heads of risk management, compliance, and internal audit. review the appointment and re-appointment of the members on the boards of subsidiaries, as required . • Responsible for the oversight of Management's implementation of the compensation for the entire Bank, ensuring it is in line with the strategy, risk appetite, objectives, values and long – term interests of the Bank. • The Committee shall review the compensation plans, processes and outcomes at least annually. Review annually the remuneration framework that will apply to the Chief Executive Officer (CEO) and senior management. On annual basis propose to the Board the amount and fees payable to Board and committees members. • Review annually policies related to human resources and training and monitor their implementation. • The Committee, assisted by the Company Secretary, shall review and approve an induction program for Board Members and Senior Management regarding the business and other areas necessary to assist them in carrying out their duties. Review the Corporate Governance report and other related disclosures.

41. Financial risk management (continued)

Committee	Roles & Responsibilities
3. Board Audit Committee (BAC): The Board Audit Committee has been established by the Board of Directors (the Board) of the Bank to assist the Board in the oversight, monitoring and review of the following aspects of the Bank and its subsidiaries' operations: • The quality and integrity of financial statements and financial reporting. • The effectiveness of governance, risk management and internal control systems. • Compliance with laws and regulations. • Compliance with the Group Code of Conduct. • The Group Internal Audit (GIA) function. • The statutory audit process and External Auditors. • Compliance with the Sharia in respect of Islamic Banking products and services.	• Monitor and review the integrity of the Bank's financial and accounting policies and procedures, including the review of significant financial reporting issues and judgements contained in the financial statements. • Monitor the appropriateness and integrity of the interim and published financial statements and annual report of the Bank and its businesses and subsidiaries, including significant financial reporting judgments contained in them. • Review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's performance, business model and strategy. The review undertaken by the Committee should assess whether the narrative is consistent with the accounting information. • Internal audit : Ensure that it accurately reflects the GIA activity's purpose, authority and responsibility, consistent with the mandatory guidance of the IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Bank and reflects developments in the professional practice of internal auditing. • Review and approve the policy for the tendering of the audit engagement that includes requirements for knowledge, competence, objectivity, independence, professional scepticism and quality control. Consider and recommend to the Board the appointment, re-appointment resignation, removal and compensation of External Auditors. • Review and approve the Whistleblowing policy that enables the Bank's staff to confidentially report potential violations in financial reports, internal control, or any other issues and sets out procedures for conducting independent and fair investigations concerning such violations. • Review Related Party Transactions to manage conflicts of interest, and submit recommendations to the Board before concluding such transactions.Evaluate the effectiveness of policies established for supervising compliance with the Sharia, as approved by the Internal Sharia Supervisory Committee ("ISSC"). Assess the effectiveness and adequacy of the Internal Sharia Audit Department ("ISAD"), and its contribution in ensuring compliance with the Sharia. Review reports prepared by ISAD to ensure necessary measures have been taken in their regard by Senior Management.

41. Financial risk management (continued)

Risk management review (continued)

Committee	Roles & Responsibilities
4. Board Risk Committee (BRC): The BRC of RAKBank has been established by the Board of Directors to assist the Board in fulfilling its responsibility with respect to the oversight of the bank's risk management framework specifically relating to Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Cyber Risk, Interest Rate Risk, IT Risk, Shari'ah non-compliance risk, Business Continuity Risk, Conduct Risk and Model Risk. The committee also reviews and approves changes to including the significant policies and practices used in managing these risks. The Bank's compliance framework specifically relating to Anti Money Laundering, Sanctions, Regulatory Compliance, Subsidiaries Compliance, Sharia Compliance, Consumer Protection, Corporate Governance and Legal including approval of policies (as relevant) relating to these risks.	▪ Ensure Bank has a comprehensive risk management strategy, risk governance framework and policy. Implement an effective risk culture and internal controls across the Bank. ▪ Oversee and ensure Bank's risks are at acceptable level as per the risk appetite and that the Bank's risks do not exceed such level. Supervise the risk management framework of the Bank and evaluate the effectiveness of the framework. ▪ Supervise the compliance management framework of the Bank and evaluate the effectiveness. Ensure Compliance, Corporate Governance and Legal functions have a comprehensive strategy, governance framework and policies. Review effective implementation of on-going management of Consumer Protection Regulations and Standards. Ensure effective governance and implementation Conduct Risk Management framework. ▪ Approve Bank's corporate governance policies and policies' exceptions. Obtain assurance from the executive management and internal audit that the risk, compliance, corporate governance and legal processes and systems operate effectively with appropriate controls, in addition to compliance with approved policies. ▪ Establish a Product Approval Committee (PAC) consisting of Senior Management members, vest in it the delegated authority to provide "Concept approval" relating to new products and/or services, ▪ Review and report regularly to the Board on the Bank Outsourcing activities and promptly inform the Board of any significant changes in the volume of outsourcing risk. ▪ To establish a Model Management Committee ("MMC") consisting of senior management members, vest in it the delegated authority to take all actions necessary to comply with the Model Management Standards & Guidelines issued by CBUAE. ▪ Provide direct access to Shari'ah controls function and to take its opinion. Review and approve framework for managing Shari'ah non-compliance risk as part of the overall risk management framework. ▪ Ensure the ability of information system to measure, assess, and report Shari'ah non- compliance risk. Supervise and monitor the management of Shari'ah non-compliance risk, and set controls through Internal Shari'ah Control Division in consultation with Internal Shari'ah Supervision Committee

41. Financial risk management (continued)

Risk management review (continued)

Committee	Roles & Responsibilities
5. Board Strategy Committee (BSC): The Board Strategy Committee has been established by the Board of Directors to assist the Board of Directors and give guidance to the CEO and Senior Management in managing the affairs of the Bank in areas of the Bank's overall strategy, operational and financial performance monitoring, and budgeting. The scope of the Committee includes RAKBANK and its subsidiaries**.**	• Review the Bank's strategic plan and recommend it to the Board of Directors for approval. • Monitor the Bank's business objectives and strategy implementation. • Review the developments and trends shaping the future of the industry to align the Bank's strategy and positioning, accordingly. • Review and consider the Management's proposals re new strategic initiatives, such as partnerships and alliances. • Advise the CEO on strategic issues that members of the Committee believe are relevant. • Review and approve strategic proposals relating to the expansion of the business in terms of organic growth and/or acquisitions, distribution, and new lines of business. • Consider strategic matters related to the Bank's subsidiaries and Group companies. • Review the Bank's proposed annual budget and financial objectives, including achieving cost optimization and recommend it to the Board of Directors for approval. • Review the Bank's performance at least quarterly against the budget. • Review any other matter delegated by the Board of Directors

41. Financial risk management (continued)

Risk management review (continued)

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's Board and Management believe that an effective risk department is vital to achieving the Bank's strategic growth objectives in a sustainable manner. The Board Risk Committee endorses the Bank's overall risk management strategy and appetite, providing the necessary direction concerning risk management measures undertaken by the Group. The Risk Management function of the Group is independent of the risk taking functions which is in line with the guidelines of the UAE Central Bank and consistent with Group's model of three lines of defence.

"The Group has a Board approved Enterprise Risk Management policy which covers the Group's Risk Appetite framework including the Financial Risks and operating within the thresholds approved for Financial Risks".

The Group's risk management policies are designed to identify, analyse, define appropriate limits/controls and monitor adherence thereof by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Compliance risk

Compliance Risk at the Group is defined as the risk emanating from regulatory sanctions, material financial loss or loss to reputation that the bank will suffer as a result of its failure to comply with laws, regulations, self-regulatory organizational rules & standards/controls and codes of conduct applicable to its banking activities.

The definition of compliance at Group thereby includes:

- Compliance with local and international regulatory requirements
- Compliance with internal policy dictates
- Compliance with internal controls embedded in operating procedures of the Group

The Regulatory & Compliance function is managed by Chief Compliance Officer reporting to the CEO. The Group has an established Compliance function, as its second line of defence. The function is responsible for identification, monitoring and reporting of all compliance related risks. It works closely with all business and supports units of the bank in formulating compliance policies and has oversight responsibility for implementation and advice of prudential regulations and conduct of business. This Division also acts as the main liaison with the Central Bank of the U.A.E. The framework and guidelines for compliance are designed by management and approved by board of directors, in line with Basel guidelines in this regard.

41. Financial risk management (continued)

Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group endeavours to effectively manage and mitigate Operational Risk through a robust and effective control environment across the organization.

The Operational Risk function is managed by Executive Vice President & Head of Operational Risk, IC and BCM reporting to the Deputy Chief Risk Officer. The Bank has a formal Operational Risk Management (ORM) governance structure established under the aegis of Management Risk Committee and Board Risk Committee, which provides the strategic direction and oversight over ORM activities.

The governance structure is designed to include three levels of Risk Management signifying a clear division second line control functions and the Internal Audit function for safeguarding the Bank's assets and reputation against potential operational risks arising from day-to-day business activities. The governance structure is described below:

- First Line of Defence - Business, Operations & Support Units
- Second Line of Defence - Risk Management & Compliance
- Third Line of Defence - Internal Audit

Conduct Risk

Conduct Risk is the risk of causing harm or an adverse effect to the customers or other stakeholders, or on market stability or of hindering effective competition resulting from Bank's actions, including its business practices, culture, and ethics. It can arise from wide range of activities including, misleading advertising and marketing practices, inappropriate sales techniques, unfair treatment of customers, conflicts of interest, or failure to comply with regulatory requirements.

The Bank has a comprehensive Conduct Risk Management Policy and governance structure to assist RAKBANK to proactively identify, assess, monitor, mitigate, control and advise on conduct risk, minimize regulatory non-compliance and financial threats, and uphold the Bank's integrity and reputation in the financial market in UAE. The Conduct Risk governance structure thus ensures ethical behaviour, regulatory compliance, and the protection of customer interests.

The Conduct Risk Management function has been created within the Group Risk Management Division and is managed by Executive Vice President & Head of Operational Risk, IC and BCM and reports to Deputy Chief Risk Officer. The function manages the policy and framework, which equally applies to all three lines of defence.

41. Financial risk management (continued)

Information Technology Risk

The Group considers information and cyber security risk as one of the most important risks to be managed. This is the risk posed by internal and external threat actors targeting the bank's technology infrastructure which can have an impact on Bank's ability to service its customers through technology disruptions, data theft etc. or lead to reputational loss.

The Group has a dedicated Information and Cyber Security unit managed by a Chief Information Security Officer (CISO), who reports to the Deputy Chief Risk Officer. This unit manages security risk assessments, perimeter security monitoring, compliance to technical regulatory requirements and overarching governance for compliance to the Group's Information and Cyber Security policy.

Fraud risk

The Group's Management and Board recognise that proactive fraud risk management is an integral part of Group's overall risk management strategy. The Group has set up dedicated units to address governance, prevention, detection of fraud and respond to all aspects of fraud. The Fraud Risk Unit (Prevention and Detection unit) is managed by Executive Vice President & Head of Operational Risk, IC and BCM, who reports to the Deputy Chief Risk Officer. The Fraud response (Investigations) unit is managed by Head, Fraud Investigations who reports to the Deputy Chief Risk Officer.

The Group has adopted a Fraud Risk Management Framework (FRMF) with an objective to implement an effective Fraud Risk Management (FRM) policy and processes across the Group. This initiative is Group's approach to manage Fraud Risk in a timely and efficient manner by setting up systems and procedures to identify and actively mitigate Fraud risks. The Group has adopted a four pronged approach to Fraud Risk Management under the new framework:

- Fraud Governance
- Fraud Prevention
- Fraud Detection
- Fraud Response

Credit risk

Credit risk is defined as the risk associated with the inability, unwillingness or failure of the customers, or counterparties of the Group to honour their contractual obligations, in part or whole, by way of a default on their principal, interest, fees, profit or any other contractual obligation by whatever name called, under a loan arrangement, credit facility or any other such transaction facilitated by the Group, in effect causing the Group to suffer a financial loss.

Credit risk also arises through the downgrading of counter parties, whose credit instruments are held by the Group, thereby resulting in the value of the assets to fall. As credit risk is the Group's most significant risk, considerable resources, expertise and controls are devoted to managing this risk within the core departments of the Bank.

41. Financial risk management (continued)

Credit risk (continued)

The Group's credit policy provides for the development of a systematic and consistent approach to identifying and managing borrower and counter party risks contained in all retail, business banking, and wholesale banking assets.

The Chief Credit Officer and team are responsible for recognition and management of credit risk both at transaction and portfolio levels and to ensure that risk procedures are adhered to in a manner consistent with the framework set out in the Credit Policy, Product Programs Guidelines (PPG), Credit circulars and comply with regulatory norms. Credit risk teams under direction of Chief Risk Officer, manages credit risk through setting Bank's risk appetite, issuance of credit policies, PPGs and policy circulars and comprehensive portfolio analysis.

Respective Business Heads and their teams undertake comprehensive analysis of all commercial loan applications submitted for approval, more precisely, about ownership and management of business and industry, financials, structure and collaterals. Chief Credit Officer and the team review the loan applications, and identify and measures the credit risks involved in such applications before the same is put up to Delegated Authorities for approval. Business and Credit Units monitors the portfolio on on-going basis to maintain a healthy portfolio.

In the Retail lending business, credit risk is managed through appropriate front-end sales and credit underwriting processes, as well as back-end operational and collection processes. Appropriate product programmes defining customer segments, underwriting standards and security requirements are rolled out to ensure consistency in underwriting and the on-boarding process. The Retail credit portfolio is monitored centrally across products and customer segments. For Wholesale exposures, credit risk is managed by identifying target market segments, structured credit approval processes and robust post-disbursement monitoring and remedial processes. Board approved risk appetite framework and credit policies lay the governing principles for any credit on boarding, underwriting and monitoring of the portfolio.

