NATIONAL BANK OF UMM AL-QAIWAIN (PSC) AND SUBSIDIARY

Review report and condensed consolidated interim financial statements

For the period ended 31 March 2024

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

Review report and condensed consolidated interim financial statements
For the three months period ended 31 March 2024 (Unaudited)

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ERNST & YOUNG – MIDDLE EAST
(SHARJAH BRANCH)
P.O. Box 1350
City Gate Tower, 14th Floor, Office No. 1402
Al-Ittihad Street, Emirate of Sharjah
United Arab Emirates

Tel: +971 6 574 1491
Fax: +971 4 332 4004
sharjah@ae.ey.com
ey.com

PL No. 2845

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL BANK OF UMM AL-QAIWAIN PSC AND SUBSIDIARY

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of National Bank of Umm Al-Qaiwain PSC (the "Bank") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated interim statement of financial position as at 31 March 2024 and the related consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated 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 consolidated 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 consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



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

17 April 2024

Sharjah, United Arab Emirates

National Bank of Umm Al-Qaiwain (PSC) and Subsidiary

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2024 (Unaudited)

	Notes	*31 March 2024 AED '000 (Unaudited)*	*31 December 2023 AED '000 (Audited)*
ASSETS			
Cash and balances with the U.A.E. Central Bank	4	**2,125,557**	2,210,574
Due from other banks	5	**4,024,541**	3,672,158
Loans and advances and Islamic financing receivables	6	**6,778,412**	6,990,754
Investments	7	**1,447,692**	1,442,883
Customers' acceptances		**167,858**	186,860
Property and equipment		**71,653**	71,468
Other assets	8	**213,369**	202,462
TOTAL ASSETS		**14,829,082**	14,777,159
LIABILITIES			
Due to other banks	9	**282**	259
Customers' deposits and Islamic customer deposits	10	**8,852,211**	8,729,229
Customers' acceptances		**167,858**	186,860
Other liabilities	11	**266,631**	219,870
TOTAL LIABILITIES		**9,286,982**	9,136,218
SHAREHOLDERS' EQUITY			
Share capital	12	**2,000,000**	2,000,000
Statutory reserve		**1,019,266**	1,019,266
General reserve		**6,440**	6,440
Impairment reserve -general	14	**72,601**	74,797
Cumulative change in fair values		**400,784**	388,254
Retained earnings		**2,043,009**	2,152,184
TOTAL SHAREHOLDERS' EQUITY		**5,542,100**	5,640,941
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,829,082**	14,777,159

Rashid Bin Saud Al Mualla
Chairman

Adnan Al Awadhi
Chief Executive Officer

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.
The independent auditor's report on review of the condensed consolidated interim financial statements is set out on page 3.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the three months period ended 31 March 2024 (Unaudited)

	Notes	*Three months period ended 31 March (Unaudited)*	
		2024 AED '000	*2023 AED '000*
Interest income		**229,786**	165,796
Income from Islamic financing products		**2,854**	3,784
Total interest income and income from Islamic financing products		**232,640**	169,580
Interest expense		**(56,834)**	(30,768)
Distribution to depositors – Islamic products		**(15)**	(156)
Net interest income and income from Islamic products net of distribution to depositors		**175,791**	138,656
Net fees and commission income		**6,761**	8,146
Other operating income		**62,895**	8,658
Gross income		**245,447**	155,460
Operating expenses		**(41,981)**	(38,866)
Investment gains		**44,801**	34,058
Operating income		**248,267**	150,652
Net impairment losses	16	**(59,812)**	(11,494)
Profit before tax		**188,455**	139,158
Income tax expenses		**(12,720)**	-
Profit for the period		**175,735**	139,158
Basic and diluted earnings per share (AED)	17	**0.09**	0.07

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2024 (Unaudited)

	Notes	***Three months period ended 31 March (Unaudited)***	
		2024	*2023*
		AED '000	*AED '000*
PROFIT FOR THE PERIOD		**175,735**	139,158
Other comprehensive income			
Items that will not be reclassified subsequently to income statement			
Net fair value gain/(loss) on investment securities carried at FVTOCI - equity		**25,424**	(51,835)
Other comprehensive income/(loss) for the period		**25,424**	(51,835)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**201,159**	87,323

