

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

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

**For the six months period ended 30 June 2024**

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

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	<b>Pages</b>
<b>Independent auditor's review report to the shareholders and directors</b>	<b>2</b>
<b>Interim statement of financial position</b>	<b>3</b>
<b>Interim statement of income</b>	<b>4</b>
<b>Interim statement of comprehensive income</b>	<b>5</b>
<b>Interim statement of cash flows</b>	<b>6</b>
<b>Interim statement of changes in equity</b>	<b>7</b>
<b>Notes to the condensed interim financial statements</b>	<b>8 - 27</b>

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

### **Introduction**

We have reviewed the accompanying condensed interim financial statements of United Arab Bank P.J.S.C. (the “Bank”), which comprise the interim statement of financial position as at 30 June 2024 and the related interim income statement and comprehensive income statement for three-month then ended and the interim statement of cash flows and changes in equity for the three-month and six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Anthony O’Sullivan  
Registration No: 687

25 July 2024

Sharjah, United Arab Emirates

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		<b>30 June 2024 AED'000 (Unaudited)</b>	<b>31 December 2023 AED'000 (Audited)</b>
	<i>Notes</i>		
<b>Assets</b>			
Cash and balances with UAE Central Bank	5	<b>2,530,439</b>	2,001,080
Due from banks, net	6	<b>640,795</b>	456,567
Loans and advances and Islamic financing receivables, net	7	<b>10,434,611</b>	9,357,293
Investments and Islamic instruments, net	8	<b>5,196,023</b>	5,089,861
Property, equipment and capital work-in-progress		<b>180,128</b>	181,351
Customer Acceptances		<b>361,660</b>	203,728
Other assets, net	9	<b>469,817</b>	357,968
<b>TOTAL ASSETS</b>		<b>19,813,473</b>	17,647,848
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to banks	10	<b>3,651,791</b>	3,729,435
Customer deposits and Islamic customer deposits	11	<b>12,128,916</b>	10,237,502
Medium term borrowings	12	<b>734,600</b>	734,600
Customer Acceptances		<b>361,660</b>	203,728
Other liabilities	13	<b>525,176</b>	452,838
<b>Total liabilities</b>		<b>17,402,143</b>	15,358,103
<b>Equity</b>			
Share capital	4	<b>2,062,550</b>	2,062,550
Treasury shares		<b>(7,931)</b>	(3,885)
Tier 1 instrument		<b>550,875</b>	550,875
Special reserve		<b>48,022</b>	48,022
Statutory reserve		<b>76,946</b>	76,946
General reserve		<b>9,311</b>	9,311
Cumulative changes in fair value		<b>(109,768)</b>	(119,170)
Accumulated losses		<b>(218,675)</b>	(334,904)
<b>Total Equity</b>		<b>2,411,330</b>	2,289,745
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>19,813,473</b>	17,647,848

This condensed interim financial information was approved by the Board of Directors on 25 July 2024 and signed on its behalf by:



Sheikh Mohammed Bin Faisal Bin Sultan Al Qassimi  
Chairman



Shirish Bhide  
Chief Executive Officer

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF INCOME

For the six month period ended 30 June 2024 (Unaudited)

	<i>Notes</i>	<i>Three month period ended 30 June (Unaudited)</i>		<i>Six month period ended 30 June (Unaudited)</i>	
		<i>2024 AED'000</i>	<i>2023 AED'000</i>	<i>2024 AED'000</i>	<i>2023 AED'000</i>
Interest income		<b>266,226</b>	209,394	<b>542,800</b>	400,187
Income from Islamic financing products		<b>29,292</b>	15,735	<b>57,246</b>	33,406
<b>Total interest income and income from Islamic financing products</b>		<b>295,518</b>	225,129	<b>600,046</b>	433,593
Interest expense		<b>(154,600)</b>	(108,895)	<b>(298,976)</b>	(207,537)
Distribution to Islamic depositors		<b>(30,282)</b>	(16,014)	<b>(58,402)</b>	(33,850)
<b>Total interest expense and distribution to depositors</b>		<b>(184,882)</b>	(124,909)	<b>(357,378)</b>	(241,387)
<b>Net interest income and income from Islamic products net of distribution to depositors</b>		<b>110,636</b>	100,220	<b>242,668</b>	192,206
Net fees and commission income		<b>19,684</b>	21,084	<b>42,552</b>	41,417
Foreign exchange income		<b>6,562</b>	6,480	<b>12,840</b>	13,910
Other operating income		<b>129</b>	22,090	<b>2,409</b>	25,048
<b>Total operating income</b>		<b>137,011</b>	149,874	<b>300,469</b>	272,581
Employee benefit expenses		<b>(49,164)</b>	(44,761)	<b>(99,419)</b>	(87,166)
Other operating expenses		<b>(16,432)</b>	(18,618)	<b>(38,401)</b>	(35,839)
Depreciation		<b>(5,201)</b>	(5,328)	<b>(10,647)</b>	(11,250)
<b>Total operating expenses</b>		<b>(70,797)</b>	(68,707)	<b>(148,467)</b>	(134,255)
<b>Operating profit before impairment loss</b>		<b>66,214</b>	81,167	<b>152,002</b>	138,326
Net impairment loss	14	<b>10,973</b>	(15,395)	<b>194</b>	(17,802)
<b>Net profit for the period before tax</b>		<b>77,187</b>	65,772	<b>152,196</b>	120,524
Tax Expense	15	<b>(6,914)</b>	-	<b>(13,677)</b>	-
<b>Net profit for the period</b>		<b>70,273</b>	65,772	<b>138,519</b>	120,524
<b>Earnings per share (basic and diluted in AED)</b>	4	<b>0.034</b>	0.032	<b>0.067</b>	0.058