The Group manages, limits and controls concentration of credit risk wherever it is identified - in particular, to individual counterparties and groups, and to industries and countries. The Group has a Product Program Guide that sets limits of exposure and lending criteria. The Group also has credit limits that set out the lending and borrowing limits to/from other banks.

The Group stratifies the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. The group considers the collateralisation levels, financial position, industry growth prospects, etc., before taking the exposure. Such risks are monitored on an ongoing basis. Limits on the level of credit risk by product, industry sector and by country are approved by the Credit Committee and the Board of Directors.

The Group builds, validates and uses Credit Scoring tools that are populated by internally and externally derived historical data, forward looking models and behavioural models to assess counterparty risk on a customer and portfolio level for some of its Retail products.

41. Financial risk management (continued)

Credit risk (continued)

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the financial asset will be moved to Stage 2 and the loss allowance will be based on lifetime basis (lifetime ECL). The broad factors that are considered to determine whether a financial asset has experienced SICR are: days past due of more than 30 days on its contractual payments and various other qualitative factors that include changes in current Credit ratings vis-à-vis initial credit ratings as per the defined Graded SICR thresholds (mainly used for non-retail, due from banks and Investment portfolio), Risk Bureau classification of the customer, whether an exposure has been restructured since initial recognition etc.

Internal credit risk ratings

In order to minimize credit risk, the Group has tasked its credit committee to develop and maintain the Group's credit risk grading to categorize exposures mainly for SME and corporate exposures (Non retail portfolio) according to their degree of risk of default. For the purpose of IFRS 9 related notes, Non retail portfolio means Wholesale and Business Banking excluding RAK Business Finance Loans & Retail portfolio includes Auto Loans, Credit Cards, Mortgage Loans, Personal Loans, RAK Business Finance Loans, and Other retail Loans. The credit rating information for Non retail portfolio is based on a wide range of information that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

For retail products on the other hand, bank has adopted a scorecard based approach for its loans.

41. Financial risk management (continued)

Credit risk (continued)

Internal credit risk ratings (continued)

The Group analyses the relevant delinquency data available and using a variety of statistical models then estimates the remaining lifetime PD of exposures and how these are expected to change over time.

The criteria used are both quantitative and qualitative, under quantitative criteria the Group relies on measures like payment behaviour, i.e. more than 30 days on its contractual payments and various other qualitative factors that include changes in current Credit ratings vis-à-vis initial credit ratings as per the defined Graded SICR thresholds (mainly used for non-retail, due from banks and Investment portfolio), Risk Bureau classification of the customer, Whether an exposure has been restructured since initial recognition.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 29 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate 3 scenarios viz. Baseline, Upturn and Downturn.

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 5%. The table below outlines the total ECL per portfolio as at 31 December 2023, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 5%. The changes are applied in isolation for illustrative purposes, and are applied to each probability-weighted scenarios used to develop the estimate of expected credit losses. In reality, there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios:

41. Financial risk management (continued)

Credit risk (continued)

Incorporation of forward-looking information (continued)

Auto Loans		ECL AED'000
	Current	12,371
	+[5]%	12,348
Money & Banking: Claims on Private Sector, (Bil. AED, NSA)	-[5]%	12,394
	Current	12,371
Implicit Price Deflator: Gross Domestic Product, (Index 2010=100, NSA)	+[5]%	12,178
	-[5]%	12,568
	Current	12,371
Real Residential property prices: All dwellings, (Index 2010=100, NSA)	+[5]%	12,353
	-[5]%	12,390

Credit Cards		ECL AED'000
	Current	226,031
Energy: Production - Crude oil including lease condensate, (Mil. Bbl per day, NSA)	+[5]%	225,779
	-[5]%	226,284
	Current	226,031
National accounts: Expenditure approach - Crude oil and natural gas, (Bil. 2010 AED, NSAAR)	+[5]%	225,486
	-[5]%	226,576
	Current	226,031
	+[5]%	225,088
International reserves - Official reserve assets, (Bil. USD, NSA)	-[5]%	226,974
	Current	226,031
Real Residential property prices: All dwellings, (Index 2010=100, NSA)	+[5]%	225,664
	-[5]%	226,398

41. Financial risk management (continued)

Credit risk (continued)

Incorporation of forward-looking information (continued)

		ECL AED'000
Personal Loans		
	Current	433,225
	+[5]%	431,798
Money & Banking: Claims on Private Sector, (Bil. AED, NSA)	-[5]%	434,654
	Current	433,225
Energy: Production - Crude oil including lease condensate, (Mil. Bbl per day, NSA)	+[5]%	432,118
	-[5]%	434,334
	Current	433,225
	+[5]%	433,052
Hotel occupancy, (%, SA)	-[5]%	433,399
	Current	433,225
	+[5]%	432,120
Export weighted GDP - Top 5 export destinations, (Index 2010=100, SA)	-[5]%	434,332
Mortgage Loans		
	Current	149,573
	+[5]%	149,617
Effective Exchange Rate - Real Broad Index, (Index 2010=100, NSA)	-[5]%	149,529
	Current	149,573
Energy: Production - Crude oil including lease condensate, (Mil. Bbl per day, NSA)	+[5]%	149,528
	-[5]%	149,617
	Current	149,573
National accounts: Expenditure approach - Non-oil sector, (Bil. 2010 AED, NSAAR)	+[5]%	149,428
	-[5]%	149,718
	Current	149,573
House Prices: Residential properties - Abu Dhabi and Dubai, (Index 2010=100, NSA)	+[5]%	149,489
	-[5]%	149,656

41. Financial risk management (continued)

Credit risk (continued)

Incorporation of forward-looking information (continued)

		ECL AED'000
RAK Business Loans		
	Current	591,347
Energy: Production - Crude oil including lease condensate, (Mil. Bbl per day, NSA)	+[5]%	590,148
	-[5]%	592,548
	Current	591,347
Export weighted real imports - Top 5 export destinations, (Index 2010=100, SA)	+[5]%	588,402
	-[5]%	594,316
	Current	591,347
Implicit Price Deflator: Gross Domestic Product, (Index 2010=100, NSA)	+[5]%	523,425
	-[5]%	677,023
Non-Retail loans (Wholesale Banking and other Business Banking loans)		
	Current	1,066,310
	+[5]%	1,059,285
Hotel occupancy, (%, SA)	-[5]%	1,065,899
	Current	1,066,310
National accounts: Expenditure approach - Crude oil and natural gas, (Bil. 2010 AED, NSAAR)	+[5]%	1,060,602
	-[5]%	1,064,547

The impact is of change in each variable while other variables are kept constant. ECL is calculated by changing +/-5% of the forecast values of macro-economic variables to all three scenarios, for each variable keeping other variables constant. PD's are weighted by scenario probabilities.

PD Bucket 0 : customers with no past dues are classified in bucket 0;
PD Bucket 1 : customers with past dues up-to 29 days are classified in bucket 1;
PD Stage 2 : customers with significant increase in credit risk

41. Financial risk management (continued)

Measurement of ECL

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.

The Group uses external benchmark information for portfolios with limited historical data and for low default portfolios where there is no instances of historical default.

The Group has in place policies, which govern the determination of eligibility of various collateral including credit protection, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Group's major collaterals are mortgaged properties, investments, vehicles and other register-able assets.

The collateral is valued periodically ranging from quarterly to annually, depending on the type of collateral. Specifically for mortgaged property, a framework for valuation of mortgaged properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of mortgaged properties and other related activities in relation to the interpretation, monitoring and management of valuation of mortgaged properties.

41. Financial risk management (continued)

Measurement of ECL (continued)

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL) as at 31 December.

	Maximum exposure to credit risk	
	2023	2022
	AED '000	AED '000
Securities quoted at fair value through profit or loss:		
Quoted funds	**71,091**	66,071
Unquoted funds	**43,960**	41,425
Quoted equity securities	**18,964**	-
Quoted debt securities	**112,009**	-
Derivatives assets		
Trading derivatives	**458,576**	490,627

As at 31 December 2023, margin money of AED 215.6 million (31 December 2022: AED 214.1 million) have been held as collateral against trading derivatives.

The Group has used the updated macro-economic forecasts for the year and used 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 31.9 million as of 31 December 2023.

41. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements:

Maximum Credit Risk Exposure as at 31 December 2023

Particular		**AED '000**		
Rating grid wise	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from other banks				
1 to 4-	6,780,158	-	-	6,780,158
5+ to 6-	5,655,613	-	-	5,655,613
7+ to 7-	1,274	1,078	-	2,352
Total	12,437,045	1,078	-	12,438,123
Loans and Advances				
1 to 4-	9,641,704	15,041	-	9,656,745
5+ to 6-	7,076,155	142,969	-	7,219,124
7+ to 7-	167,215	339,654	97	506,966
8 to 10	-	-	469,557	469,557
Unrated	22,969,289	474,143	686,563	24,129,995
Total	39,854,363	971,807	1,156,217	41,982,387
Investment securities (at amortized costs and FVOCI)				
AA to AA-	3,130,916	-	-	3,130,916
A+ to A-	2,362,458	-	-	2,362,458
BBB+ to BBB-	4,609,678	-	-	4,609,678
BB+ to BB-	1,298,266	-	-	1,298,266
B+ to B-	560,791	302,604	-	863,395
D	-	-	215,536	215,536
Unrated	254,593	14,978	55,129	324,700
Total Amount	12,216,702	317,582	270,665	12,804,949
Customer Acceptances				
1 to 4-	17,337	1,405	-	18,742
5+ to 6-	254,608	-	-	254,608
Total	271,945	1,405	-	273,350
Off balance sheet items				
1 to 4-	4,014,970	4,580	-	4,019,550
5+ to 6-	879,298	8,650	-	887,948
7+ to 7-	-	5,024	25	5,049
8 to 10	-	-	4,561	4,561
Unrated	101,998	-	-	101,998
Total	4,996,266	18,254	4,586	5,019,106

41. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements: (continued)

Maximum Credit Risk Exposure as at 31 December 2022

Particular		**AED '000**		
Rating grid wise	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from other banks				
1 to 4-	3,693,198	-	-	3,693,198
5+ to 6-	7,765,546	-	-	7,765,546
7+ to 7-	51,366	3,509	-	54,875
Total	11,510,110	3,509	-	11,513,619
Loans and Advances				
1 to 4-	5,723,116	966	-	5,724,082
5+ to 6-	8,819,014	224,943	-	9,043,957
7+ to 7-	46,097	672,708	750	719,555
8 to 10	-	-	437,867	437,867
Unrated	21,042,949	412,025	763,884	22,218,858
Total	35,631,176	1,310,642	1,202,501	38,144,319
Investment securities (at amortized costs and FVOCI)				
AA to AA-	2,891,128	-	-	2,891,128
A+ to A-	1,328,241	-	-	1,328,241
BBB+ to BBB-	3,482,143	-	-	3,482,143
BB+ to BB-	1,521,744	-	-	1,521,744
B+ to B-	1,218,377	-	-	1,218,377
D			168,052	168,052
Unrated	436,097	17,447	51,841	505,385
Total Amount	10,877,730	17,447	219,893	11,115,070
Customer Acceptances				
1 to 4-	97,870	16,670	-	114,540
5+ to 6-	30,358	1,075	-	31,433
Total	128,228	17,745	-	145,973
Off balance sheet items				
1 to 4-	3,771,505	6,729	-	3,778,234
5+ to 6-	1,127,857	8,888	-	1,136,745
7+ to 7-	6,428	12,648	25	19,101
8 to 10	-	-	2,220	2,220
Unrated	58,479	-	-	58,479
Total	4,964,269	28,265	2,245	4,994,779

41. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements: (continued)

Investment securities

Investment securities comprise debt securities issued by the Government, organisations which are quasi-governmental and local and foreign reputable organisations.

The table below presents an analysis of debt securities by external ratings from credit rating agencies at 31 December 2023 and 31 December 2022:

	2023 AED'000	2022 AED'000
AAA	**24,200**	-
AA to AA-	**3,109,919**	2,909,701
A+ to A-	**2,410,338**	1,355,965
BBB+ to BBB-	**4,662,096**	3,491,732
BB+ to BB	**1,309,065**	1,557,856
B+ to B-	**840,842**	1,221,025
CCC+ to C	**29,892**	-
D	**67,373**	73,436
Unrated	**282,221**	361,227
	12,735,946	10,970,942

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to limit concentrations of exposures to counterparties, geographies and industries. Identified concentration of credit risk is controlled and managed accordingly.

Geographical risk concentration

The following table breaks down the Group's credit exposures at their carrying amounts, categorised by geographical region as of 31 December 2023 and 31 December 2022.