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2024 (Unaudited)

	Share change in capital AED '000	*Statutory reserve AED '000*	*General reserve AED '000*	*Impairment Reserve - general AED '000*	*Cumulative change in fair values AED '000*	*Retained earnings AED '000*	*Total AED '000*
Balance as at 1 January 2024 (audited)	2,000,000	1,019,266	6,440	74,797	388,254	2,152,184	5,640,941
Profit for the period	-	-	-	-	-	175,735	175,735
Other comprehensive income for the period	-	-	-	-	25,424	-	25,424
Total comprehensive income for the period	-	-	-	-	25,424	175,735	201,159
Reversal of provision under U.A.E Central Bank requirement over IFRS 9 requirement	-	-	-	(2,196)	-	2,196	-
Sale of FVOCI equity	-	-	-	-	(12,894)	12,894	-
Dividend paid (Note 13)	-	-	-	-	-	(300,000)	(300,000)
Balance as at 31 March 2024 (unaudited)	**2,000,000**	**1,019,266**	**6,440**	**72,601**	**400,784**	**2,043,009**	**5,542,100**

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the three months period ended 31 March 2024 (Unaudited)

	Share capital AED '000	*Statutory reserve AED '000*	*General reserve AED '000*	*Impairment reserve - general AED '000*	*Cumulative change in fair values AED '000*	*Retained earnings AED '000*	*Total AED '000*
Balance as at 1 January 2023 (audited)	2,000,000	1,019,266	6,440	34,586	383,710	1,883,018	5,327,020
Profit for the period	-	-	-	-	-	139,158	139,158
Other comprehensive loss for the period	-	-	-	-	(51,835)	-	(51,835)
Total comprehensive (loss)/income for the period	-	-	-	-	(51,835)	139,158	87,323
Additional provision under U.A.E Central Bank requirement over IFRS 9 requirement	-	-	-	36,080	-	(36,080)	-
Dividend paid (Note 13)	-	-	-	-	-	(200,000)	(200,000)
Balance as at 31 March 2023 (unaudited)	2,000,000	1,019,266	6,440	70,666	331,875	1,786,096	5,214,343

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the three months period ended 31 March 2024 (Unaudited)

	Notes	*Three months period ended 31 March (Unaudited)*	
		2024 AED '000	*2023 AED '000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**175,735**	139,158
Adjustments for:			
Provision for expected credit losses	16	**56,157**	11,494
Depreciation of property and equipment		**3,744**	3,211
Depreciation of right of use asset		**432**	432
Provision for impairment of assets acquired in settlement of debt	16	**3,655**	-
Provision for employee end of service benefits		**581**	436
Decrease in fair value of investment in securities at FVTPL		**2,997**	603
Premium amortised on investment securities		**(682)**	(264)
Dividend income	22	**(47,234)**	(34,397)
Profit on disposal of property and equipment		**(58)**	(11)
Gain on disposal of assets acquired in settlement of debt		**(1,348)**	-
Share of loss/(profit) from an associate		**120**	(2)
Finance cost on lease liability		**10**	18
Operating cash flows before movements in working capital		**194,109**	120,678
Increase in deposits with original maturity greater than 3 months		**(595,026)**	(146,920)
(Increase)/Decrease in statutory deposit with CBUAE		**(15,652)**	27,218
Payment of employee end of service benefits		**(330)**	(309)
Proceeds from disposal of assets acquired in settlement of debt		**2,600**	-
Decrease in loans and advances and Islamic financing receivables		**154,315**	48,624
Increase in other assets		**9,260**	(97,666)
Increase in customers' deposits		**122,982**	320,327
Increase in other liabilities		**49,478**	160,429
Net cash (used in)/generated from operating activities		**(78,264)**	432,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(4,377)**	(3,997)
Proceeds from disposal of property and equipment		**76**	11
Purchase of investment securities		**(17,499)**	(54,131)
Proceed from maturity and disposal of investment securities		**35,637**	84,479
Dividend received from investment securities		**22,162**	12,685
Net cash generated from investing activities		**35,999**	39,047
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	13	**(300,000)**	(200,000)
Lease payments		**(452)**	(58)
Net cash used in financing activities		**(300,452)**	(200,058)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(342,717)**	271,370
Cash and cash equivalents at the beginning of the period		**3,927,853**	3,999,860
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**3,585,136**	4,271,230