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2024 (Unaudited)

	<i>Three month period ended 30 June (Unaudited)</i>		<i>Six month period ended 30 June (Unaudited)</i>	
	<i>2024 AED'000</i>	<i>2023 AED'000</i>	<i>2024 AED'000</i>	<i>2023 AED'000</i>
<b>Net profit for the period</b>	<b>70,273</b>	65,772	<b>138,519</b>	120,524
<b>Other comprehensive income / (loss)</b>				
<b>Items that may be reclassified to the income statement:</b>				
<b>FVOCI Investments:</b>				
Net change in fair value	<b>(5,871)</b>	(8,335)	<b>4,706</b>	(26,887)
Reclassified to the income statement	<b>(2,942)</b>	13,259	<b>4,625</b>	(1,158)
<b>Cash flow hedge:</b>				
Effective portion of changes in fair value	<b>(338)</b>	-	<b>71</b>	-
Total items that may be reclassified to the income statement	<b>(9,151)</b>	4,924	<b>9,402</b>	(28,045)
<b>Total comprehensive income for the period</b>	<b>61,122</b>	70,696	<b>147,921</b>	92,479

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

## INTERIM STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2024 (Unaudited)

	<i>Notes</i>	<i>Six-month period ended 30 June</i>	
		<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
<b>Operating activities</b>			
Net profit for the period		138,519	120,524
Adjustments for:			
Depreciation		10,647	11,250
Provision for corporate tax		13,677	-
Gain on sale of assets acquired in settlement of debt		-	(3,585)
Impairment on assets acquired in settlement of debt		5,500	3,500
Net credit impairment losses		(5,306)	14,302
Amortization of commission paid on Medium term borrowing		916	-
Amortisation of premium paid on investments		1,741	2,633
Net fair value (gain)/loss on disposal of investments and Islamic instruments		(250)	32
<b>Operating cash flows before movements in working capital</b>		<b>165,444</b>	<b>148,656</b>
Changes in operating assets and liabilities:			
Loans and advances and Islamic financing receivables		(1,105,979)	(4,116)
Balances with the UAE Central Bank maturing after three months		(193,243)	(171,503)
Cash margin held by counterparty banks against borrowings and derivative transactions		(299)	(7,887)
Other assets		(277,471)	90,977
Due to banks maturing after three months		(483,233)	(261,954)
Customer deposits and Islamic customer deposits		1,891,414	(158,456)
Other liabilities		253,294	(66,454)
<b>Net cash generated/(used in) operating activities</b>		<b>249,927</b>	<b>(430,737)</b>
<b>Investing activities</b>			
Purchase of property, equipment and capital work-in-progress		(8,153)	(12,405)
Purchase of investments		(452,030)	(414,871)
Proceeds from redemption / sale of investments		351,103	132,608
Proceeds from sale of assets acquired in settlement of debt		-	6,700
<b>Net cash used in investing activities</b>		<b>(109,080)</b>	<b>(287,968)</b>
<b>Financing activities</b>			
Proceeds from Tier 1 instrument		-	550,875
Tier 1 instrument issuance cost		-	(2,592)
Net purchase of treasury shares		(4,046)	(865)
Coupon paid on Tier 1 instrument		(22,200)	-
<b>Net cash (used in)/from financing activities</b>		<b>(26,246)</b>	<b>547,418</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>114,601</b>	<b>(171,287)</b>
Cash and cash equivalents at 1 January		1,182,622	(1,275)
<b>Cash and cash equivalents at 30 June</b>		<b>1,297,223</b>	<b>(172,562)</b>
Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:			
Cash and balances with UAE Central Bank		1,882,304	1,231,299
Due from banks		639,142	97,086
Due to banks		(1,224,223)	(1,500,947)
		<b>1,297,223</b>	<b>(172,562)</b>