For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

41. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements: (continued)

On balance sheet items

	UAE AED'000	OECD AED'000	Others AED'000	Provision for credit loss AED'000	Total AED'000
31 December 2023					
Due from other banks, net	**927,050**	**3,350,547**	**8,160,526**	**(51,627)**	**12,386,496**
Loans and advances, net	**38,516,609**	**827,261**	**2,638,517**	**(2,514,887)**	**39,467,500**
Reinsurance contract assets, net	**44,868**	**83,983**	**47,461**	**-**	**176,312**
Customer acceptances	**38,752**	**-**	**234,598**	**-**	**273,350**
Investment securities measured at amortised cost	**3,401,003**	**454,033**	**3,422,201**	**(77,708)**	**7,199,529**
Investment securities measured at fair value	**2,237,906**	**341,583**	**3,459,049**	**-**	**6,038,538**
Total	**45,166,188**	**5,057,407**	**17,962,352**	**(2,644,222)**	**65,541,725**
31 December 2022					
Due from other banks, net	357,897	3,128,153	8,027,569	(57,298)	11,456,321
Loans and advances, net	34,932,186	629,007	2,583,126	(2,073,052)	36,071,267
Reinsurance contract assets, net	26,854	38,578	81,432	-	146,864
Customer acceptances	145,973	-	-	-	145,973
Investment securities measured at amortised cost	3,087,079	668,715	3,523,136	(57,124)	7,221,806
Investment securities measured at fair value	1,844,460	143,431	2,254,351	-	4,242,242
Total	40,394,449	4,607,884	16,469,614	(2,187,474)	59,284,473

41. Financial risk management (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements: (continued)

The following table breaks down the Bank's credit exposures on loans and advances, investment securities, due from other banks and off balance sheet items categorised by industry as of 31 December 2023 and 2022:

	On balance sheet items					
	Loans and advances AED'000	**Investment securities AED'000**	**Due from other banks AED'000**	**Total funded AED'000**	**Off balance sheet Items AED'000**	**Total AED'000**
31 December 2023						
Agriculture, fishing & related activities	**147,008**	**74,234**	**-**	**221,242**	**24,871**	**246,113**
Crude oil, gas, mining & quarrying	**795,560**	**598,986**	**-**	**1,394,546**	**73,963**	**1,468,509**
Manufacturing	**3,153,314**	**586,640**	**-**	**3,739,954**	**175,027**	**3,914,981**
Electricity & water	**104,387**	**609,885**	**-**	**714,272**	**111,625**	**825,897**
Construction and real estate	**1,645,791**	**368,000**	**-**	**2,013,791**	**668,582**	**2,682,373**
Trading	**5,785,347**	**-**	**-**	**5,785,347**	**476,005**	**6,261,352**
Transport, storage & communication	**2,206,916**	**546,904**	**-**	**2,753,820**	**1,095,260**	**3,849,080**
Financial institutions	**1,770,318**	**6,985,166**	**12,438,123**	**21,193,607**	**681,768**	**21,875,375**
Services	**4,969,205**	**135,366**	**-**	**5,104,571**	**2,223,275**	**7,327,846**
Government	**367,666**	**3,410,594**	**-**	**3,778,260**	**72,205**	**3,850,465**
Retail and consumer banking	**21,036,875**	**-**	**-**	**21,036,875**	**3,746**	**21,040,621**
Total exposures	**41,982,387**	**13,315,775**	**12,438,123**	**67,736,285**	**5,606,327**	**73,342,612**
Provision for credit loss	**(2,514,887)**	**(77,708)**	**(51,627)**	**(2,644,222)**	**(22,034)**	**(2,666,256)**
Net exposures	**39,467,500**	**13,238,067**	**12,386,496**	**65,092,063**	**5,584,293**	**70,676,356**

	On balance sheet items					
	Loans and advances AED'000	Investment securities AED'000	Due from other banks AED'000	Total funded AED'000	Off balance sheet Items AED'000	Total AED'000
31 December 2022						
Agriculture, fishing & related activities	4,539	56,042	-	60,581	54	60,635
Crude oil, gas, mining & quarrying	185,285	516,259	-	701,544	26,227	727,771
Manufacturing	2,335,747	441,659	-	2,777,406	260,113	3,037,519
Electricity & water	807,543	518,479	-	1,326,022	313,309	1,639,331
Construction and real estate	2,349,220	332,912	-	2,682,132	799,769	3,481,901
Trading	4,534,461	-	-	4,534,461	841,000	5,375,461
Transport, storage & communication	2,845,584	468,592	-	3,314,176	1,370,810	4,684,986
Financial institutions	1,472,440	5,226,295	11,513,619	18,212,354	945,660	19,158,014
Services	2,994,623	80,862	-	3,075,485	1,170,131	4,245,616
Government	507,466	3,880,072	-	4,387,538	3,403	4,390,941
Retail and consumer banking	20,107,411	-	-	20,107,411	1,210	20,108,621
Total exposures	38,144,319	11,521,172	11,513,619	61,179,110	5,731,686	66,910,796
Provision for credit loss	(2,073,052)	(57,124)	(57,298)	(2,187,474)	(27,018)	(2,214,492)
Net exposures	36,071,267	11,464,048	11,456,321	58,991,636	5,704,668	64,696,304

41. Financial risk management (continued)

Credit quality

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument:

Class of financial instrument	*Notes*
Due from other banks	5
Wholesale banking loans and advances	6
Business banking loans and advances	6
Retail banking loans and advances	6
Investment securities measured at fair value	7
Investment securities measured at amortised cost	7
Reinsurance contract assets	15

An analysis of the Group's credit risk exposure without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

41. Financial risk management (continued)

Exposure stage transitions

Loans and advances	31 December 2023			AED '000
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**35,631,176**	**1,310,642**	**1,202,501**	**38,144,319**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(1,700,347)**	**1,700,347**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**(1,034,704)**	**1,034,704**	**-**
Stage 2 to Stage 1 Transfer	**384,992**	**(384,992)**	**-**	**-**
Stage 3 to Stage 2 Transfer	**-**	**59,886**	**(59,886)**	**-**
Change in Exposures during the year	**(28,835,896)**	**(964,811)**	**(443,358)**	**(30,244,065)**
New Financial Assets Originated and other transfers	**34,374,438**	**285,439**	**45,956**	**34,705,833**
Write offs	**-**	**-**	**(623,700)**	**(623,700)**
Closing Balance 31 December 2023	**39,854,363**	**971,807**	**1,156,217**	**41,982,387**

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

41. Financial risk management (continued)

Exposure stage transitions (continued)

Investment securities – FVOCI*	31 December 2023			AED'000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening Balance 1 January 2023	**3,653,255**	**-**	**182,885**	**3,836,140**
Stage Transfer				
Stage 1 to Stage 2 Transfer	(177,323)	177,323	-	-
Stage 2 to Stage 3 Transfer	-	-	-	-
Stage 2 to Stage 1 Transfer	-	-	-	-
Change in Exposures during the year	(1,197,954)	(73,574)	50,830	(1,220,698)
New Financial Assets Originated	2,912,270	-	-	2,912,270
Closing Balance 31 December 2023	5,190,248	103,749	233,715	5,527,712

Investment securities – FVOCI*	31 December 2022			AED'000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening Balance 1 January 2022	**4,147,291**	**157,630**	**-**	**4,304,921**
Stage Transfer				
Stage 1 to Stage 2 Transfer	(37,475)	37,475	-	-
Stage 2 to Stage 3 Transfer	-	(74,984)	74,984	-
Stage 2 to Stage 1 Transfer	82,646	(82,646)	-	-
Change in Exposures during the year	(1,686,898)	(37,475)	107,901	(1,616,472)
New Financial Assets Originated	1,147,691	-	-	1,147,691
Closing Balance 31 December 2022	3,653,255	-	182,885	3,836,140

* Exposures are gross of IFRS 9 provisions held

41. Financial risk management (continued)

Exposure stage transitions (continued)

Investment securities - Amortized Cost	31 December 2023			AED'000
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**7,224,475**	**17,447**	**37,008**	**7,278,930**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(195,826)**	**195,826**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**-**	**-**	**-**
Stage 2 to Stage 1 Transfer	**-**	**-**	**-**	**-**
Change in Exposures during the year	**(4,237,056)**	**560**	**(58)**	**(4,236,554)**
New Financial Assets Originated	**4,234,861**	**-**	**-**	**4,234,861**
Closing Balance 31 December 2023	**7,026,454**	**213,833**	**36,950**	**7,277,237**

Investment securities - Amortized Cost	31 December 2022			AED'000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening Balance 1 January 2022	4,418,527	173,469	-	4,591,996
Stage Transfer				
Stage 2 to Stage 3 Transfer	-	(37,184)	37,184	-
Stage 2 to Stage 1 Transfer	81,908	(81,908)	-	-
Change in Exposures during the year	(767,495)	(36,930)	(176)	(804,601)
New Financial Assets Originated	3,491,535	-	-	3,491,535
Closing Balance 31 December 2022	7,224,475	17,447	37,008	7,278,930

41. Financial risk management (continued)

Exposure stage transitions (continued)

Due from banks	**31 December 2023**			**AED '000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening balance 1 January 2023	**11,510,110**	**3,509**	**-**	**11,513,619**
Stage Transfers				
Stage 2 to Stage 1 transfer	**-**	**-**	**-**	**-**
Change in Exposures during the year	**(12,374,179)**	**(2,431)**	**-**	**(12,376,610)**
New Financial Assets Originated	**13,301,114**	**-**	**-**	**13,301,114**
Closing Balance 31 December 2023	**12,437,045**	**1,078**	**-**	**12,438,123**

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

Customer Acceptances	**31 December 2023**			**AED 000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening balance 1 January 2023	**128,228**	**17,745**	**-**	**145,973**
Stage Transfers				
Stage 1 to Stage 2 Transfer	**-**	**-**	**-**	**-**
Change in Exposures during the year	**(120,515)**	**(16,340)**	**-**	**(136,855)**
New Financial Assets Originated	**264,232**	**-**	**-**	**264,232**
Closing Balance 31 December 2023	**271,945**	**1,405**	**-**	**273,350**

41. Financial risk management (continued)

Exposure stage transitions (continued)

Customer Acceptances	31 December 2022			AED 000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening balance 1 January 2022	60,568	7,000	-	67,568
Stage Transfers				
Stage 1 to Stage 2 Transfer	(14,412)	14,412	-	-
Change in Exposures during the year	(31,645)	(3,667)	-	(35,312)
New Financial Assets Originated	113,717	-	-	113,717
Closing Balance 31 December 2022	128,228	17,745	-	145,973

Off balance sheet items and irrevocable Commitments	**31 December 2023**			**AED'000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**4,964,269**	**28,265**	**2,245**	**4,994,779**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(12,003)**	**12,003**	**-**	**-**
Stage 1 to Stage 3 Transfer	**-**	**-**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**(3,000)**	**3,000**	**-**
Stage 2 to Stage 1 Transfer	**160**	**(160)**	**-**	**-**
Change in Exposures during the year	**(1,747,423)**	**(18,854)**	**(659)**	**(1,766,936)**
New Financial Assets Originated	**1,791,263**	**-**	**-**	**1,791,263**
Closing Balance 31 December 2023	**4,996,266**	**18,254**	**4,586**	**5,019,106**

Off balance sheet items and irrevocable Commitments	**31 December 2022**			AED'000
	Stage 1	Stage 2	Stage 3	Grand Total
Opening Balance 1 January 2022	4,432,337	22,012	1,156	4,455,505
Stage Transfer				
Stage 1 to Stage 2 Transfer	(28,566)	28,566	-	-
Stage 1 to Stage 3 Transfer	(169)	-	169	-
Stage 2 to Stage 3 Transfer	-	(1,521)	1,521	-
Stage 2 to Stage 1 Transfer	5,343	(5,343)	-	-
Change in Exposures during the year	(1,857,013)	(15,449)	(601)	(1,873,063)
New Financial Assets Originated	2,412,337	-	-	2,412,337
Closing Balance 31 December 2022	4,964,269	28,265	2,245	4,994,779

41. Financial risk management (continued)

Exposure stage transitions (continued)

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

Wholesale Banking segment Loans	**31 December 2023** **Stage 1** **AED'000**	 **Stage 2** **AED'000**	 **Stage 3** **AED'000**	 **Grand Total** **AED'000**
Opening balance as at 1 January 2023	**10,015,021**	**102,710**	**162,082**	**10,279,813**
Stage 1 to Stage 2 Transfer	**(197,654)**	**197,654**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**-**	**-**	**-**
Stage 2 to Stage 1 Transfer	**68,986**	**(68,986)**	**-**	**-**
Change in Exposures during the year	**(14,317,774)**	**(112,928)**	**(30,556)**	**(14,461,258)**
New Financial Assets Originated and other transfers	**16,230,858**	**30,757**	**-**	**16,261,615**
Write offs	**-**	**-**	**(126,980)**	**(126,980)**
Closing balance as at 31 December 2023	**11,799,437**	**149,207**	**4,546**	**11,953,190**

Wholesale Banking segment Loans	31 December 2022 Stage 1 AED'000	 Stage 2 AED'000	 Stage 3 AED'000	 Grand Total AED'000
Opening balance as at 1 January 2022	8,119,997	377,497	193,253	8,690,747
Stage 1 to Stage 2 Transfer	(23,303)	23,303	-	-
Stage 2 to Stage 3 Transfer	-	(56,126)	56,126	-
Stage 2 to Stage 1 Transfer	117,977	(117,977)	-	-
Change in Exposures during the year	(3,966,229)	(141,292)	(90,128)	(4,197,649)
New Financial Assets Originated and other transfers	5,766,579	17,305	4,711	5,788,595
Write offs	-	-	(1,880)	(1,880)
Closing balance as at 31 December 2022	10,015,021	102,710	162,082	10,279,813

41. Financial risk management (continued)

Exposure stage transitions (continued)