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.
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1 GENERAL INFORMATION

National Bank of Umm Al-Qaiwain (PSC) (the "Bank") is a Public Shareholding Company incorporated in the Emirate of Umm Al-Qaiwain ("UAQ") in the United Arab Emirates ("U.A.E.") by Amiri Decree Number (1) on 5 January 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from 1 August 1982. National Bank of Umm Al-Qaiwain (PSC), and its subsidiary, Twin Towns Marketing Management L.L.C. are together referred to as the "Group". The address of the Bank's registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Bank is engaged in providing retail and corporate banking services through a network of 11 branches in the U.A.E. The Group carries out Islamic banking operations through Islamic banking window established in 2005 across all its branch network.

The condensed consolidated interim financial statements of the Group for the three months period ended 31 March 2024 were authorised and approved for issue by the Board of Directors on 17 April 2024 by circulation.

2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for those stated below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have any material impacts on the interim condensed consolidated financial statements of the Group.

2.1 Taxation

Income tax expense comprises of current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective for accounting periods beginning on or after 1 June 2023 and the law is now considered to be substantively enacted from the perspective of IAS 12 – Income taxes. As the Group's accounting year ends on 31 December, the first tax period is 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding this threshold.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Based on the assessment conducted by the Group, it has been determined that there are no deferred tax implications as at the reporting date.

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

2.2 Standards issued but not yet effective

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

i. Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange as the rate that would have applied to an orderly exchange transaction and the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enable users of its financial statements to evaluate how the currency's lack of exchangeability affect, or is expected to affect, the entity 's financial performance, financial position, and cash flows.

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

2.3 Key accounting estimates and judgments

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

3.1 BASIS OF PREPARATION

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard No. 34 - *Interim Financial Reporting* issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial statements are prepared in accordance with the historical cost basis, except for the revaluation of certain financial instruments.

The condensed consolidated interim financial statements are presented in U.A.E. Dirhams (AED) as that is the functional currency in which the majority of the Group's transactions are denominated. All financial information presented in AED has been rounded off to the nearest thousand, unless otherwise stated.

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2023. In addition, results for the three months period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

3.2 BASIS OF CONSOLIDATION

The condensed consolidated interim financial statements comprise the financial statements of the Bank and of the subsidiary as disclosed in Note 1. The financial year end for the subsidiary is the same as that of the Bank.

3.3 MATERIAL ACCOUNTING POLICY INFORMATION

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

4 CASH AND BALANCES WITH CENTRAL BANK OF THE UAE

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Balances with U.A.E. Central Bank:		
Current account	**27,582**	36,376
Statutory cash reserve deposit	**498,578**	482,924
Monetary Bills	**1,073,618**	832,422
Overnight deposits	**400,000**	780,000
	1,999,778	2,131,722
Cash in hand	**125,779**	78,852
	2,125,557	2,210,574

The statutory deposit with the U.A.E. Central Bank is not available to finance the day to day operations of the Group.

5 DUE FROM OTHER BANKS

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Term deposits	**2,555,154**	2,650,039
Demand deposits	**20,349**	27,915
Loans to financial institutions	**1,450,835**	995,383
Total due from other banks	**4,026,338**	3,673,337
Provision for expected credit loss	**(1,797)**	(1,179)
Net due from other banks	**4,024,541**	3,672,158

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Gross amounts due from other banks by geographical area		
Within U.A.E.	**2,136,432**	1,830,960
Within GCC	**478,502**	423,240
Other countries	**1,411,404**	1,419,137
	4,026,338	3,673,337

All amounts due from other banks were classified as Stage 1 (31 December 2023: Stage 1) with corresponding ECL of AED 1,797 thousand (31 December 2023: AED 1,179 thousand). There was no inter-stage movement in gross balances due from other banks during the period (31 December 2023: no inter-stage movement).