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

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the six month period ended 30 June 2024 (Unaudited)

	<i>Share capital AED'000 (Unaudited)</i>	<i>Tier 1 instrument AED'000 (Unaudited)</i>	<i>Special reserve AED'000 (Unaudited)</i>	<i>Statutory reserve AED'000 (Unaudited)</i>	<i>General reserve AED'000 (Unaudited)</i>	<i>Treasury shares AED'000 (Unaudited)</i>	<i>Cumulative changes in fair value AED'000 (Unaudited)</i>	<i>Accumulated losses AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>
At 1 January 2024	2,062,550	550,875	48,022	76,946	9,311	(3,885)	(119,170)	(334,904)	2,289,745
Profit for the period	-	-	-	-	-	-	-	138,519	138,519
Other comprehensive income for the period	-	-	-	-	-	-	9,402	-	9,402
Total comprehensive income for the period	-	-	-	-	-	-	9,402	138,519	147,921
Tier 1 instrument	-	-	-	-	-	-	-	-	-
Tier 1 instrument issuance cost	-	-	-	-	-	-	-	-	-
Coupon payable to Tier 1 instrument holders	-	-	-	-	-	-	-	(22,201)	(22,201)
Treasury shares acquired	-	-	-	-	-	(4,046)	-	(89)	(4,135)
<b>Balance at 30 June 2024 (unaudited)</b>	<b>2,062,550</b>	<b>550,875</b>	<b>48,022</b>	<b>76,946</b>	<b>9,311</b>	<b>(7,931)</b>	<b>(109,768)</b>	<b>(218,675)</b>	<b>2,411,330</b>
At 1 January 2023	2,062,550	-	22,491	51,415	9,311	-	(153,621)	(492,810)	1,499,336
Profit for the period	-	-	-	-	-	-	-	120,524	120,524
Other comprehensive income for the period	-	-	-	-	-	-	(28,045)	-	(28,045)
Total comprehensive income for the period	-	-	-	-	-	-	(28,045)	120,524	92,479
Tier 1 instrument	-	550,875	-	-	-	-	-	-	550,875
Tier 1 instrument issuance cost	-	-	-	-	-	-	-	(2,592)	(2,592)
Coupon payable to Tier 1 instrument holders	-	-	-	-	-	-	-	(11,347)	(11,347)
Treasury shares acquired	-	-	-	-	-	(865)	-	-	(865)
Balance at 30 June 2023 (unaudited)	2,062,550	550,875	22,491	51,415	9,311	(865)	(181,666)	(386,225)	2,127,886

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



## 1 LEGAL STATUS AND ACTIVITIES

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

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

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

## 2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

### 2.1 Changes in accounting policies

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

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

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

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

#### **Standard Issued but not yet Effective**

There are no other applicable new standards and amendments to published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Bank’s financial year beginning on 1 January 2024 that would be expected to have a material impact on the Bank’s condensed interim financial statements.

### 2.2 Key accounting estimates and judgments

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

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

#### 3.1 Basis of preparation

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

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

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

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

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

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

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

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

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

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

#### 3.2 Material accounting policies

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**4 EARNINGS PER SHARE**

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

	<i>Six-month period ended 30 June</i>	
	<i>2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>2023</i> <i>AED'000</i> <i>(Unaudited)</i>
Net profit for the period	<u>138,519</u>	<u>120,524</u>
<i>Number of ordinary shares:</i>		
Number of shares of AED 1 each outstanding for the period	<u>2,056,186,132</u>	<u>2,061,845,664</u>
Basic earnings per share	<b>AED 0.067</b>	AED 0.058

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

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

	<i>30 June 2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December 2023</i> <i>AED'000</i> <i>(Audited)</i>
Cash on hand	43,645	37,654
Balances with UAE Central Bank		
- Statutory and other deposits with UAE Central Bank*	636,794	313,426
- Overnight Deposit Facility and Certificate of Deposits	<u>1,850,000</u>	<u>1,650,000</u>
	<u>2,530,439</u>	<u>2,001,080</u>

\* includes statutory reserve requirement of AED 648,133 thousand (31 December 2023: AED 454,892 thousand).