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

	31 December 2023			
Business Banking segment Loans	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Grand Total AED'000**
Opening balance as at 1 January 2023	**7,661,162**	**839,224**	**548,835**	**9,049,221**
Stage 1 to Stage 2 Transfer	**(748,275)**	**748,275**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**(675,039)**	**675,039**	**-**
Stage 2 to Stage 1 Transfer	**32,676**	**(32,676)**	**-**	**-**
Stage 3 to Stage 2 Transfer	**-**	**4,503**	**(4,503)**	**-**
Change in Exposures during the year	**(8,144,090)**	**(711,911)**	**(213,423)**	**(9,069,424)**
New Financial Assets Originated and other transfers	**9,990,982**	**204,638**	**31,587**	**10,227,207**
Write offs	**-**	**-**	**(283,904)**	**(283,904)**
Closing balance as at 31 December 2023	**8,792,455**	**377,014**	**753,631**	**9,923,100**

	31 December 2022			
Business Banking segment Loans	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Grand Total AED'000
Opening balance as at 1 January 2022	6,544,039	918,063	591,099	8,053,201
Stage 1 to Stage 2 Transfer	(659,269)	659,269	-	-
Stage 2 to Stage 3 Transfer	-	(262,601)	262,601	-
Stage 2 to Stage 1 Transfer	103,479	(103,479)	-	-
Stage 3 to Stage 2 Transfer	-	9,273	(9,273)	-
Change in Exposures during the year	(2,043,351)	(504,461)	(153,963)	(2,701,775)
New Financial Assets Originated and other transfers	3,716,264	123,160	84,591	3,924,015
Write offs	-	-	(226,220)	(226,220)
Closing balance as at 31 December 2022	7,661,162	839,224	548,835	9,049,221

41. Financial risk management (continued)

Exposure stage transitions (continued)

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

	31 December 2023			
Retail Banking segment Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Grand Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Opening balance as at 1 January 2023	**17,954,994**	**368,708**	**491,583**	**18,815,285**
Stage 1 to Stage 2 Transfer	**(754,418)**	**754,418**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**(359,665)**	**359,665**	**-**
Stage 2 to Stage 1 Transfer	**283,330**	**(283,330)**	**-**	**-**
Stage 3 to Stage 2 Transfer	**-**	**55,383**	**(55,383)**	**-**
Change in Exposures during the year	**(6,374,031)**	**(139,972)**	**(199,379)**	**(6,713,382)**
New Financial Assets Originated and other transfers	**8,152,597**	**50,044**	**14,369**	**8,217,010**
Write offs	**-**	**-**	**(212,816)**	**(212,816)**
Closing balance as at 31 December 2023	**19,262,472**	**445,586**	**398,039**	**20,106,097**

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

	31 December 2022			
Retail Banking segment Loans	Stage 1	Stage 2	Stage 3	Grand Total
	AED'000	AED'000	AED'000	AED'000
Opening balance as at 1 January 2022	17,641,284	400,628	670,595	18,712,507
Stage 1 to Stage 2 Transfer	(495,956)	495,956	-	-
Stage 2 to Stage 3 Transfer	-	(309,121)	309,121	-
Stage 2 to Stage 1 Transfer	137,263	(137,263)	-	-
Stage 3 to Stage 2 Transfer	-	33,601	(33,601)	-
Change in Exposures during the year	(5,329,822)	(191,384)	(202,270)	(5,723,476)
New Financial Assets Originated and other transfers	6,002,225	76,291	41,824	6,120,340
Write offs	-	-	(294,086)	(294,086)
Closing balance as at 31 December 2022	17,954,994	368,708	491,583	18,815,285

41. Financial risk management (continued)

Movement of the provision for credit loss

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

Particulars

	1 January 2023 AED '000	Net change during the year AED '000	Other Movement AED '000	31 December 2023 AED '000
Due from other banks	57,298	(5,671)	-	51,627
Loans and Advances	2,073,052	1,065,534	(623,699)	2,514,887
Investment Securities - FVOCI	144,128	36,752	132	181,012
Investment Securities – amortised cost	57,124	20,584	-	77,708
Insurance Contract Assets and other receivables	29,048	5,675	(1,282)	33,441
Customer Acceptances	682	6,433	-	7,115
Off balance sheet items	27,018	(2,263)	-	24,755
Total	**2,388,350**	**1,127,044**	**(624,849)**	**2,890,545**

The tables below analyse the movement of the provision for credit loss during the year per class of financial assets:

Due from banks

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Grand Total AED '000
Opening balance 1 January 2023	57,153	145	-	57,298
Stage Transfers				
Stage 2 to Stage 1 transfer	-	-	-	-
Due to changes in PD's/ LGD's/ EAD	(35,873)	(112)	-	(35,985)
Due to new financial assets originated	30,314	-	-	30,314
Closing Balance 31 December 2023	51,594	33	-	51,627

Due from banks

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Grand Total AED '000
Opening balance 1 January 2022	33,549	5,720	-	39,269
Stage Transfers				
Stage 2 to Stage 1 transfer	3,991	(3,991)	-	-
Due to changes in PD's/ LGD's/ EAD	(6,627)	(1,584)	-	(8,211)
Due to new financial assets originated	26,240	-	-	26,240
Closing Balance 31 December 2022	57,153	145	-	57,298

41. Financial risk management (continued)

Movement of the provision for credit loss (continued)

Loans and advances	**AED '000**			
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**703,593**	**475,638**	**893,821**	**2,073,052**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(224,766)**	**224,766**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**(393,398)**	**393,398**	**-**
Stage 2 to Stage 1 Transfer	**159,741**	**(159,741)**	**-**	**-**
Stage 3 to Stage 2 Transfer	**-**	**28,425**	**(28,425)**	**-**
Due to changes in PD's/ LGD's/ EAD	**138,740**	**203,708**	**113,912**	**456,360**
Due to new financial assets originated and other transfers	**487,835**	**82,757**	**38,582**	**609,174**
Write offs	**-**	**-**	**(623,699)**	**(623,699)**
Closing Balance 31 December 2023	**1,265,143**	**462,155**	**787,589**	**2,514,887**

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

41. Financial risk management (continued)

Movement of the provision for credit loss (continued)

Investment securities – FVOCI

	Stage 1	**Stage 2**	**Stage 3**	**AED '000 Grand Total**
Opening Balance 1 January 2023	**7,816**	**-**	**136,312**	**144,128**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(19,660)**	**19,660**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**-**	**-**	**-**
Stage 2 to Stage 1 Transfer	**-**	**-**	**-**	**-**
Due to changes in PD's/ LGD's/ EAD	**14,597**	**(4,472)**	**24,266**	**34,391**
Due to new financial assets originated	**2,493**	**-**	**-**	**2,493**
Closing Balance 31 December 2023	**5,246**	**15,188**	**160,578**	**181,012**

Investment securities – FVOCI

	Stage 1	Stage 2	Stage 3	AED '000 Grand Total
Opening Balance 1 January 2022	10,943	13,986	-	24,929
Stage Transfer				
Stage 1 to Stage 2 Transfer	(106)	106	-	-
Stage 2 to Stage 3 Transfer	-	(13,670)	13,670	-
Stage 2 to Stage 1 Transfer	317	(317)	-	-
Due to changes in PD's/ LGD's/ EAD	(4,659)	(105)	122,642	117,878
Due to new financial assets originated	1,321	-	-	1,321
Closing Balance 31 December 2022	7,816	-	136,312	144,128

41. Financial risk management (continued)

Movement of the provision for credit loss (continued)

Investment securities - Amortized Cost				**AED '000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**18,557**	**9,183**	**29,384**	**57,124**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(6,141)**	**6,141**	**-**	**-**
Stage 2 to Stage 3 Transfer	**-**	**-**	**-**	**-**
Stage 2 to Stage 1 Transfer	**-**	**-**	**-**	**-**
Due to changes in PD's/ LGD's/ EAD	**(15,562)**	**18,440**	**7,346**	**10,224**
Due to new financial assets originated	**10,360**	**-**	**-**	**10,360**
Closing Balance 31 December 2023	**7,214**	**33,764**	**36,730**	**77,708**

Investment securities - Amortized Cost				**AED '000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2022	9,957	14,983	-	24,940
Stage Transfer				
Stage 2 to Stage 3 Transfer	-	(3,474)	3,474	-
Stage 2 to Stage 1 Transfer	1,146	(1,146)	-	-
Due to changes in PD's/ LGD's/ EAD	(1,556)	(1,180)	25,910	23,174
Due to new financial assets originated	9,010	-	-	9,010
Closing Balance 31 December 2022	18,557	9,183	29,384	57,124

Customer Acceptances				**AED '000**
	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening balance 1 January 2023	**602**	**80**	**-**	**682**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(5)**	**5**	**-**	**-**
Due to changes in PD's/ LGD's/ EAD	**(529)**	**(80)**	**-**	**(609)**
Due to new financial assets originated	**7,042**	**-**	**-**	**7,042**
Closing Balance as at 31 December 2023	**7,110**	**5**	**-**	**7,115**

41. Financial risk management (continued)

Movement of the provision for credit loss **(continued)**

Customer Acceptances AED '000

	Stage 1	Stage 2	Stage 3	Grand Total
Opening balance 1 January 2022	216	31	-	247
Stage Transfer				
Stage 1 to Stage 2 Transfer	(88)	88	-	-
Due to changes in PD's/ LGD's/ EAD	101	(39)	-	62
Due to new financial assets originated	373	-	-	373
Closing Balance as at 31 December 2022	602	80	-	682

Off balance sheet items and irrevocable Commitments **AED '000**

	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2023	**25,722**	**912**	**384**	**27,018**
Stage Transfer				
Stage 1 to Stage 2 Transfer	**(52)**	**52**	**-**	**-**
Stage 2 to Stage 3 Transfer		**(592)**	**592**	**-**
Stage 2 to Stage 1 Transfer	**1**	**(1)**	**-**	**-**
Due to changes in PD's/ LGD's/ EAD	**(9,862)**	**(288)**	**521**	**(9,629)**
Due to new financial assets originated	**7,366**	**-**	**-**	**7,366**
Closing Balance 31 December 2023	**23,175**	**83**	**1,497**	**24,755**

Off balance sheet items and irrevocable Commitments **AED '000**

	Stage 1	**Stage 2**	**Stage 3**	**Grand Total**
Opening Balance 1 January 2022	8,561	573	44	9,178
Stage Transfer				
Stage 1 to Stage 2 Transfer	(442)	442	-	-
Stage 2 to Stage 3 Transfer	-	(3)	3	-
Stage 2 to Stage 1 Transfer	7	(7)	-	-
Due to changes in PD's/ LGD's/ EAD	9,439	(93)	337	9,683
Due to new financial assets originated	8,157	-	-	8,157
Closing Balance 31 December 2022	25,722	912	384	27,018

41. Financial risk management (continued)

Movement of the provision for credit loss **(continued)**

Wholesale Banking segment Loans	**31 December 2023** **Stage 1** **AED'000**	**Stage 2** **AED'000**	**Stage 3** **AED'000**	**Grand total** **AED'000**
Opening balance as at 1 January 2023	**109,951**	**20,118**	**146,522**	**276,591**
Transfer from Stage 1 to Stage 2	**(6,812)**	**6,812**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**-**	**-**	**-**
Transfer from Stage 2 to Stage 1	**2,348**	**(2,348)**	**-**	**-**
Due to changes in PD's/ LGD's/ EAD	**143,056**	**82,028**	**(14,997)**	**210,087**
Due to new financial assets originated and other transfers	**38,240**	**1,491**	**-**	**39,731**
Write-offs	**-**	**-**	**(126,980)**	**(126,980)**
Closing balance as at 31 December 2023	**286,783**	**108,101**	**4,545**	**399,429**

Wholesale Banking segment Loans	31 December 2022 Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Grand total AED'000
Opening balance as at 1 January 2022	70,572	38,820	134,064	243,456
Transfer from Stage 1 to Stage 2	(6,860)	6,860	-	-
Transfer from Stage 2 to Stage 3	-	(13,821)	13,821	-
Transfer from Stage 2 to Stage 1	3,026	(3,026)	-	-
Due to changes in PD's/ LGD's/ EAD	17,586	(10,858)	(4,194)	2,534
Due to new financial assets originated and other transfers	25,627	2,143	4,711	32,481
Write-offs	-	-	(1,880)	(1,880)
Closing balance as at 31 December 2022	109,951	20,118	146,522	276,591

41. Financial risk management (continued)

Movement of the provision for credit loss **(continued)**

	31 December 2023			
Business Banking segment Loans	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Grand total AED'000**
Opening balance as at 1 January 2023	**248,321**	**261,011**	**464,363**	**973,695**
Transfer from Stage 1 to Stage 2	**(115,179)**	**115,179**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(235,964)**	**235,964**	**-**
Transfer from Stage 2 to Stage 1	**14,118**	**(14,118)**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**3,734**	**(3,734)**	**-**
Due to changes in PD's/ LGD's/ EAD	**202,764**	**(15,729)**	**79,923**	**266,958**
Due to new financial assets originated and other transfers	**241,080**	**44,853**	**27,375**	**313,308**
Write-offs	**-**	**-**	**(283,904)**	**(283,904)**
Closing balance as at 31 December 2023	**591,104**	**158,966**	**519,987**	**1,270,057**

	31 December 2022			
Business Banking segment Loans	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Grand total AED'000
Opening balance as at 1 January 2022	246,888	139,258	479,800	865,946
Transfer from Stage 1 to Stage 2	(176,248)	176,248	-	-
Transfer from Stage 2 to Stage 3	-	(112,372)	112,372	-
Transfer from Stage 2 to Stage 1	13,757	(13,757)	-	-
Transfer from Stage 3 to Stage 2	-	8,051	(8,051)	-
Due to changes in PD's/ LGD's/ EAD	40,086	35,176	30,531	105,793
Due to new financial assets originated and other transfers	123,838	28,407	75,931	228,176
Write-offs	-	-	(226,220)	(226,220)
Closing balance as at 31 December 2022	248,321	261,011	464,363	973,695

41. Financial risk management (continued)

Movement of the provision for credit loss (continued)

	31 December 2023			
Retail Banking segment Loans	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Grand total AED'000**
ECL allowance as at 1 January 2023	**345,321**	**194,509**	**282,936**	**822,766**
Transfer from Stage 1 to Stage 2	**(102,775)**	**102,775**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(157,434)**	**157,434**	**-**
Transfer from Stage 2 to Stage 1	**143,275**	**(143,275)**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**24,691**	**(24,691)**	**-**
Due to changes in PD's/ LGD's/ EAD	**(207,080)**	**137,409**	**48,986**	**(20,685)**
Due to new financial assets originated and other transfers	**208,515**	**36,413**	**11,207**	**256,135**
Write-offs	**-**	**-**	**(212,815)**	**(212,815)**
ECL allowance as at 31 December 2023	**387,256**	**195,088**	**263,057**	**845,401**

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

41. Financial risk management (continued)

Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are associated with are listed in the table below. The collateral presented relates to instruments that are measured at FVOCI, amortized cost and at FVTPL.