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Loans	**5,415,716**	5,598,324
Overdrafts	**694,164**	775,728
Loans against trust receipts	**181,846**	146,736
Islamic financing products	**136,275**	145,100
Syndicated Loans	**451,457**	432,883
Other	**61,721**	73,793
Total loans and advances and Islamic financing receivables	**6,941,179**	7,172,564
Provision for expected credit loss	**(162,767)**	(181,810)
Net loans and advances and Islamic financing receivables	**6,778,412**	6,990,754

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'00 (Audited)*
Gross loans and advances and Islamic financing receivables by economic sector		
Real estate and construction	**3,037,626**	3,103,965
Services and other	**1,329,627**	1,492,048
Wholesale and retail trade	**1,075,309**	1,092,595
Manufacturing	**389,226**	385,689
Personal loans and other	**399,969**	408,287
Financial institutions	**211,834**	205,849
Transport and communication	**206,851**	211,240
Government	**290,737**	272,891
	6,941,179	7,172,564

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

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount as at 31 December 2023	**6,023,514**	**660,706**	**488,344**	**7,172,564**
New assets originated or purchased	**107,407**	**-**	**-**	**107,407**
Assets derecognised or repaid	**(243,399)**	**(12,920)**	**(5,403)**	**(261,722)**
Transfer to Stage 1	**5,836**	**(5,836)**	**-**	**-**
Transfer to Stage 2	**-**	**-**	**-**	**-**
Transfer to Stage 3	**(28)**	**-**	**28**	**-**
Write off	**-**	**-**	**(77,070)**	**(77,070)**
As at 31 March 2024 (unaudited)	**5,893,330**	**641,950**	**405,899**	**6,941,179**

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

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

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount as at 31 December 2022	5,461,704	495,712	622,672	6,580,088
New assets originated or purchased	1,367,986	8,721	-	1,376,707
Assets derecognised or repaid	(387,274)	(61,664)	(73,115)	(522,053)
Transfer to Stage 1	30,891	(30,891)	-	-
Transfer to Stage 2	(361,077)	397,300	(36,223)	-
Transfer to Stage 3	(88,716)	(148,472)	237,188	-
Write off	-	-	(262,178)	(262,178)
As at 31 December 2023	6,023,514	660,706	488,344	7,172,564

Movement in the provision for expected credit loss of loans and advances and Islamic financing receivables:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowances as at 31 December 2023	**47,727**	**33,347**	**100,736**	**181,810**
Net impairment charged during the period	**(58)**	**5,753**	**53,871**	**59,566**
Recoveries	**-**	**-**	**(1,539)**	**(1,539)**
Transfer to Stage 2	**57**	**(57)**	**-**	**-**
Written off	**-**	**-**	**(77,070)**	**(77,070)**
Closing Balance as at 31 March 2024 (unaudited)	**47,726**	**39,043**	**75,998**	**162,767**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
ECL allowances as at 31 December 2022	41,744	68,820	223,281	333,845
Net impairment charged during the period	7,834	211	127,978	136,023
Recoveries	-	-	(25,880)	(25,880)
Transfer to Stage 1	2,221	(2,221)	-	-
Transfer to Stage 2	(4,072)	4,072	-	-
Transfer to Stage 3	-	(37,535)	37,535	-
Written off	-	-	(262,178)	(262,178)
Closing Balance as at 31 December 2023	47,727	33,347	100,736	181,810

6 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Grading of loans and advances and Islamic financing receivables along with stages:

	***31 March 2024* (unaudited)**			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Performing (Grades 1-8)	**5,893,330**	**97**	**-**	**5,893,427**
Performing Watchlist (9-12)	**-**	**641,853**	**-**	**641,853**
Sub Standard (Grade 13)	**-**	**-**	**95,260**	**95,260**
Doubtful (Grade 14)	**-**	**-**	**49,581**	**49,581**
Loss (Grades 15)	**-**	**-**	**261,058**	**261,058**
Total gross carrying amount	**5,893,330**	**641,950**	**405,899**	**6,941,179**
Expected credit loss	**(47,726)**	**(39,043)**	**(75,998)**	**(162,767)**
Carrying amount	**5,845,604**	**602,907**	**329,901**	**6,778,412**