The reserve requirements which are kept with the UAE Central Bank is not available to finance the day to day operations of the Bank. The UAE Central Bank balances are high grade in nature. Cash and balances with UAE Central Bank is classified under stage 1 as per IFRS 9. However, these are low credit risk and there are no expected credit losses and hence no provision has been recognised.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**6 DUE FROM BANKS**

	<i>30 June 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
Demand deposits	<b>306,140</b>	256,768
Placements	<b>335,000</b>	200,000
Less: Expected credit loss	<b>(345)</b>	(201)
	<b>640,795</b>	456,567

Due from banks includes AED 283,612 thousand (31 December 2023: AED 239,197 thousand) placed with foreign banks outside the UAE. AED 1,999 thousand (31 December 2023: AED 1,700 thousand) is held with other banks as margin for derivative transactions. Due from Banks are classified under stage 1 as per IFRS 9.

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

	<i>30 June 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
The composition of the loans and advances portfolio is as follows:		
<b>By type:</b>		
Overdrafts	<b>1,192,940</b>	1,393,589
Term loans (medium and short term)*	<b>9,283,024</b>	7,923,093
Loans against trust receipts	<b>393,016</b>	456,828
Bills discounted	<b>109,112</b>	128,415
Other cash advances	<b>21,906</b>	26,252
Bills drawn under letters of credit	<b>59,057</b>	83,758
Gross amount of loans and advances and Islamic financing receivables	<b>11,059,055</b>	10,011,935
Less: Provision for impairment on loans and advances and Islamic financing receivables	<b>(624,444)</b>	(654,642)
Net loans and advances and Islamic financing receivables	<b>10,434,611</b>	9,357,293

\* Includes retail loans of AED 1,432,516 thousand (31 December 2023: AED 1,182,830 thousand)

Islamic financing gross receivables amount to AED 718,808 thousand (31 December 2023: AED 798,878 thousand) recognized through the Bank's Shari'a - compliant Islamic window.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Grading of gross balances of loans and advances along with stages

	<i>30 June 2024 (Unaudited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	367,299	-	-	367,299
Standard	9,834,970	227,029	-	10,061,999
Watchlist	-	128,530	-	128,530
Default	-	-	501,227	501,227
Total gross carrying amount	10,202,269	355,559	501,227	11,059,055
Expected credit loss	(115,517)	(165,603)	(343,324)	(624,444)
<b>As at 30 June 2024 (unaudited)</b>	<b>10,086,752</b>	<b>189,956</b>	<b>157,903</b>	<b>10,434,611</b>
	<i>31 December 2023 (Audited)</i>			
	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
High	1,834	-	-	1,834
Standard	9,042,229	326,068	-	9,368,297
Watchlist	-	145,142	-	145,142
Default	-	-	496,662	496,662
Total gross carrying amount	9,044,063	471,210	496,662	10,011,935
Expected credit loss	(130,431)	(169,779)	(354,432)	(654,642)
<b>As at 31 December 2023 (audited)</b>	<b>8,913,632</b>	<b>301,431</b>	<b>142,230</b>	<b>9,357,293</b>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2023	9,044,063	471,210	496,662	10,011,935
Net of new assets originated and assets repaid	1,101,140	(55,740)	8,914	1,054,314
Write-offs	-	-	(7,194)	(7,194)
Transferred from Stage 1	(4,344)	3,078	1,266	-
Transferred from Stage 2	61,410	(65,912)	4,502	-
Transferred from Stage 3	-	2,923	(2,923)	-
<b>As at 30 June 2024 (unaudited)</b>	<b>10,202,269</b>	<b>355,559</b>	<b>501,227</b>	<b>11,059,055</b>

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

Movement in provision for impairment of loans and advances:

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2023	130,431	169,779	354,432	654,642
Transferred from 12 month ECL	(18,984)	6,459	12,525	-
Transferred from lifetime ECL not credit impaired	10,457	(14,359)	3,902	-
Transferred from lifetime ECL credit impaired	4	979	(983)	-
Transferred to ECL on commitments and contingent liabilities	(10,394)	-	(3,629)	(14,023)
Charge to income statement	4,003	2,745	7,505	14,253
Release to income statement	-	-	(23,234)	(23,234)
Write-offs	-	-	(7,194)	(7,194)
<b>As at 30 June 2024 (unaudited)</b>	<b>115,517</b>	<b>165,603</b>	<b>343,324</b>	<b>624,444</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