	Type of collateral held
Derivative asset	Fixed Deposit/Cash Margin
Loans and advances to banks	Letter of Comfort/Export Bills
Mortgage lending	Mortgage over Property
Corporate lending	Fixed Deposit/Cash Margin; Mortgage over Properties/Vehicles; Bank Guarantee/Stand-by Letter of Credit; Pledge of Shares; Stocks and Receivables etc.
Investment securities	Underlying investments

In addition to the collateral included in the table above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

There was no change in the Group's collateral policy during the year. More details with regards to collateral held for certain classes of financial assets can be found below.

	2023	2022
	AED '000	AED '000
Credit Impaired Loans and Advances		
Stage 3 Loans and Advances	**1,156,217**	1,202,501
Less: Provisions held	**(787,589)**	(893,821)
Net Exposures	**368,628**	308,680
Market value of Collateral held		
Property	**660,450**	565,479
Vehicles & others	**4,852**	35,013
Securities	**25,429**	10,999
Total value of Collateral values	**690,731**	611,491

Off-setting of collateral

	2023	2022
	AED '000	AED '000
Cash collaterals held against outstanding loans	**1,203,692**	1,081,103

41. Financial risk management (continued)

Restructured loans and advances

Restructuring activities include interest rate adjustments, extended payment arrangements and modification of payments. The majority of restructuring activity is undertaken to improve cash flow and is within the terms and conditions of the Group's product programme guideline. These policies are kept under continuous review. The Group has reviewed the entire portfolio and reported only restructured loans with financial difficulties under this note. The group has a full-fledged Collections and Recovery Unit that follow-up with overdue/delinquent customers for regularising the loan/advances. The table below presents loans restructured during the year 2023 and 2022.

Restructured loans during the year:

	2023		2022	
Product	**No of accounts**	**Loan amount AED'000**	No of accounts	Loan amount AED'000
Personal loans	**197**	**54,718**	287	71,742
Mortgage loans	**1**	**7,700**	5	4,905
Credit cards	**762**	**26,507**	1073	38,848
Auto loans	**1**	**121**	3	348
Other business banking loans	**40**	**36,377**	18	20,296
Wholesale banking loans	**1**	**15,355**	2	8,398
RAK business loans	**106**	**63,095**	152	98,387
Total	**1,108**	**203,873**	1,540	242,924

The table below presents restructured loan portfolio outstanding as at 31 December:

	2023		2022	
Product	**No of accounts**	**Loan amount AED'000**	No of accounts	Loan amount AED'000
Personal loans	**2,038**	**608,321**	2,228	677,777
Mortgage loans	**52**	**86,382**	68	119,903
Credit cards	**4,080**	**77,071**	5,091	117,775
Auto loans	**61**	**1,948**	138	4,604
Other business banking loans	**169**	**106,554**	222	260,611
Wholesale banking loans	**2**	**59,861**	11	126,371
RAK finance business loans	**561**	**259,119**	646	331,786
Total	**6,963**	**1,199,256**	8,404	1,638,827

41. Financial risk management (continued)

Restructured loans and advances **(continued)**

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LTV ratio, which is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

Personal lending

The Group's personal lending portfolio consists of secured loans, unsecured loans and credit cards.

Corporate lending

The Group requests collateral and guarantees for corporate lending. The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance, cash-flow generation, their liquidity, advantage, management effectiveness and growth ratios. The valuation of collateral held against corporate lending, after initial approval, is updated once every two years for a performing asset. The valuation of such collateral is monitored more closely if the loan is put on "watch-list".

Offsetting financial assets and financial liabilities:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The Group has no offsetting financial assets and financial liabilities to report as at 31 December 2023 and 31 December 2022.

41. Financial risk management (continued)

Risk Management – Hedging:

The following note explains the group's exposure to financial risks that are hedged, and for which hedge accounting is applied:

Risk	Exposure Arising from	Measurement	Management
Currency risk	Loans and advances in foreign currency Deposit from customer in foreign currency Investment securities in foreign currency	Cash flow forecasting	Currency forwards Currency forwards Cross currency swaps
Interest rate risk	Investment in debt securities Debts securities and other long term borrowing Loans and advances	Sensitivity analysis	Interest rate swaps

The financial details of the hedged exposures are covered in Note 32.

Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Asset and Liability Committee (ALCO) is chaired by the Chief Financial Officer and comprises of the Chief Executive Officer, Divisional heads of Treasury, Risk, Operations, Wholesale Banking, Business Banking and Retail Banking. It meets on a regular basis to monitor and manage market risk.

ALCO is responsible for formalising the Banks key financial indicators and ratios, sets the thresholds to manage and monitor the market risk and also analyses the sensitivity of the Banks interest rate and maturity mismatches. ALCO in conjunction with Group's Investment Committee guides the investment decisions and provides guidance in terms of interest rate and currency movements.

Market Risk and Treasury Mid Office functions with Risk Management are responsible for day to day monitoring of Market risk exposures within Board approved Policies and Market Risk Appetite .

The exposures to derivatives include forward exchange contracts, Option Contracts and Interest Rate Swaps which are entered to meet customer needs and covered back to back in the interbank market. Further the Group has executed some interest rate swaps and a Cross Currency Swap for economic hedging purposes. Also, the Group has executed some derivatives on proprietary books within Board approved Risk Limits for Trading.

Group's proprietary Investments are managed according to the group's approved Market Risk Investments & Trading Policy.

41. Financial risk management (continued)

Price risk

The Group is exposed to price risk as a result of its holdings in debt securities classified as fair value through OCI and fair value through profit and loss in investment securities. The fair values of investments quoted in active markets are based on current prices. Group's Investment Committee meets regularly to discuss the return on investment and concentration across the Group's investment portfolio and manages the risk through diversification in terms of Counterparty, Country Industry and Rating. Any trading positions in securities under the fair value through profit and loss are guided by the approved Limits for Trading

The sensitivity analysis for price risk illustrates how changes in the fair value of quoted equity securities and funds held by the Group will fluctuate because of changes to market prices whether those changes are caused by factors specific to the individual issuer, or factors affecting all similar securities traded in the market.

The table below summarizes the impact of increases/decreases of the indexes on the group's equity and profit for the year. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% and 2% respectively with all other variables held constant, and that all of the group's equity and fund instruments moved in line with the indexes.

	Impact on Profit		**Impact on OCI**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Increase / decrease by 5% (+/-)	**4,503**	3,304	**22,291**	21,875
Increase / decrease by 2% (+/-)	**1,801**	1,321	**8,916**	8,750

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities or funds classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on equity securities or funds classified as at FVOCI.

Interest rate risk

Interest rate risk in the banking book (IRRBB) is the risk of loss resulting from a general change in market rates due to different terms to maturity or re-fixing on the asset and liability sides whether on- or off-balance sheet. Changes in market rates, specifically interest rates, impacts bank profitability in the short-term by varying its net interest income (NII) and the level of other interest sensitive revenues and operating expenses. Also, from a long-term perspective it impacts the underlying value of the bank's assets or liabilities, as the discounted value of future cash flows (i.e. in or out) changes due to market movements.

The Group measures & monitors interest rate risk & rate of return risk in banking book through the use of - earning based measure (Net Interest Income – NII) and equity based measures (Economic Value of Equity – EVE) under various stress scenarios to analyze the impact of anticipated movement in interest rates on the bank's profitability and equity. The Group has an overarching Group Risk Appetite Framework that includes risk appetite tolerance levels for IRRBB triggers. The Group has a Board approved IRRBB Framework as part of Bank's Enterprise Risk Management Framework that includes governance, methodologies, the escalation mechanisms in case limits are in breach & the reporting required at the management or board level risk committees. The annual ICAAP process also includes an exhaustive stress testing exercise to assess the impact of interest rate shocks on the banking book.

41. Financial risk management (continued)

Interest rate risk **(continued)**

IRRBB is actively steered by the Asset Liability Committee (ALCO) along with the Management Risk Committee and under the oversight of the Board Risk Committee.

Also the bank has a Hedging framework which includes the hedging strategies and the governance process for both fair value and cash flow interest rate risks hedging, also covers the derivatives products used for managing the interest rates risk at the bank level and assure it is within the approved risk appetite and hedging framework.

Financial assets that are not subject to any interest-rate risk mainly comprise investments in Subsidiaries, Equity investments, cash, balances with central banks excluding certificates of deposit / Monetary Bills (M-Bills).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below sets out the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 – 3 years AED'000	3 – 5 years AED'000	Over 5 years AED'000	Non - interest bearing AED'000	Total AED'000
At 31 December 2023							
Assets							
Cash and balances with the UAE Central Bank	-	-	-	-	-	5,725,115	5,725,115
Due from other banks, net	9,791,682	2,642,582	3,859	-	-	(51,627)	12,386,496
Loans and advances, net	23,729,613	6,623,174	7,924,236	2,647,742	1,248,828	(2,706,093)	39,467,500
Investment securities measured at fair value	282,966	393,859	1,186,254	1,737,180	1,858,450	579,829	6,038,538
Investment securities measured at amortised cost	1,171,831	1,239,055	1,949,866	1,531,454	1,385,031	(77,708)	7,199,529
Reinsurance contract assets	-	-	-	-	-	176,312	176,312
Customer Acceptances	160,764	112,586	-	-	-	-	273,350
Goodwill and intangible assets, Right of use assets, Property and equipment and other assets	299,224	177,306	28,899	10,662	-	2,171,703	2,687,794
Total	35,436,080	11,188,562	11,093,114	5,927,038	4,492,309	5,817,531	**73,954,634**
Liabilities and shareholders' equity							
Due to other banks	6,350,289	367,300	-	-	-	-	6,717,589
Deposits from customers	42,435,136	7,286,203	642,209	31,594	-	-	50,395,142
Debt securities issued and other long term borrowings	1,283,737	2,198,264	-	-	-	-	3,482,001
Insurance contract liabilities	-	-	-	-	-	383,311	383,311
Other liabilities	193,807	150,677	28,899	81,644	-	1,893,687	2,348,714
Customer acceptances	160,764	112,586	-	-	-	-	273,350
Shareholders' equity	-	-	-	-	-	10,354,527	10,354,527
Total	50,423,733	10,115,030	671,108	113,238	-	12,631,525	73,954,634
Interest rate sensitivity gap	(14,987,653)	1,073,532	10,422,006	5,813,800	4,492,309	(6,813,994)	-

41. Financial risk management (continued)

Interest rate risk **(continued)**

	Less than 3 months AED'000	3 months to 1 year AED'000	1 – 3 years AED'000	3 – 5 years AED'000	Over 5 years AED'000	Non - interest bearing AED'000	Total AED'000
At 31 December 2022							
Assets							
Cash and balances with the UAE Central Bank	-	-	-	-	-	4,713,892	4,713,892
Due from other banks, net	9,987,058	1,475,984	44,924	5,653	-	(57,298)	11,456,321
Loans and advances, net	21,195,206	6,954,755	7,380,335	1,359,927	1,478,486	(2,297,442)	36,071,267
Investment securities measured at fair value	531,189	159,392	537,797	1,208,383	1,255,251	550,230	4,242,242
Investment securities measured at amortised cost	1,676,066	983,211	2,077,515	1,592,322	949,816	(57,124)	7,221,806
Reinsurance contract assets	-	-	-	-	-	146,864	146,864
Customer Acceptances	100,545	45,428	-	-	-	-	145,973
Goodwill and intangible assets, Right of use assets, Property and equipment and other assets	305,478	223,132	29,088	-	5,791	1,784,528	2,348,017
Total	33,795,542	9,841,902	10,069,659	4,166,285	3,689,344	4,783,650	66,346,382
Liabilities and shareholders' equity							
Due to other banks	5,549,059	642,775	-	-	-	-	6,191,834
Deposits from customers	38,430,248	5,625,743	781,738	33,575	6	0	44,871,310
Debt securities issued and other long term borrowings	1,814,892	367,300	1,817,551	-	-	-	3,999,743
Insurance contract liabilities	-	-	-	-	-	315,478	315,478
Other liabilities	204,979	195,054	29,208	59,333	35,475	1,277,345	1,801,394
Customer acceptances	100,544	45,429	-	-	-	-	145,973
Shareholders' equity	-	-	-	-	-	9,020,650	9,020,650
Total	46,099,722	6,876,301	2,628,497	92,908	35,481	10,613,473	66,346,382
Interest rate sensitivity gap	(12,304,180)	2,965,601	7,441,162	4,073,377	3,653,863	(5,829,823)	-

Interest rate risk is assessed by measuring the impact of reasonable possible change in interest rate movements. The Group assumes a fluctuation in interest rates of 25 basis points (bps) and estimates the following impact on the net profit for the year and net assets at that date:

	2023 AED'000	2022 AED'000
Fluctuation in interest rates by 25 bps	**31,177**	22,347

41. Financial risk management (continued)

Interest rate risk (continued)

The interest rate sensitivities set out above are worst case scenarios and employ simplified calculations. They are based on the gap between AED 46,625 million (2022: AED 43,637 million) of interest-bearing assets with maturities within one year and AED 60,539 million (2022: AED 52,976 million) of interest-bearing liabilities with maturities within one year. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

IBOR transition

Regulators and central banks in various jurisdictions convened national working groups to identify replacement rates for the interbank offer rates ('IBORS') to facilitate an orderly transition to these rates.