	31 December 2023 (Audited)			
	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Performing (Grades 1-8)	6,023,514	5,830	-	6,029,344
Performing Watchlist (9-12)	-	654,876	-	654,876
Sub Standard (Grade 13)	-	-	98,899	98,899
Doubtful (Grade 14)	-	-	150,715	150,715
Loss (Grades 15)	-	-	238,730	238,730
Total gross carrying amount	6,023,514	660,706	488,344	7,172,564
Expected credit loss	(47,727)	(33,347)	(100,736)	(181,810)
Carrying amount	5,975,787	627,359	387,608	6,990,754

The non-performing loans as at 31 March 2024 amounted to AED 405,899 thousand (31 December 2023: AED 488,344 thousand) which is well covered by collateral of AED 1,133,426 thousand (31 December 2023: AED 1,177,955 thousand) and impairment of AED 162,767 thousand (31 December 2023: AED 181,810 thousand) aggregating to AED 1,296,193 thousand (31 December 2023: AED 1,359,765 thousand) which is 3.19 times (31 December 2023: 2.78 times) of the non-performing loans.

7 INVESTMENTS

Investment securities comprise the following:

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Securities at FVTPL		
Quoted equity securities	**20,699**	23,780
Discretionary funds managed by third parties – quoted equity securities	**215**	211
	20,914	23,991

7 INVESTMENTS (continued)

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Securities at FVTOCI		
Quoted equity securities	**899,747**	912,772
Unquoted equity securities	**45,176**	42,232
	944,923	955,004
Securities at amortised cost		
Quoted debt instruments	**482,008**	463,879
Total investment securities	**1,447,845**	1,442,874
Provision for expected credit loss	**(453)**	(411)
Net investment securities	**1,447,392**	1,442,463
Investment in associate	**300**	420
Net investments	**1,447,692**	1,442,883

Gross investment securities by geographical area

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Within U.A.E.	**1,235,606**	1,199,960
Within GCC	**168,256**	201,875
Other countries	**43,983**	41,039
	1,447,845	1,442,874

All debt investments are classified as Stage 1 (31 December 2023: Stage 1) with corresponding ECL of AED 453 thousand (31 December 2023: AED 411 thousand).

Quoted debt securities aggregating AED 482,008 thousand (31 December 2023: AED 463,879 thousand) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices of which are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions.

8 OTHER ASSETS

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Assets acquired in settlement of debt*	**73,897**	78,804
Interest receivable	**73,078**	55,422
Prepayments and deposits	**33,505**	58,191
Others	**32,889**	10,045
	213,369	202,462

* The Group has recorded an impairment on its assets acquired in settlement of debt amounting to AED 3,655 thousand during period ended 31 March 2024 (31 December 2023: AED 850 thousand).

9 DUE TO OTHER BANKS

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Demand deposits	**282**	259
	282	259

By geographical area

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Other countries outside U.A.E.	**282**	259
	282	259

10 CUSTOMERS' DEPOSITS AND ISLAMIC CUSTOMER'S DEPOSITS

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Time deposits	**5,534,053**	5,524,965
Current accounts	**3,048,387**	2,923,100
Savings deposits	**161,611**	163,277
Islamic customers' deposits	**60,129**	62,635
Margin deposits	**48,031**	55,252
	8,852,211	8,729,229

11 OTHER LIABILITIES

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Accounts payable	**27,582**	29,147
Interest payable	**94,733**	79,546
Provision for employees' end of service benefits	**21,649**	21,398
Other staff benefits	**2,783**	1,096
Dividend payable	**8,723**	8,723
Provision for expected credit loss on acceptance	**195**	331
Provision for expected credit loss on commitments and contingencies (Note 15)	**3,988**	6,382
Cheques on selves	**62,545**	50,445
Lease Liability	**1,900**	1,948
Provision for income tax	**12,720**	-
Other	**29,813**	20,854
	266,631	219,870

12 SHARE CAPITAL

	31 March 2024 AED'000 (Unaudited)	*31 December 2023 AED'000 (Audited)*
Issued and fully paid:		
2,000 million ordinary shares of AED 1 each		
(2023- 2,000 million ordinary shares of AED 1 each)	**2,000,000**	2,000,000

13 DIVIDENDS

At the Annual General Meeting held on 11 March 2024, the Shareholders approved dividend of 15% amounting to AED 300 million for the year ended 31 December 2023 (2022: AED 200 million).