## 8 INVESTMENTS AND ISLAMIC INSTRUMENTS

	<i>Unaudited</i> 30 June 2024			<i>Audited</i> 31 December 2023		
	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000
<b>Debt:</b>						
<b>FVOCI</b>						
Local	2,275,321	-	2,275,321	2,288,599	-	2,288,599
Overseas	1,816,296	-	1,816,296	1,568,926	-	1,568,926
<b>Amortised cost</b>						
Local	184,669	-	184,669	513,605	-	513,605
Overseas	921,437	-	921,437	720,431	-	720,431
<b>Total debt securities</b>	<b>5,197,723</b>	<b>-</b>	<b>5,197,723</b>	<b>5,091,561</b>	<b>-</b>	<b>5,091,561</b>
<b>Equity:</b>						
<b>FVOCI</b>						
Local	-	466	466	-	466	466
Overseas	-	76	76	-	76	76
<b>Total equities</b>	<b>-</b>	<b>542</b>	<b>542</b>	<b>-</b>	<b>542</b>	<b>542</b>
<b>Total investments</b>	<b>5,197,723</b>	<b>542</b>	<b>5,198,265</b>	<b>5,091,561</b>	<b>542</b>	<b>5,092,103</b>
Expected credit loss			(2,242)			(2,242)
<b>Net investments</b>			<b>5,196,023</b>			<b>5,089,861</b>

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

Included in the above are investment securities amounting to AED 1,659,309 thousand (31 December 2023: AED 2,137,230 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 6,296 thousand (31 December 2023: AED 6,436 thousand) on these investment securities secured under repurchase agreements.

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

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	2,074,914	-	-	2,074,914
Standard	3,123,351	-	-	3,123,351
Total gross carrying amount	5,198,265	-	-	5,198,265
Expected credit loss	(31,502)	-	-	(31,502)
<b>As at 30 June 2024 (unaudited)</b>	<b>5,166,763</b>	<b>-</b>	<b>-</b>	<b>5,166,763</b>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

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

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

**9 OTHER ASSETS**

	<i>30 June</i> <i>2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED'000</i> <i>(Audited)</i>
Interest receivable	<b>154,918</b>	142,660
Positive fair value of derivatives (Note 19)	<b>62,713</b>	57,482
Prepayments and other assets	<b>192,172</b>	91,041
Right-of-use assets	<b>6,534</b>	7,805
Assets repossessed in settlement of debts, net	<b>53,480</b>	58,980
	<u><b>469,817</b></u>	<u>357,968</u>

**10 DUE TO BANKS**

	<i>30 June</i> <i>2024</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED'000</i> <i>(Audited)</i>
Demand deposits	<b>24,592</b>	57,725
Term deposits	<b>3,627,199</b>	3,671,710
	<u><b>3,651,791</b></u>	<u>3,729,435</u>

Term deposits include borrowings through repurchase agreements of AED 1,368,193 thousand (31 December 2023: AED 1,764,647 thousand). Demand deposits include AED 17,665 thousand (2023: AED 53,198 thousand) held as margin for derivative transactions.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**11 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS**

	<i>30 June 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
Term deposits	7,729,238	6,497,281
Current accounts	4,163,291	3,560,296
Call and savings accounts	236,387	179,925
	<u>12,128,916</u>	<u>10,237,502</u>

Customer' deposits include Islamic customer deposits amounting to AED 1,744,876 thousand (31 December 2023: AED 1,436,478 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

**12 MEDIUM TERM BORROWINGS**

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

**13 OTHER LIABILITIES**

	<i>30 June 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
Interest payable	183,398	132,692
Negative fair value of derivatives (Note 19)	8,876	11,448
ECL on off-balance sheet exposures	109,120	89,667
Staff related provisions	19,564	18,886
Accrued expenses	31,567	62,972
Un-presented cheques	66,046	54,559
Lease liability	6,031	8,280
Others	100,574	74,334
	<u>525,176</u>	<u>452,838</u>

**14 NET IMPAIRMENT LOSSES**

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

	<i>Six-month period ended 30 June</i>	
	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	14,253	39,546
Contingent liabilities (Note 16)	5,430	(4,951)
Due from banks	144	70
Recovery on bad debts written-off	(25,521)	(20,363)
Impairment of non-financial assets	5,500	3,500
<b>Net impairment loss</b>	<u>(194)</u>	<u>17,802</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**15 TAX EXPENSE**

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

	<i>Six-month period ended 30 June</i>	
	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
<b>Income taxes:</b>		
Current income tax expense	13,677	-
Deferred income tax expense	-	-
<b>Income Tax Expense</b>	<b>13,677</b>	<b>-</b>

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

	<i>Six-month period ended 30 June</i>	
	<i>2024 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>
Net profit before tax	152,196	120,524
Effect of CIT @ 9% (w.e.f. 2024)	13,698	-
Tax effects of:		
Expense not deductible for tax purpose	13	-
Effect of standard exemption	(34)	-
<b>Income Tax Expense</b>	<b>13,677</b>	<b>-</b>

**16 COMMITMENTS AND CONTINGENT LIABILITIES**

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

	<i>30 June 2024 AED'000 (Unaudited)</i>	<i>31 December 2023 AED'000 (Audited)</i>
<i>Contingent liabilities</i>		
Letters of credit	374,318	232,761
Guarantees	2,215,352	1,959,570
	<b>2,589,670</b>	<b>2,192,331</b>
<i>Commitments</i>		
Undrawn loan commitments	2,315,121	2,584,525