Traditional IBOR benchmark rates have been replaced by new refined alternative reference rates like USD LIBOR is being replaced by Secured Overnight Financing Rates (SOFR), GBP LIBOR has been replaced by Sterling Overnight Index average (SONIA), Euro LIBOR has been replaced by Euro Short Term Rate (ESTR), CHF LIBOR has been replaced by Swiss Average Overnight Rate (SARON) and JPY LIBOR has been replaced by Tokyo Overnight Average Rate (TONAR).

LIBOR rate publication has been ceased since 31st December 2021 for GBP LIBOR, Euro LIBOR, CHF LIBOR & JPY LIBOR. In case of USD LIBOR, 1 week & 2 months tenor rates has been ceased since 31st December 2021 and other USD LIBOR tenor rates has been ceased since 30 June 2023.

The Financial Conduct Authority ("FCA"), on 3rd April 2023, has announced that the ICE Benchmark Administration ("IBA") shall publish a non-representative synthetic USD LIBOR for 1 month, 3 months and 6 months tenors from July 1, 2023 to September 30, 2024 and a non-representative synthetic GBP LIBOR for 3 months tenor to March 31, 2024 for limited use to apply to certain legacy contracts.

As previously announced, GBP synthetic LIBOR was published for 1 month and 6 months tenors till March 31, 2023

The CME group publishes the forward-looking 1-month, 3-month, 6-month, and 12-month SOFR rates called as Term SOFR. The Term SOFR rates have proved to be a useful additional tool in the LIBOR transition, but they are different from overnight SOFR, published by the Federal Reserve Bank of New York. The robustness of the Term SOFR rates relies on the continued existence of a deep and liquid SOFR derivatives market based on overnight SOFR. The use of the Term SOFR rates therefore needs to remain limited, particularly in derivatives markets, in order to ensure that the Term SOFR rates can remain sustainably available for those cash markets that use them.

These Term SOFR rates are to be used for limited cash market transactions (as a fall back for legacy LIBOR linked contract, business loans or certain securitizations that hold underlying TERM SOFR assets) and in OTC derivatives for end user hedging against exposure for cash market products that references the same Term SOFR rate.

LIBOR rates were forward looking and published for a borrowing period (e.g. 1 month, 3 months, 6 months etc.) and adjusted for credit risk spread while alternate reference rates (ARR) are overnight rates based on actual transactions hence adjustments for term spread and credit spread are required so that it is economically equivalent to its predecessor on transition.

41. Financial risk management (continued)

Interest rate risk (continued)

IBOR transition (continued)

The group initiated an IBOR transition programme with the objective of facilitating an orderly transition from IBORs for the group and its clients. This programme oversaw the transition by each of the businesses and was led by the Managing Director, Wholesale Banking Group - Products. The programme focused on evaluating the impact of the IBOR transition on legacy contracts as well as new issuance of contracts which referred to alternative reference rate and the expected changes to processes, legal contracts, IT systems and communication with counterparties and customers. The group engaged clients for smooth transition in line with the alternative rate product availability, this programme has now concluded post ensuring a smooth transition.

The volume and complexation of the legacy contracts requiring transition the overall level of execution risk on the transition process was high thereby also potentially increasing the level of conduct and operational risks. Our plans were adjusted to reflect both the greater effort required and associated risks. In addition the process of adopting new reference rates could have exposed the group to an increased level of financial risk, such as potential earnings volatility resulting from contract modifications and changes in hedge accounting relationships. Furthermore, the transition to alternative reference rates could have a range of adverse impacts on our business, including legal proceedings or other actions regarding the interpretation and enforceability of provisions in IBOR-based contracts and regulatory investigations or reviews in respect of our preparation and readiness for the replacement of IBOR with alternative reference rates. To mitigate these risks we engaged with industry participants, the regulators and our clients to support an orderly transition.

The group does not have exposure to Euro LIBOR, CHF LIBOR, JPY LIBOR or GBP LIBOR hence there being no impact on transition process. The Bank had only USD LIBOR exposures however such contracts were migrated to alternate reference rates like SOFR, Term SOFR as the case may be.

Rising interest rate and inflation with business risk review, analysis of the portfolios and impact assessment

The UAE economy has remained buoyant during 2023, particularly due to the rapid growth in the non-oil related GDP. In line with UAE's economic diversification efforts, the country has made significant progress to reduce its reliance on oil and shift towards a competitive economy driven by knowledge and innovation. The phased introduction of a corporate income tax that began in June 2023 will also contribute to further diversify government revenues, away from the oil sector and modernizing the business environment in the UAE. Strong reform efforts continue under the UAE 2050 strategy. The benefits of artificial intelligence and digitalization and investments in enabling infrastructure will further support economic diversification and foster a smooth energy transition.

The country's GDP grew by 3.7% in the first half of 2023 with non-oil sector accounting for more than 70% of the country's GDP however the growth is expected to taper given oil production cuts for OPEC+ members, lower oil prices, and given the global economic and geopolitical headwinds. The International Monetary Fund (IMF) forecasts overall GDP growth of 3.5% for the UAE this year 2023, outperforming the wider GCC region and further forecasts a GDP growth of 3.4% for 2024.

41. Financial risk management (continued)

Interest rate risk (continued)

Rising interest rate and inflation with business risk review, analysis of the portfolios and impact assessment (continued)

Average inflation for UAE is expected at around 3 percent in 2023 as per IMF, down from 4.8 percent in 2022. Companies highlighted a rise in input costs, as prices for items such as fuel, metals, chemicals and energy continued to remain elevated due to the existing global supply-chain challenges. Maintaining a prudent overall fiscal stance amid higher oil revenue will help contain inflationary pressures.

The Bank is closely monitoring the inflationary pressures that the customers may face and is well geared to support them. Whilst the global economic situation has been challenging, the fundamentals of the UAE economy remain strong. Given the nature of our business, with a CASA ratio of c.67%, and a significant proportion of CASA from our Business Banking customer base, a higher interest rate environment creates positive tailwinds for the Bank's financial performance, particularly in terms of our NII generation. On the asset side of the balance sheet, we have been able to effectively pass on higher rates to our customers across key products, again providing a tailwind for the Bank's financial performance when coupled with the ongoing strength of the UAE economy.

However, higher interest rate, particularly the rapid pace of rate increases from the US Federal Reserve could cause issues with customer affordability particularly regarding floating rate and higher rate products. These risks are continuously reviewed via the various governance forums within the Bank and have made conscious decisions to slow our lending in some areas of the economy which are potentially impacted by the pace of rising rates more than others, for example Real Estate Investments. Inflation has risen with global trends but is expected to ease to 3.6 percent in 2023. While there are very divergent market views on the interest rate outlook the easing thereof should help and appears to be likely in near to mid-term future.

Notwithstanding this these, the Banks in the UAE are adequately capitalized and sufficiently liquid, though nonperforming loans remain elevated, albeit down from the peaks, and real estate prices have risen sharply in some segments. The outlook remains cautiously optimistic subject to heightened global uncertainty. A decline in oil demand and reduced global trade and tourism from slower global growth, higher-for-longer interest rates, tighter financial conditions, or geopolitical developments would weigh on growth and pressure fiscal and external balances.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. Positions are closely monitored and strategies are used to ensure positions are maintained within established limits.

The Group's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, the Group does run open positions within the approved Trading limits.

41. Financial risk management (continued)

Currency risk (continued)

At 31 December, the Group has below mentioned currency exposures

	At 31 December 2023			At 31 December 2022		
	Net spot Position AED AED'000	**Net forward Position AED AED'000**	**Net Position AED AED'000**	Net spot Position AED AED'000	Net forward Position AED AED'000	Net Position AED AED'000
US Dollars - USD	**12,177,220**	**(6,049,309)**	**6,127,911**	8,799,591	(5,975,686)	2,823,905
Euro – EUR	**(341,100)**	**332,046**	**(9,054)**	(229,418)	207,401	(22,017)
Pound Sterling - GBP	**(220,755)**	**215,307**	**(5,448)**	(327,665)	327,524	(141)
Saudi Riyal - SAR	**35,327**	**(269,712)**	**(234,385)**	65,594	540,235	605,829
Japanese Yen – JPY	**-**	**-**	**-**	195	280	475
Nigerian Nira - NGN	**-**	**-**	**-**	4,587	-	4,587
Gold – XAU	**342,924**	**(332,948)**	**9,976**	310,129	(303,358)	6,771
Egyptian Pound - EGP	**-**	**-**	**-**	310	(6,422)	(6,112)
Qatar Riyal - QAR	**-**	**-**	**-**	10,957	63	11,020
Bahrain Dinar - BHD	**-**	**-**	**-**	658	114	772
Indian Rupee - INR	**43,335**	**1,348**	**44,683**	35,213	(152)	35,061
Philippine Peso - PHP	**9,685**	**-**	**9,685**	7,568	-	7,568
Swiss francs (CHF)	**1,237**	**-**	**1,237**	1,557	(480)	1,077
Australian dollar	**-**	**-**	**-**	(153,021)	153,467	446
Singapore dollar (SGD)	**1,248**	**(557)**	**691**	-	-	-
Others	**17,310**	**(91,438)**	**(74,128)**	11,499	(92,740)	(81,241)
	12,066,431	**(6,195,263)**	**5,871,168**	8,537,754	(5,149,754)	3,388,000

The Group has no significant exposure to foreign currency risk as its functional currency is pegged to the USD, the currency in which the Group has the largest net open position at 31 December 2023 and 2022. All currency positions are within limits laid down by Board Risk Committee.

Impact of fluctuation in market rate on open currency position other than USD

	2023 AED'000	2022 AED'000
Net open currency position non-USD	**(256,743)**	564,095
Impact of 1 % change in currency rate (+/-)	**2,567**	5,641

41. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for customer lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

Liquidity risk management process

The Group manages its liquidity in accordance with Central Bank of the UAE requirements and the Group's internal guidelines mandated by ALCO and Management Risk Committee under the oversight of the Board Risk Committee. Based on the directives of the ALCO, the Treasury manages the liquidity of the Group.

The Group has in place a Board approved Liquidity Risk Management Framework. It covers Liquidity Risk related risk appetite of the Group, various liquidity risk triggers to monitor the short term dynamics of balance sheet & medium to long term structure of its funding, roles and responsibilities of different divisions in the Group in relation to liquidity risk taking, measurement, monitoring and mitigation of liquidity risk and the contingency funding plan.

On the funding side, the Group has a considerable proportion of its funds in the form of own funds which reduces the requirement for external funds. The Group relies on deposits from its relationship-based retail banking, business banking and wholesale banking customers as its primary source of funding and only on a short term basis relies on interbank borrowings to fund its assets. The Group's debt securities typically are issued with maturities of greater than two to three years. Deposits from customers generally have shorter maturities and a large portion of them are repayable on demand as is endemic to these markets. The short-term nature of these deposits increase the Group's liquidity risk and the bank manages this risk through maintaining competitive pricing and constant monitoring of market trends. Also, most of the deposit customers of the Group are relationship based and based on past trends, it is observed that these deposits are sticky in nature, thus reducing the liquidity risk to a large extent. The Groups depositor profile is diverse leading to a more stable deposit funding.

41. Financial risk management (continued)

Liquidity risk (continued)

On the deployment side, the Group maintains a portfolio of highly liquid assets largely made up of balances with the UAE Central Bank, Monetary Bills (M-Bills) issued by the Central Bank, inter-bank facilities and investment securities including investments in local government bonds which can be repaid to meet short term liquidity mismatches and be offloaded to meet longer term mismatches. The Central Bank of the UAE has prescribed reserve requirements on deposits, 1% for time deposits and 11% on current, saving, call and similar accounts (31 December 2022 - 7%). As a contingency funding plan, the Bank evaluates and keeps ready debt financing plans which can be quickly executed if required.

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining years from the reporting date to the contractual cash flow date. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Contractual undiscounted repayment obligations are not significantly different from those reported in the table below.

The Central Bank of the UAE also imposes mandatory 1:1 Loans to Stable Resources Ratio (LSRR) whereby loans and advances (combined with inter-bank placements having a remaining term of greater than three months) should not exceed stable funds as defined by the Central Bank of the UAE. Regulatory threshold for LSRR and Eligible Liquid Assets Ratio (ELAR) are 100% and 10% respectively. ALCO monitors loans to stable resources ratios daily. The Bank also monitors on daily basis the Eligible Liquid Asset Ratio (ELAR) and has set up internal Management Alert Triggers and Board Approved Risk Appetite Triggers to take suitable corrective actions once the internal thresholds have been reached.