14 GENERAL RESERVE

The Group maintains a general reserve and the contributions to this reserve are made at the discretion of the Directors. This reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Group at an Ordinary General Meeting.

Impairment Reserve under the CBUAE
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:

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Impairment Reserve: General		
General Provisions under Circular 28/2010 of CBUAE	**159,370**	155,871
Less: Stage 1 & Stage 2 provisions under IFRS 9*	**(86,769)**	(81,074)
Impairment Reserve: General	**72,601**	74,797

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of CBUAE	**75,998**	100,736
Less: Stage 3 provisions under IFRS 9	**(75,998)**	(100,736)
Impairment Reserve: Specific	**-**	-

* Contains stage 1 and stage 2 provisions for loans and advances and Islamic receivables only.

15 COMMITMENTS AND CONTINGENCIES

a) The contractual amounts of the Group's commitments and contingencies are as follows:

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Guarantees	**1,594,690**	1,602,730
Letters of credit	**86,105**	102,471
	1,680,795	1,705,201
Commitments to extend credit	**1,334,695**	1,035,117
Other	**21,612**	21,480
	3,037,102	2,761,798

Gross commitments and contingent liabilities by geographical area

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Within the U.A.E.	**2,954,062**	2,658,634
Outside the U.A.E.	**83,040**	103,164
	3,037,102	2,761,798

Movement in the gross balance of commitment and contingencies

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Gross carrying amount - 1 January 2023	**1,632,332**	**1,724**	**71,145**	**1,705,201**
Increase in commitments	**107,750**	**-**	**-**	**107,750**
Decrease in commitments	**(130,592)**	**(1,165)**	**(399)**	**(132,156)**
Transferred from Stage 1	**-**	**-**	**-**	**-**
Transferred from Stage 2	**-**	**-**	**-**	**-**
Transferred from Stage 3	**(535)**	**-**	**535**	**-**
Gross carrying amount – 31 March 2024	**1,608,955**	**559**	**71,281**	**1,680,795**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount - 1 January 2023	1,623,772	17,043	41,529	1,682,344
Increase in commitments	354,779	1,461	935	357,175
Decrease in commitments	(326,003)	(6,710)	(1,605)	(334,318)
Transferred from Stage 1	74	-	(74)	-
Transferred from Stage 2	(406)	406	-	-
Transferred from Stage 3	(19,884)	(10,476)	30,360	-
Gross carrying amount – 31 December 2023	1,632,332	1,724	71,145	1,705,201

15 COMMITMENTS AND CONTINGENCIES (continued)

Movement in the expected credit loss of commitment and contingencies:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowances as at 31 December 2023	**6,382**	**-**	**-**	**6,382**
Increase in commitments	**800**	**-**	**535**	**1,335**
Decrease in commitments	**(3,673)**	**-**	**(56)**	**(3,729)**
Transfer to Stage 3	**(1)**	**-**	**1**	**-**
Closing balance as at 31 March 2024	**3,508**	**-**	**480**	**3,988**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
ECL allowances as at 31 December 2022	2,413	98	-	2,511
Increase in commitments	4,819	-	-	4,819
Decrease in commitments	(815)	(63)	(70)	(948)
Transfer to Stage 3	(35)	(35)	70	-
Closing balance as at 31 December 2023	6,382	-	-	6,382

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to AED 3,988 thousand, (2023: AED 6,382 thousand) is classified under other liabilities.

Grading of commitment and contingencies along with stages:

	31 March 2024 (Unaudited)			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Performing (Grades 1-8)	**1,608,956**	**-**	**-**	**1,608,956**
Performing watch list (Grades 9-12)	**-**	**559**	**-**	**559**
Sub Standard (Grade 13)	**-**	**-**	**20,716**	**20,716**
Doubtful (Grade 14)	**-**	**-**	**1,164**	**1,164**
Loss (Grades 15)	**-**	**-**	**49,400**	**49,400**
Total gross carrying amount	**1,608,956**	**559**	**71,280**	**1,680,795**
Expected credit loss	**(3,508)**	**-**	**(480)**	**(3,988)**
Carrying amount	**1,605,448**	**559**	**70,800**	**1,676,807**