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

## 16 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

## Grading of gross balances of contingent liabilities along with stages

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	4,262	-	-	4,262
Standard	2,382,643	65,522	-	2,448,165
Watchlist	-	36,519	-	36,519
Default	-	-	100,724	100,724
Total gross carrying amount	<u>2,386,905</u>	<u>102,041</u>	<u>100,724</u>	<u>2,589,670</u>
Expected credit loss	<u>(4,490)</u>	<u>(21,437)</u>	<u>(83,193)</u>	<u>(109,120)</u>
<b>As at 30 June 2024 (unaudited)</b>	<b><u>2,382,415</u></b>	<b><u>80,604</u></b>	<b><u>17,531</u></b>	<b><u>2,480,550</u></b>

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	4,262	-	-	4,262
Standard	1,853,944	145,221	-	1,999,165
Watchlist	-	54,259	-	54,259
Default	-	-	134,645	134,645
Total gross carrying amount	<u>1,858,206</u>	<u>199,480</u>	<u>134,645</u>	<u>2,192,331</u>
Expected credit loss	<u>(4,394)</u>	<u>(16,667)</u>	<u>(68,606)</u>	<u>(89,667)</u>
<b>As at 31 December 2023 (audited)</b>	<b><u>1,853,812</u></b>	<b><u>182,813</u></b>	<b><u>66,039</u></b>	<b><u>2,102,664</u></b>

## Movement in the gross balance of contingent liabilities

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
Gross carrying amount				
As at 31 December 2023	<b>1,858,206</b>	<b>199,480</b>	<b>134,645</b>	<b>2,192,331</b>
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(1,476)	1,476	-	-
Transferred from Stage 2	49,395	(49,395)	-	-
Transferred from Stage 3	-	-	-	-
Net of Originated / (expired) during the year	<u>480,780</u>	<u>(49,520)</u>	<u>(33,921)</u>	<u>397,339</u>
<b>As at 30 June 2024 (unaudited)</b>	<b><u>2,386,905</u></b>	<b><u>102,041</u></b>	<b><u>100,724</u></b>	<b><u>2,589,670</u></b>

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
Gross carrying amount				
As at 31 December 2022	1,987,916	242,727	137,295	2,367,938
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(6,099)	6,099	-	-
Transferred from Stage 2	-	(435)	435	-
Transferred from Stage 3	-	-	-	-
Net of Originated / (expired) during the year	<u>(123,611)</u>	<u>(48,911)</u>	<u>(3,085)</u>	<u>(175,607)</u>
<b>As at 31 December 2023 (audited)</b>	<b><u>1,858,206</u></b>	<b><u>199,480</u></b>	<b><u>134,645</u></b>	<b><u>2,192,331</u></b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**16 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**
**Movement in the provision for impairment of commitments and contingent liabilities**

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
Balance as at 31 December 2023	4,394	16,667	68,606	89,667
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from 12 month ECL	(271)	271	-	-
Transferred from lifetime ECL not credit impaired	72	(72)	-	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from ECL on loans and advances	-	1,745	12,278	14,023
Net charge to income statement (Note 14)	295	2,826	2,309	5,430
<b>As at 30 June 2024 (unaudited)</b>	<b>4,490</b>	<b>21,437</b>	<b>83,193</b>	<b>109,120</b>
	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
Balance as at 31 December 2022	6,416	26,113	55,389	87,918
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from 12 month ECL	(438)	438	-	-
Transferred from lifetime ECL not credit impaired	-	-	-	-
Transferred from lifetime ECL credit impaired	-	-	-	-
Transferred from lifetime ECL credit-impaired on loans and advances	-	-	2,546	2,546
Net charge to income statement	(1,584)	(9,884)	10,671	(797)
As at 31 December 2023 (audited)	4,394	16,667	68,606	89,667

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**17 SEGMENTAL INFORMATION**

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

- Wholesale banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. This segment also includes Financial Markets which is principally involved in providing money market, trading and treasury services, as well as the management of the Bank's funding operations
- Retail banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services
- Treasury and capital markets - principally managing the Bank's portfolio of investments and interbank treasury operations including transactions for foreign exchange, derivatives, margin FX and hedging strategies