The LSRR as at 31 December 2023, stood at 82.09% (31 December 2022: 79.36%) which is significantly lower than the maximum requirement of 100%. Similarly, the ELAR of the Group stood at 13.0% (2022: 12.8%) as at 31 December 2023, also reflecting a healthy liquidity position.

The Group has a large proportion of its liabilities as demand deposits which do not have a fixed maturity. Although behaviourally these deposits are stable, these have been grouped under up to 3 months category in accordance with the UAE Central Bank guideline.

41. Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Bank's financial assets and liabilities as at 31 December 2023 and 2022.

	Up to 3 months AED'000	3 – 12 Months AED'000	1 - 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Provision for Credit loss AED'000	Total AED'000
At 31 December 2023							
Assets							
Cash and balances with the UAE Central Bank	5,725,115	-	-	-	-	-	5,725,115
Due from other banks	4,994,206	5,461,845	1,982,072	-	-	(51,627)	12,386,496
Loans and advances	10,333,325	6,689,137	9,336,714	4,282,657	11,340,554	(2,514,887)	39,467,500
Investment securities at fair value	750,786	393,859	1,186,254	1,849,189	1,858,450	-	6,038,538
Investment securities at amortised cost	1,171,830	1,239,055	1,949,866	1,531,454	1,385,032	(77,708)	7,199,529
Reinsurance contract assets	25,895	88,254	64,859	3,273	2,091	(8,060)	176,312
Customer acceptances	160,764	112,586	-	-	-	-	273,350
Goodwill and intangible assets	-	-	-	-	351,971	-	351,971
Property and equipment, Right of use asset and other assets	1,422,995	17,357	25,372	125,506	744,593	-	2,335,823
Total	24,584,916	14,002,093	14,545,137	7,792,079	15,682,691	(2,652,282)	73,954,634

41. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2023	Up to 3 Months AED'000	3 - 12 months AED'000	1 - 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Provision Credit loss AED'000	Total AED'000
Liabilities and Equity							
Due to other banks	**3,691,923**	**1,876,941**	**-**	**1,148,725**	**-**	**-**	**6,717,589**
Deposit from customers	**42,435,136**	**7,286,203**	**642,209**	**31,594**	**-**	**-**	**50,395,142**
Debts securities issue and other long term borrowings	**-**	**1,830,631**	**1,651,370**	**-**	**-**	**-**	**3,482,001**
Insurance contract liabilities	**2,005**	**277,038**	**92,641**	**8,823**	**2,804**	**-**	**383,311**
Customer acceptances	**160,764**	**112,586**	**-**	**-**	**-**	**-**	**273,350**
Other liabilities, lease liabilities and Deferred tax liability	**1,960,486**	**22,225**	**12,209**	**146,359**	**207,435**	**-**	**2,348,714**
Shareholders' equity	**-**	**-**	**-**	**-**	**10,354,527**	**-**	**10,354,527**
Total	**48,250,314**	**11,405,624**	**2,398,429**	**1,335,501**	**10,564,766**	**-**	**73,954,634**
Net cumulative liquidity gap	**(23,665,398)**	**(21,068,929)**	**(8,922,221)**	**(2,465,643)**	**2,652,282**	**-**	
At 31 December 2022							
Total assets	22,720,315	11,428,488	12,952,553	8,006,920	13,431,106	(2,193,000)	66,346,382
Total liabilities and equity	43,003,489	9,408,427	3,288,062	1,285,797	9,360,607	-	66,346,382
Net cumulative liquidity gap	(20,283,174)	(18,263,113)	(8,598,622)	(1,877,499)	2,193,000	-	-

41. Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Bank's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations. As interest payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Bank expects that many customers will not request repayment on the earliest date the Bank could be contractually required to pay, and the table is not representative of the expected cash flows indicated by behavioural history of the Bank's deposits.

31-December-2023	**Up to 3 months AED'000**	**3 to 12 months AED'000**	**1 to 3 years AED'000**	**3 to 5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
Due to other banks	**3,780,188**	**1,983,730**	**-**	**1,413,461**	**-**	**7,177,379**
Deposits from customers	**42,735,091**	**7,579,520**	**646,440**	**37,894**	**-**	**50,998,945**
Debt securities issued and other long term borrowings	**-**	**1,868,388**	**1,965,618**	**-**	**-**	**3,834,006**
Grand Total	**46,515,279**	**11,431,638**	**2,612,058**	**1,451,355**	**-**	**62,010,330**

31-December-2022	Up to 3 months AED'000	3 to 12 months AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Due to other banks	3,195,546	1,341,245	638,665	1,437,196	-	6,612,652
Deposits from customers	38,515,596	5,823,052	831,660	40,085	6	45,210,399
Debt securities issued and other long term borrowings	16,667	2,377,438	1,855,629	-	-	4,249,734
Grand Total	41,727,809	9,541,735	3,325,954	1,477,281	6	56,072,785

41. Financial risk management (continued)

Liquidity risk (continued)

Off-balance sheet items

	No later than 1 year AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
At 31 December 2023				
Credit commitments	**3,585,672**	**532,084**	**-**	**4,117,756**
Letter of credits and guarantees	**1,289,178**	**199,267**	**126**	**1,488,571**
Total	**4,874,850**	**731,351**	**126**	**5,606,327**
At 31 December 2022				
Credit commitments	4,372,716	119,373	-	4,492,089
Letter of credits and guarantees	1,101,223	138,374	-	1,239,597
Total	5,473,939	257,747	-	5,731,686

Financial instruments

Categories of financial instruments

The following tables analyse the Group's financial assets and financial liabilities in accordance with categories of financial instruments under IFRS 9:

	At amortized cost AED'000	Fair value through comprehensive income AED'000	Hedging derivatives AED'000	Fair value Through profit or loss AED'000	Total AED'000
At 31 December 2023					
Assets					
Investment securities	**7,199,529**	**5,792,514**	**-**	**246,024**	**13,238,067**
Derivative financial instruments	**-**	**-**	**57,516**	**458,576**	**516,092**
Cash and balances with the UAE central Bank	**5,725,115**	**-**	**-**	**-**	**5,725,115**
Due from other banks	**12,386,496**	**-**	**-**	**-**	**12,386,496**
Loans and advances	**39,467,500**	**-**	**-**	**-**	**39,467,500**
Reinsurance contract assets	**176,312**	**-**	**-**	**-**	**176,312**
Customer acceptances	**273,350**	**-**	**-**	**-**	**273,350**
Total financial assets	**65,228,302**	**5,792,514**	**57,516**	**704,600**	**71,782,932**
Liabilities					
Due to other banks	**6,717,589**	**-**	**-**	**-**	**6,717,589**
Deposits from customers	**50,395,142**	**-**	**-**	**-**	**50,395,142**
Debt securities issued and other long-term borrowings	**3,482,001**	**-**	**-**	**-**	**3,482,001**
Insurance contract liabilities	**383,311**	**-**	**-**	**-**	**383,311**
Derivative financial instruments	**-**	**-**	**21,614**	**433,413**	**455,027**
Customer acceptances	**273,350**	**-**	**-**	**-**	**273,350**
Total financial liabilities	**61,251,393**	**-**	**21,614**	**433,413**	**61,706,420**

41. Financial risk management (continued)

Financial instruments (continued)

Categories of financial instruments (continued)

	At amortized cost AED'000	Fair value through comprehensive income AED'000	Hedging derivatives AED'000	Fair value Through profit or loss AED'000	Total AED'000
At 31 December 2022					
Assets					
Investment securities	7,221,806	4,134,746	-	107,496	11,464,048
Derivative financial instruments	-	-	72,862	490,627	563,489
Cash and balances with the UAE central Bank	4,713,892	-	-	-	4,713,892
Due from other banks	11,456,321	-	-	-	11,456,321
Loans and advances	36,071,267	-	-	-	36,071,267
Reinsurance contract assets	146,864	-	-	-	146,864
Customer acceptances	145,973	-	-	-	145,973
Total financial assets	59,756,123	4,134,746	72,862	598,123	64,561,854
Liabilities					
Due to other banks	6,191,834	-			6,191,834
Deposits from customers	44,871,310	-			44,871,310
Debt securities issued and other long-term borrowings	3,999,743	-	-	-	3,999,743
Insurance contract liabilities	315,478	-	-	-	315,478
Derivative financial instruments	-	-	29,378	494,671	524,049
Customer acceptances	145,973	-	-	-	145,973
Total financial liabilities	55,524,338	-	29,378	494,671	56,048,387

The following tables analyse the Group's financial assets and financial liabilities in accordance with categories of financial instruments under IFRS 9:

Fair value hierarchy

The fair value measurements are categorised 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 include financial instruments such as forwards foreign exchange contracts which are valued using market standard pricing techniques.

41. Financial risk management (continued)

Financial instruments (continued)

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 Bank considers relevant and observable market prices in its valuations where possible. The table below analyses recurring fair value measurements for assets and liabilities.

Financial assets measured	Level	Valuation techniques and key inputs
FVTPL Quoted debt investments	Level 1	Quoted mid prices in an active market
Quoted equity investments	Level 1	Quoted mid prices in an active market
Unquoted debt investments	Level 2	Based on the recent similar transaction in market
Unquoted debt investments	Level 3	Based on discounted cash flow model
Mutual and other funds	Level 2	Quoted prices in secondary market.

The assets and liabilities measured at fair value as per the hierarchy are disclosed in the table below:

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
31 December 2023				
Asset at fair value				
Through other comprehensive income				
Investment securities – debt	5,232,837	113,863	-	5,346,700
Investment securities – equity	445,814	-	-	445,814
Through profit and loss				
Investment market fund	71,091		43,960	115,051
Investment securities – debt	112,009			112,009
Investment securities – equity	18,964	-	-	18,964
Assets acquired in settlement of debts	-	73,500	-	73,500
Derivative financial instruments	-	516,092	-	516,092
	5,880,715	703,455	43,960	6,628,130
Liabilities at fair value				
Derivative financial instruments	-	455,027	-	455,027
	-	455,027	-	455,027

There are no transfers between levels during the period.

41. Financial risk management (continued)

Financial instruments (continued)

Fair value hierarchy (continued)

	Quoted market prices Level 1 AED'000	Observable inputs Level 2 AED'000	Significant unobservable inputs Level 3 AED'000	Total AED'000
31 December 2022				
Asset at fair value				
Through other comprehensive income				
Investment securities – debt	3,655,522	36,490	-	3,692,012
Investment securities - equity	437,494	-	5,240	442,734
Through profit and loss				
Investment market fund	66,071	-	41,425	107,496
Investment securities – debt	-	-	-	-
Investment securities – equity	-	-	-	-
Assets acquired in settlement of debts	-	11,395	-	11,395
Derivative financial instruments	-	563,489	-	563,489
	4,159,087	611,374	46,665	4,817,126
Liabilities at fair value				
Derivative financial instruments	-	524,049	-	524,049
	-	524,049	-	524,049

There were no transfers between levels during the period.

The movement in the level 3 financial assets were due to exchange differences and changes in fair value.

Reconciliation of Level 3 fair value measurement of financial assets measured at FVOCI

Investment securities - equity	**2023 AED'000**	2022 AED'000
At 1 January	**5,240**	4,459
Purchases	**-**	781
Disposals/matured/written-off	**(5,240)**	-
Change in fair value	**-**	-
At 31 December	**-**	5,240

41. Financial risk management (continued)

Financial instruments (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVPL

Investment market fund	**2023**	2022
	AED'000	AED'000
At 1 January	**41,425**	43,842
Purchases	**-**	-
Disposals/matured	**-**	-
Change in fair value	**2,535**	(2,417)
At 31 December	**43,960**	41,425

Reconciliation of Level 3 fair value measurement of financial assets measured at FVOCI

Investment securities - debt	**2023**	2022
	AED'000	AED'000
At 1 January	**-**	42,237
Purchases	**-**	-
Disposals/matured	**-**	(42,237)
Change in fair value	**-**	-
At 31 December	**-**	-

41. Financial risk management (continued)

Financial instruments (continued)

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. At 31 December 2023, the carrying value of the Group's financial assets and liabilities approximate their fair values, except for the below mentioned financial assets and liabilities:

	Fair value		**Carrying value**	
	31 December 2023 AED'000	31 December 2022 AED'000	**31 December 2023 AED'000**	31 December 2022 AED'000
Assets				
Loans and advances	**39,649,047**	36,317,835	**39,467,500**	36,071,267
Investment securities measured at fair value	**6,038,538**	4,242,242	**6,038,538**	4,242,242
Investment securities measured at amortised cost	**7,147,308**	7,050,475	**7,199,529**	7,221,806
Cash and balances with the UAE central Bank	**5,725,115**	4,713,892	**5,725,115**	4,713,892
Due from other banks	**12,143,008**	11,282,514	**12,386,496**	11,456,321
Total financial assets	**70,703,016**	63,606,958	**70,817,178**	63,705,528
Liabilities				
Due to other banks	**6,858,658**	6,286,678	**6,717,589**	6,191,834
Deposits from customers	**50,358,220**	44,887,239	**50,395,142**	44,871,310
Debt securities issued and other long term borrowings	**3,529,614**	4,050,230	**3,482,001**	3,999,743
Total financial liabilities	**60,746,492**	55,224,147	**60,594,732**	55,062,887

41. Financial risk management (continued)

Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- to comply with the capital requirements set by the Central Bank of United Arab Emirates;
- to safeguard the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a regular basis as required under Basel III standards.