15 COMMITMENTS AND CONTINGENCIES (continued)

Grading of commitment and contingencies along with stages: (continued)

	31 December 2023 (Audited)			
	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Performing (Grades 1-8)	1,632,332	1,461	-	1,633,793
Performing watch list (Grades 9-12)	-	263	-	263
Sub Standard (Grade 13)	-	-	19,825	19,825
Doubtful (Grade 14)	-	-	8,777	8,777
Loss (Grades 15)	-	-	42,543	42,543
Total gross carrying amount	1,632,332	1,724	71,145	1,705,201
Expected credit loss	(6,382)	-	-	(6,382)
Carrying amount	1,625,950	1,724	71,145	1,698,819

At 31 March 2024, the Group has capital commitments of AED 4,151 thousand (31 December 2023: AED 5,865 thousand).

16 NET IMPAIRMENT LOSSES

	Three months period ended 31 March (Unaudited)	
	2024 AED '000	*2023 AED '000*
Loans and advances and Islamic financing receivables	**58,027**	10,053
Due from other banks	**618**	132
Investment securities	**42**	380
Acceptances and off-balance sheet items	**(2,530)**	929
Impairment of asset acquired in settlement of debt	**3,655**	-
	59,812	11,494

17 BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to shareholders by the average number of ordinary shares in issue during the year.

	Three months period ended 31 March (unaudited)	
	2024 AED'000	*2023 AED'000*
Profit for the period (in AED '000)	**175,735**	139,158
Weighted average number of shares ('000)	**2,000,000**	2,000,000
Basic and diluted earnings per share (in AED)	**0.09**	0.07

There were no potential dilutive shares as at 31 March 2024 and 31 March 2023.

18 CASH AND CASH EQUIVALENTS

	31 March (Unaudited)	
	2024 ***AED'000***	*2023* *AED'000*
Cash and balances with the Central bank of the UAE (Note 4)	**2,125,557**	3,005,375
Due from other banks (Note 5)	**4,026,338**	3,089,676
	6,151,895	6,095,051
Statutory deposit (Note 4)	**(498,578)**	(275,214)
Due from other banks with original maturity greater than three months	**(2,067,899)**	(1,318,607)
Due to other banks (Note 9)	**(282)**	(230,000)
	3,585,136	4,271,230

19 RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, all Directors of the Group and companies in which such shareholders and Directors have significant interest and key management personnel of the Group.

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business.

	Three months period ended 31 March (unaudited)	
	2024 ***AED'000***	*2023* *AED'000*
Interest income	**14**	533
Interest expense	**36,714**	20,313
Other income	**5**	193
Directors' fees	**750**	750
Remuneration of key management personnel	**1,170**	1,224

	2024 ***AED'000***	*2023* *AED'000*
Salaries and other short-term benefits	**1,125**	1,199
Employee end of service benefits	**45**	25

The Group has entered into transactions with related parties which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties.

Outstanding balances at the end of reporting date from transactions with related parties are as follows

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Loans and advances and Islamic financing receivables	**4,852**	4,766
Customer deposits and Islamic customer deposits	**4,156,371**	4,090,250
Irrevocable commitments and contingent liabilities	**5,797**	2,677

19 RELATED PARTY TRANSACTIONS (continued)

	31 March 2024 AED '000 (Unaudited)	*31 December 2023 AED '000 (Audited)*
Key Management		
Loans and advances and Islamic financing receivables	**197**	240
Customer deposits and Islamic customer deposits	**519**	550

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 72,295 thousand (2023: AED 72,295 thousand). All loans and advances to related parties are classified as Stage 1 (31 December 2023: Stage 1) with corresponding ECL of AED 38 thousand (31 December 2023: AED 44 thousand).

20 BUSINESS SEGMENTS

The Group is organised into two main business segments:

Retail and corporate banking - wherein retail banking comprises private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages. Corporate banking involves transactions with corporate bodies including government and public bodies and comprises loans, advances, deposits and trade finance transactions.

Treasury and investments - incorporating the activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the U.A.E. Central Bank and operations by the Bank's Head Office as a whole, none of which mutually constitute a separately reportable segment.

Others- Other consists of assets, liabilities, income and expenses attributable to either head office or not directly related to business segments.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income and expense arising between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the condensed consolidated statement of financial position items.