Segmental information for the six months period ended 30 June 2024 is as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury and capital markets AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	142,859	23,664	76,145	242,668
Other operating income	43,519	4,751	9,531	57,801
Operating expenses	(83,949)	(27,754)	(36,764)	(148,467)
Net impairment losses	(3,772)	3,966	-	194
Net profit for the period	<u>98,657</u>	<u>4,627</u>	<u>48,912</u>	<u>152,196</u>
Capital expenditure - Property and equipment	<u>4,723</u>	<u>668</u>	<u>2,762</u>	<u>8,153</u>
<b>As at 30 June 2024</b>				
Segment assets	<u>11,476,683</u>	<u>1,623,465</u>	<u>6,713,325</u>	<u>19,813,473</u>
Segment liabilities	<u>11,280,760</u>	<u>2,606,531</u>	<u>3,514,852</u>	<u>17,402,143</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 June 2024 (Unaudited)

**17 SEGMENTAL INFORMATION (continued)**

Segmental information for the six months period ended 30 June 2023 was as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Treasury and capital markets AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	101,793	30,529	59,884	192,206
Other operating income	48,583	8,290	23,502	80,375
Operating expenses	(73,397)	(26,878)	(33,980)	(134,255)
Net impairment losses	(16,799)	(1,003)	-	(17,802)
Profit for the period	<u>60,180</u>	<u>10,938</u>	<u>49,406</u>	<u>120,524</u>
Capital expenditure - Property and equipment	<u>6,924</u>	<u>1,160</u>	<u>4,321</u>	<u>12,405</u>
As at 31 December 2023				
Segment assets	<u>10,070,727</u>	<u>1,289,839</u>	<u>6,287,282</u>	<u>17,647,848</u>
Segment liabilities	<u>9,577,061</u>	<u>2,193,662</u>	<u>3,587,380</u>	<u>15,358,103</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**18 RELATED PARTY TRANSACTIONS**

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

The significant balances outstanding are as follows:

	<b>30 June 2024 AED'000 (Unaudited)</b>	<b>31 December 2023 AED'000 (Audited)</b>
<i>Shareholders:</i>		
Due from banks	<b>255</b>	1,014
Due to banks	<b>5,988</b>	3,608
Commitments and contingencies	<b>6,000</b>	5,000
Tier 1 Instrument	<b>550,875</b>	550,875
Coupon on Tier 1 instrument	<b>22,201</b>	33,300
	<b>30 June 2024 AED'000 (Unaudited)</b>	<b>31 December 2023 AED'000 (Audited)</b>
<i>Directors:</i>		
Loans and advances	<b>8,498</b>	12,132
Customer deposits	<b>17,727</b>	22,816
Commitments and contingencies	<b>45</b>	4,803
<i>Other related entities of shareholders and directors:</i>		
Loans and advances	<b>69,883</b>	52,318
Due from banks	<b>11</b>	8
Due to banks	<b>845</b>	700
Customer deposits	<b>253,706</b>	266,416
Commitments and contingencies	<b>33,629</b>	45,543

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**18 RELATED PARTY TRANSACTIONS (continued)**

The significant balances outstanding are as follows: (continued)

	<b>30 June 2024 AED'000 (Unaudited)</b>	<b>31 December 2023 AED'000 (Audited)</b>
<i>Key management personnel of the Bank:</i>		
Loans and advances	<b>10,655</b>	7,782
Customers' deposits	<b>11,123</b>	6,243
<i>Shareholders, directors, their related entities and key management personnel:</i>		
Accrued interest income	<b>701</b>	249
Accrued interest expense	<b>2,021</b>	1,410

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

	<b>Six-month period ended 30 June</b>	
	<b>2024 AED'000 (Unaudited)</b>	<b>2023 AED'000 (Unaudited)</b>
<i>Shareholders, directors and their related entities</i>		
Interest income	<b>3,189</b>	4,038
Interest expense	<b>2,308</b>	222
Professional fees	<b>96</b>	127
<i>Shareholders, directors and their related entities</i>		
<b>Six-month period ended 30 June</b>		
	<b>2024 AED'000 (Unaudited)</b>	<b>2023 AED'000 (Unaudited)</b>
Number of key management personnel	<b>13</b>	13
Salaries and other short term benefits	<b>9,958</b>	11,442
Employees' end of service benefits	<b>480</b>	210
Total compensation to key management personnel	<b>10,438</b>	11,652
Interest income	<b>314</b>	28
Interest expense	<b>39</b>	25



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**18 RELATED PARTY TRANSACTIONS (continued)**

	<i>Six-month period ended 30 June</i>	
	<b>2024</b> <i>AED'000</i> <i>(Unaudited)</i>	<b>2023</b> <i>AED'000</i> <i>(Unaudited)</i>
Expected credit loss – charge to / (release) from income statement	<b>621</b>	(2,448)

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

The Bank has leased office space in various premises owned by a related party. The property leases and associated expenses for the six month's period ended 30 June 2024 amounted to AED 772 thousand (30 June 2023: AED 772 thousand). The property rentals are negotiated each year at market rates.