The Bank's capital management is driven by short and long-term strategies and organisational requirements with due consideration to the regulatory, economic and commercial environment in which the Bank operates.

The Bank seeks to optimise returns on capital, and its objective has always been to maintain a strong capital base to support business development and to meet regulatory capital requirements at all times.

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

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

41. Financial risk management (continued)

Capital Management (continued)

	31 December 2023 AED'000	31 December 2022 AED'000
Tier 1 capital		
Ordinary share capital	**2,011,495**	1,676,245
Legal and other reserves	**4,209,900**	3,883,398
Retained earnings	**2,632,066**	2,332,223
Current year profit	**1,782,917**	1,206,099
Dividend	**(623,563)**	(569,923)
Tier 1 capital base	**10,012,815**	8,528,042
Total regulatory adjustments	**(344,951)**	(362,295)
Tier 1 Capital base after Regulatory Adjustments	**9,667,864**	8,165,747
Tier 2 capital base	**627,287**	601,194
Total capital base	**10,295,151**	8,766,941
Risk weighted assets		
Credit risk	**50,182,963**	48,095,557
Market risk	**1,412,204**	1,649,697
Operational risk	**6,210,430**	3,628,998
Total risk weighted assets	**57,805,597**	53,374,252
Capital adequacy ratio on Tier 1 capital	**16.72%**	15.30%
Capital adequacy ratio on Tier 2 capital	**1.09%**	1.13%
Total Capital adequacy ratio	**17.81%**	16.43%

As per the Central Bank of UAE Regulation for Basel III, the Minimum Capital requirement including Capital Conservation Buffer is 13.0% for year 2023. Additionally, Central Bank of UAE regulation dated 22 April 2020 provides for a “Prudential Filter” that permits Banks and Finance Companies to add back increases in IFRS 9 provisions to the regulatory capital over a transition period of 5 years, on a proportionate basis.

41. Financial risk management (continued)

Capital Management (continued)

Capital Management – Insurance subsidiary

The Insurance subsidiary's objectives when managing capital, are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on establishment of Insurance Authority and Organization of its operations;
- to protect its policyholders' interest;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The minimum regulatory capital for the insurance subsidiary is AED 100 million (2022: AED 100 million) against which the total paid up capital held for the insurance subsidiary is AED 121.275 million (2022: AED 121.275 million).

42. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Group writes the general, medical and life insurance contracts. General insurance contracts of the Group include Liability, Property, Motor, Fire, Marine and Engineering insurance contracts. Medical insurance contracts include both individual and group medical insurance contracts. Life insurance contracts include group, retail and credit life insurance contracts.

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Risk management framework

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group mainly issues short term insurance contracts.

Two key elements of the Group's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

The Group's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolio’s outcome.

The underwriting strategy is set out by the Group that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Group is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio.

Reinsurance strategy

The Group reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk. The Group has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

The Group enters into a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

42. Insurance risk (continued)

Frequency and severity of claims

The Group manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria, as well as the use of reinsurance arrangements.

The Group has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim for both short and long-term insurance contracts. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess of loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses above a set limit. In addition to the overall Group's reinsurance program, business units are permitted to purchase additional facultative reinsurance protection, if needed. Whenever required, the Group engages professional competent surveyors for claims management. The surveyors using their market knowledge and expertise may investigate and recommend adjustments to claims. The claims are reviewed individually at least once a year and adjusted to reflect the latest information on the underlying facts.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until several months, quarters and sometimes years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The Group involved an independent external actuary as well. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the end of the reporting period.

The amount of insurance claims is in some cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

42. Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are based on Actuarial calculation which can be based purely on historical development of claims or Expected Loss Ratios or a combination of both. The method and weightage are based on the merit of the line of business. The Expected Loss-Ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The Group believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, the insurance claim liabilities are sensitive to the various assumptions.

Concentration of insurance risk

Substantially all of the Group's underwriting activities related to insurance are carried out in the United Arab Emirates. In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group primarily deals with reputed counter parties and monitors the receivable position from these parties on a regular basis.

43. Critical accounting estimates and judgments in applying accounting policies

The Group's consolidated financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with applicable standards. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting policies and management judgement for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Critical judgments in applying the group's accounting policies - IFRS 9

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- *Business model assessment*

Classification and measurement of financial assets depends on the results of the "solely payments of principal and interest" and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets are evaluated and measured, the risks that affect the performance of the assets and how they are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model resulting in a prospective change to the classification of those assets.

- *Significant increase of credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The broad level factors that are considered to determine whether a financial asset has experienced SICR are: days past due of more than 30 days on its contractual payments and various other qualitative factors that include changes in current Credit ratings vis-à-vis initial credit ratings as per the defined Graded SICR thresholds (mainly used for non-retail, due from banks and Investment portfolio), Risk Bureau classification of the customer, Whether an exposure has been restructured since initial recognition. The criteria may be rebutted on a case by case basis, depending upon actual situation/credit Quality of financial asset/customer.

43. Critical accounting estimates and judgments in applying accounting policies (continued)

(a) Critical judgments in applying the group's accounting policies - IFRS 9 (continued)

Definition of default and credit-impaired assets:

Group defines a non-retail, retail and investment instrument as in default, which is largely aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is 90 (or more) days past due on its contractual payments.

Qualitative criteria:

The bank classifies the loans as Non-performing account (NPA) when:

- Such loans, which may lead to incurring of some loss due to adverse factors (financial, economic, legal, political or managerial) which may hinder repayment, or due to weakening of security.
- Loans whose full recovery seems doubtful on the basis of information available, leading, generally, to a loss of part of these loans (when the financial position of the customer and securities are not sufficient).

Loans where bank has exhausted all courses of action available but failed to recover anything, or where there is a possibility that nothing shall be recovered

- *Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics according to product. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- *Models and assumptions used*

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

43. Critical accounting estimates and judgments in applying accounting policies (continued)

(b) Classification of and measurement of financial assets and liabilities

The Group classifies financial instruments, or its component parts, at initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of the financial instrument, rather than the legal form, governs its reclassification in the statement of financial position.

The Group determines the classification at initial recognition and, when allowed and appropriate, re-evaluates this designation at every statement of financial position date.

In measuring financial assets and liabilities, some of the Group's assets and liabilities are measured at a fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent professionally qualified valuers to perform the valuation. The Bank works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(c) Fair value measurement

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives, discount rates, prepayment rates and default rate assumptions for asset backed securities. The Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(d) Derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When prices are not available, Bank uses Counterparty valuations (third party valuations) or fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

(i) The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgment may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

(ii) An appropriate discount rate of the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the risk-free rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared

43. Critical accounting estimates and judgments in applying accounting policies (continued)

(e) Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

(f) Useful lives of property and equipment

The management determines the useful lives of property and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset. The review carried out by management in the current year did not indicate any necessity for changes in the useful lives of property and equipment.

(g) Impairment of goodwill

The calculation of value-in-use is sensitive to the following assumptions:

(i) Growth rate

Growth rates are based on the management's assessment of the market share having regard to the forecasted growth and demand for the products offered. Terminal growth rate of 3.5% per annum has been applied in the calculation.

(ii) Profit margins

Profit margins are based on the management's assessment of the performance potential of the cash generating unit for the next five years.

(iii) Discount rates

Management has used the discount rate of 8.30% per annum throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile.

43. Critical accounting estimates and judgments in applying accounting policies (continued)

(h) Measurement of ECL under IFRS 9

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- *Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario:* When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- *Probability of default:* PD *constitutes* a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- *Loss Given Default:* LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- EAD is an estimate of the current exposure for funded facilities. For non-funded facilities the EAD is taken as the *product* of the applicable credit conversion factors and contract values. Exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities

(i) Critical judgments in applying the group's accounting policies for "IFRS 16 – Leases"

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

43. Critical accounting estimates and judgments in applying accounting policies (continued)

(j) Process used to decide on insurance contract assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market- based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that a weighted average of different techniques has been selected for individual accident years or groups of accident years within the same class of business. The Group has an internal actuary and independent external actuaries are also involved in the valuation of technical reserves of the Group and has used historical data for the past 9 years.

Substantially all of the Group's underwriting activities are carried out in the United Arab Emirates. In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

44. Restatement of comparative figures

The Group has applied IFRS 17 on 1 January 2023, using full retrospective approach. Due to the transition from IFRS 4 to IFRS 17, there are remeasurement trigger for the insurance assets and liabilities and equity. The remeasurement had an impact of AED 4,458 thousand on total shareholder's equity as at 31 December 2022 and of AED 490 thousand on consolidated statement of profit or loss for the year ended 31 December 2022.

The impact of the restatements on Balance Sheet and Profit or Loss has been set out below:

	As previously reported 31 December 2022 AED'000	Impact on adoption of IFRS 17 AED'000	As at 31 December 2022 (restated) AED'000	As previously reported 31 December 2021 AED'000	Impact on adoption of IFRS 17 AED'000	As at 1 January 2022 (restated) AED'000
Consolidated statement of financial position						
Assets						
Reinsurance contract assets	280,928	(134,064)	146,864	362,491	(18,362)	344,129
Other assets	1,434,125	(23,396)	1,410,729	806,165	(173,433)	632,732
Liabilities						
Insurance contract liabilities	464,491	(149,013)	315,478	477,847	(75,404)	402,443
Other liabilities	1,702,471	(3,989)	1,698,482	1,150,212	(112,423)	1,037,789
Equity						
Retained earnings	3,395,839	(3,532)	3,392,307	2,584,864	(3,144)	2,581,720
Non-controlling interests	27,267	(926)	26,341	39,226	(824)	38,402

	As previously reported 31 December 2022 AED'000	Impact on adoption of IFRS 17 AED'000	As at 31 December 2022 (restated) AED'000
Consolidated statement of cash flows			
Profit for the year	1,163,437	(490)	**1,162,947**
Provision for credit losses, net	804,018	(6,597)	**797,421**
Cashflows form operating activities			
Decrease in insurance contract assets	72,915	134,064	**206,979**
Increase in other assets	(727,260)	23,396	**(703,864)**
Decrease in insurance contract liabilities and payables	(13,356)	(146,383)	**(159,739)**
Increase in other liabilities, goodwill and customer acceptances	598,027	(3,990)	**594,037**

44. Restatement of comparative figures (continued)

	As previously reported 31 December 2022 AED'000	Impact on adoption of IFRS 17 AED'000	As at 31 December 2022 (restated) AED'000
Consolidated statement of profit or loss			
Insurance revenue	-	522,471	522,471
Insurance expense	-	(577,009)	(577,009)
Other operating income	71,208	5,587	76,795
Net insurance underwriting profit	7,196	(7,196)	-
General and administrative expenses	(1,484,392)	49,060	(1,435,332)
Provision for credit loss, net	(804,018)	6,597	(797,421)
Consolidated statement of comprehensive income			
Profit for the year	1,163,437	(490)	1,162,947

Management has re-evaluated the classification of certain transactions and balances in the consolidated statements of cash flows in the prior years to determine if such transactions and balances have been classified appropriately under International Financial Reporting Standards ("IFRS "). Where necessary, adjustments were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors''.

As a result, management restated the comparatives to correct the misstatements detailed below in the financial statements for the year ended 31 December 2022 as prior year restatements.

(i) Reclassification of "Statutory deposit with the UAE Central Bank from Operating activities to Cash and Cash Equivalent

In previous years, the Group had classified changes in "Statutory deposits with the UAE Central Bank" within "Net Cash generated from operating activities". According to the UAE Central Bank regulations, the Bank is allowed to draw on the statutory deposit with the UAE Central Bank on any day up to 100%, while ensuring that it meets the reserve requirements over a 14 day period. International Accounting Standard 7- Statement of cash flows requires demand deposit to be classified as "Cash and Cash equivalents in the statement of cash flows.

For the year ended 31 December 2022, the Company re-assessed the nature of the "Statutory deposits with the UAE Central Bank" and concluded that the balances are available on demand and meet the definition of Cash and Cash equivalents, and therefore should be classified as cash and cash equivalents in the consolidated statement of cash flows.

44. Restatement of comparative figures (continued)

ii) Reclassification of cash flows arising from Investment securities held for trading from "investing activities to "Operating activities"

In previous years, the Group had classified cash flows arising from investment securities held for trading as "investing activities" in the consolidated statement of cash flows. International Accounting Standard 7- Statement of cash flows requires cash flows arising from the purchase and sale of securities held for trading to be classified as operating activities.

For the year ended 31 December 2022, the Company re-assessed the above requirements and reclassified cash flows arising from investments securities held for trading from investing activities to operating activities in the consolidated statement of cash flows.

The above misstatements have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	Before restatement AED'000	Restatement 1 AED'000	Restatement 2 AED'000	Adjusted AED'000
Cash flows from operating activities				
(Increase)/decrease in deposits with the UAE Central Bank	(150,799)	(150,799)	-	-
(Increase) / Decrease in Investment securities measured at fair value	-	-	110,195	110,195
Cash flows from investing activities				
Purchase of investment securities	(8,989,148)	-	1,866,173	(7,122,975)
Proceeds from maturity/disposal of investment securities	6,426,456	-	(1,976,368)	4,450,088
Cash and cash equivalents, end of the year	4,329,226	-	2,193,151	6,522,377

45. Social contributions

The social contributions made (including donations and charity) during the year to various beneficiaries amounted to AED 0.81 million (2022: AED 0.89 million).

46. Subsequent Events

The Board of Directors have proposed a cash dividend of 31 fils per share at their meeting held on 29 January 2024.

47. Approval of the consolidated financial statements

The consolidated financial statements were approved on **29 January 2024**.