Primary segment information

Three months period ended 31 March 2024 (Unaudited)	*Retail and corporate banking AED'000*	*Treasury and investments AED'000*	*Others AED'000*	*Total AED'000*
Net interest income and income from Islamic products net of distribution to depositors	**87,730**	**88,061**	**-**	**175,791**
Net fees and commission income	**7,000**	**-**	**(239)**	**6,761**
Other operating income	**5**	**1,419**	**61,471**	**62,895**
Gross income	**94,735**	**89,480**	**61,232**	**245,447**
Operating expenses	**(12,176)**	**(598)**	**(29,207)**	**(41,981)**
Investment gains	**-**	**44,921**	**(120)**	**44,801**
Provision for impairment on financial assets and non-financial assets	**(54,969)**	**(708)**	**(4,135)**	**(59,812)**
Income tax expense	**-**	**-**	**(12,720)**	**(12,720)**
Segment result	**27,590**	**133,095**	**15,050**	**175,735**
Segment assets	**6,930,126**	**7,062,656**	**836,300**	**14,829,082**
Segment liabilities and equity	**9,020,070**	**282**	**5,808,730**	**14,829,082**

20 BUSINESS SEGMENTS (continued)

Three months period ended 31 March 2023 (Unaudited)	*Retail and corporate banking AED'000*	*Treasury and investments AED'000*	*Others AED'000*	*Total AED'000*
Net interest income and income from Islamic products net of distribution to depositors	72,063	66,593	-	138,656
Net fees and commission income	8,010	-	136	8,146
Other operating income	86	1,569	7,003	8,658
Gross income	80,159	68,162	7,139	155,460
Operating expenses	(10,062)	(569)	(28,235)	(38,866)
Investment gains	-	34,056	2	34,058
Provision for impairment on financial assets	(11,783)	289	-	(11,494)
Segment result	58,314	101,938	(21,094)	139,158
As at 31 March 2023 (Unaudited)				
Segment assets	6,300,508	7,121,775	751,032	14,173,315
Segment liabilities and equity	8,386,420	230,000	5,556,895	14,173,315

21 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments measured at amortised cost
The fair value of the quoted debt instruments at amortised cost at 31 December 2023 amounted to AED 479,007 thousand (31 December 2023: AED 460,336 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. Except as detailed above, the management considers that the carrying amounts of financial assets and liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2023.

21 FAIR VALUE MEASUREMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis
Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determine

Financial assets	***Fair value as at*** ***31 March 2024 AED '000 (Unaudited)***	*31 December 2023 AED '000 (Audited)*	***Fair value hierarchy***
Financial assets at FVTPL			
Quoted equity Securities	**20,699**	23,780	Level 1
Discretionary funds managed by third parties – quoted equity securities	**215**	211	Level 1
Financial assets at FVTOCI			
Quoted equity securities	**899,747**	912,772	Level 1
Unquoted equity securities	**45,176**	42,232	Level 3
Positive fair value of Derivative	**-**	76	Level 2
Negative fair value of Derivative	**132**	1	Level 2

There were no transfers between each of level during the year. There are no financial liabilities which should be categorised under any of the level in table above.

22. SEASONALITY OF RESULTS

Investment income includes dividend income of AED 47,234 thousand for the three months period ended 31 March 2024 (31 March 2023: AED 34,397 thousand), which is of a seasonal nature.

23 DERIVATIVES

	31 March 2024 (Unaudited)			*31 December 2023 (Audited)*		
	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amount AED'000***	*Positive fair value AED 000*	*Negative fair value AED 000*	*Notional amount AED 000*
Foreign currency forward contracts	**-**	**132**	**19,383**	76	1	11,442
Total	**-**	**132**	**19,383**	76	1	11,442

24 CAPITAL ADEQUACY RATIOS

Capital element	***Basel III Minimum requirement***	***As at 31 March 2024***	***As at 31 December 2023***
Common equity tier 1 ratio	7.0%	**42.60%**	41.64%
Tier 1 capital ratio	8.5%	**42.60%**	41.64%
Capital adequacy ratio	10.5%	**43.73%**	42.76%

25 COMPARATIVE FIGURES

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