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2023	<b>54,781</b>	<b>17,451</b>	-	<b>72,232</b>
Net of new assets originated and assets repaid	<b>15,708</b>	<b>1,096</b>	-	<b>16,804</b>
<b>As at 30 June 2024 (unaudited)</b>	<b>70,489</b>	<b>18,547</b>	-	<b>89,036</b>

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

**Movement in provision for impairment of related party loans and advances**

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Balance as at 31 December 2023	<b>287</b>	<b>329</b>	-	<b>616</b>
Charge to income statement	<b>49</b>	<b>572</b>	-	<b>621</b>
<b>As at 30 June 2024 (unaudited)</b>	<b>336</b>	<b>901</b>	-	<b>1,237</b>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**19 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

**Financial instruments recorded at fair value**

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>30 June 2024</b>				
Investments	4,091,617	-	542	4,092,159
Derivative assets	-	62,713	-	62,713
	<u>4,091,617</u>	<u>62,713</u>	<u>542</u>	<u>4,154,872</u>
Derivative liabilities	-	8,876	-	8,876
	<u>-</u>	<u>8,876</u>	<u>-</u>	<u>8,876</u>
<b>31 December 2023</b>				
Investments	3,857,525	-	542	3,858,067
Derivative assets	-	57,482	-	57,482
	<u>3,857,525</u>	<u>57,482</u>	<u>542</u>	<u>3,915,549</u>
Derivative liabilities	-	11,448	-	11,448
	<u>-</u>	<u>11,448</u>	<u>-</u>	<u>11,448</u>

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

**Financial instruments not recorded at fair value**

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

**Financial instruments carried at amortised cost**

The fair value of the quoted debt instruments at amortised cost as at 30 June 2024 amounted to AED 1,109,495 thousand (31 December 2023: AED 1,237,044 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**20 DERIVATIVES**
**Derivatives held for risk management**

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

30 June 2024	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	5,954	(3,465)	2,740,024	2,422,961	317,063	-	-
Interest rate swaps	1,722	(1,739)	640,000	-	-	640,000	-
	<u>7,676</u>	<u>(5,204)</u>	<u>3,380,024</u>	<u>2,422,961</u>	<u>317,063</u>	<u>640,000</u>	<u>-</u>
31 December 2023							
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	4,311	(5,841)	2,649,252	721,977	1,651,930	275,345	-
Interest rate swaps	1,864	(1,864)	652,000	2,000	-	650,000	-
	<u>6,175</u>	<u>(7,705)</u>	<u>3,301,252</u>	<u>723,977</u>	<u>1,651,930</u>	<u>925,345</u>	<u>-</u>

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

30 June 2024	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Hedge of investments	55,037	-	1,339,339	91,813	319,156	836,557	91,813
Cross currency swap	-	(3,672)	162,288	162,288	-	-	-
31 December 2023							
Hedge of investments	51,307	-	1,504,331	-	343,379	995,689	165,263
Cross currency swap	-	(3,743)	163,772	-	163,772	-	-

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totaling to AED 1,300,672 thousand (31 December 2023: AED 1,467,787 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months period ended 30 June 2024 (Unaudited)

**20 DERIVATIVES (continued)**

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

	<i>30 June 2024</i>		<i>30 June 2023</i>	
	<i>Change in value</i>	<i>Effectiveness recognised in profit and loss</i>	<i>Change in value</i>	<i>Effectiveness recognised in profit and loss</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
On hedging instruments	<b>3,730</b>	<b>470</b>	(1,799)	6,801
On hedged items	<b>(3,260)</b>		8,600	-

**21 CAPITAL ADEQUACY RATIO**

	<i>Unaudited</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
Common equity tier 1 ratio	<b>13.0%</b>	13.5%
Tier 1 capital ratio	<b>16.8%</b>	17.8%
Capital adequacy ratio	<b>18.0%</b>	19.0%

On 30 March 2023, the Bank has issued a perpetual, non-callable 5.5 years Tier 1 Instrument (“instrument”) of USD 150 million (AED 551 Million) which qualifies to be included as regulatory Tier 1 capital. The instrument constitutes direct, unsecured, non-convertible and sub-ordinated obligations of the Bank. Under the terms and conditions of the issue, the Bank may elect not to pay a coupon and has the option to call back the Instrument at the contractual reset date subject to Central Bank of UAE approval. This issuance has strengthened the Bank’s capital adequacy position and accordingly the Bank’s total capital adequacy ratio stands at 18 % as of 30 June 2024.

**22 COMPARATIVE FIGURES**

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