

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2023

Emirates Investment Bank P.J.S.C.

**Review report and condensed consolidated interim financial information
for the nine month period ended 30 September 2023**

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Review report on the condensed consolidated interim financial information to the Board of Directors of Emirates Investment Bank P.J.S.C

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Emirates Investment Bank P.J.S.C. (the "Bank") and its subsidiary (together referred to as the "Group") as at 30 September 2023 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated interim statements of cash flows and changes in equity for the nine-month period then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers Limited Partnership Dubai Branch
7 November 2023

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

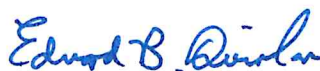
As at 30 September 2023

		30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
	Notes		
ASSETS			
Cash and balances with Central Bank of the UAE		1,231,059	402,248
Due from banks, net	3	790,813	912,420
Loans and advances, net	4	559,156	990,998
Investments, net	5	1,807,172	1,538,584
Other assets		45,989	37,904
Property and equipment		3,263	2,505
Intangible assets		944	1,246
TOTAL ASSETS		4,438,396	3,885,905
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits		3,222,014	3,379,162
Other liabilities		53,353	79,829
TOTAL LIABILITIES		3,275,367	3,458,991
EQUITY			
Share capital	7	1,000,000	70,000
Legal reserve		35,000	35,000
Special reserve	7	-	44,251
Credit impairment reserve		25,104	21,844
Cumulative changes in fair value		(13,252)	(20,281)
Retained earnings	7	115,949	275,872
Equity attributable to equity holders of the parent		1,162,801	426,686
Non-controlling interests		228	228
TOTAL EQUITY		1,163,029	426,914
TOTAL LIABILITIES AND EQUITY		4,438,396	3,885,905

The condensed consolidated interim financial information was approved by the Board of Directors on 7 November 2023 and signed on its behalf by:



Omar Abdullah Al Futtaim
(Chairman)



Edward Quinlan
(Director)



Gaurav Shah
(Chief Executive Officer)

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

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

	<i>Notes</i>	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Interest income	8	32,872	14,131	81,753	33,189
Net income from investments	9	16,579	12,095	39,623	38,056
		49,451	26,226	121,376	71,245
Interest expense		(13,154)	(8,131)	(40,589)	(23,392)
INTEREST AND INVESTMENT INCOME, NET		36,297	18,095	80,787	47,853
Fee, commission and other income		6,913	6,793	21,355	18,391
Exchange gain, net		2,322	859	11,975	2,307
OPERATING INCOME		45,532	25,747	114,117	68,551
General and administrative expenses		(18,782)	(18,909)	(56,636)	(48,773)
Net impairment (loss)/reversal on financial assets	6.1	(998)	(1,747)	22,880	(55,078)
OPERATING EXPENSES		(19,780)	(20,656)	(33,756)	(103,851)
PROFIT/(LOSS) FOR THE PERIOD		25,752	5,091	80,361	(35,300)
Attributable to:					
Equity holders of the parent		25,752	5,091	80,361	(35,300)
Non-controlling interests		-	-	-	-
PROFIT/(LOSS) FOR THE PERIOD		25,752	5,091	80,361	(35,300)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in AED)	10	2.58	1.39	12.41	(9.66)

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

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

	<u>Three month ended</u> <u>30 September</u>		<u>Nine month ended</u> <u>30 September</u>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
PROFIT/(LOSS) FOR THE PERIOD	25,752	5,091	80,361	(35,300)
<i>Other comprehensive income/(loss)</i>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in the fair value of equity instruments at fair value through other comprehensive income	92	454	5,160	11,906
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in the fair value of debt instruments at fair value through other comprehensive income	(2,601)	(16,843)	1,869	(57,446)
Other comprehensive income/(loss) for the period	(2,509)	(16,389)	7,029	(45,540)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	23,243	(11,298)	87,390	(80,840)
Attributable to:				
Equity holders of the parent	23,243	(11,298)	87,390	(80,840)
Non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	23,243	(11,298)	87,390	(80,840)

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	Notes	<i>Nine-month period ended</i>	
		<i>30 September</i>	
		2023	2022
		AED'000	AED'000
OPERATING ACTIVITIES			
Profit/(Loss) for the period		80,361	(35,300)
Adjustments for:			
Depreciation on property and equipment		685	743
Amortization of intangible assets		302	159
Depreciation on right-of-use assets		2,632	2,632
Net impairment (reversal)/loss on financial assets	6.1	(22,880)	55,078
Operating profit before changes in operating assets and liabilities		61,100	23,312
Change in Central Bank statutory deposits		(126,763)	(93,489)
Change in due from bank with original maturity of over three months		14,323	-
Change in loans and advances, net		431,688	(39,394)
Change in investments, net		(238,300)	(300,007)
Change in other assets		(10,717)	(52,867)
Change in due to bank		-	947,853
Change in customers' deposits		(157,148)	(314,271)
Change in other liabilities		(26,476)	55,534
Net cash (used in)/ generated from operating activities		(52,293)	226,671
INVESTING ACTIVITY			
Purchase of property and equipment		(1,443)	(691)
Net cash used in investing activity		(1,443)	(691)
FINANCING ACTIVITIES			
Proceeds from rights issue		650,000	-
Right shares issuance cost		(1,275)	-
Net cash generated from financing activities		648,725	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		594,989	225,980
Cash and cash equivalents at 1 January		1,107,653	521,940
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		1,702,642	747,920
Cash and cash equivalents comprise the following amounts in the condensed consolidated interim statement of financial position with original maturities of three months or less:			
Cash and balances with the Central Bank (excluding statutory deposits)		990,450	318,501
Due from banks		712,192	429,419
		1,702,642	747,920
Operational cash flows from interest and dividends			
Interest paid		70,300	11,083
Interest received (including interest from investments)		115,259	64,254
Dividends received		7,179	7,929

The accompanying notes from pages 8 to 26 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the Nine month period ended 30 September 2023 (Unaudited)

	<i>Share capital AED '000 (Unaudited)</i>	<i>Legal reserve AED '000 (Unaudited)</i>	<i>Special reserve AED '000 (Unaudited)</i>	<i>Credit impairment reserve* AED '000 (Unaudited)</i>	<i>Cumulative changes in fair values AED '000 (Unaudited)</i>	<i>Retained earnings AED '000 (Unaudited)</i>	<i>Total AED '000 (Unaudited)</i>	<i>Non- controlling interests AED '000 (Unaudited)</i>	<i>Total AED '000 (Unaudited)</i>
At 1 January 2023	70,000	35,000	44,251	21,844	(20,281)	275,872	426,686	228	426,914
Profit for the period	-	-	-	-	-	80,361	80,361	-	80,361
Other comprehensive income for the period	-	-	-	-	7,029	-	7,029	-	7,029
Total comprehensive income for the period	-	-	-	-	7,029	80,361	87,390	-	87,390
Transfer to credit impairment reserve	-	-	-	3,260	-	(3,260)	-	-	-
Issuance of bonus shares (note 7)	280,000	-	(44,251)	-	-	(235,749)	-	-	-
Rights issue (note 7)	650,000	-	-	-	-	-	650,000	-	650,000
Right shares issuance cost	-	-	-	-	-	(1,275)	(1,275)	-	(1,275)
Balance at 30 September 2023	1,000,000	35,000	-	25,104	(13,252)	115,949	1,162,801	228	1,163,029

* In accordance with the requirements of Central Bank of the UAE ("CBUAE"), the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance calculated under IFRS 9 is transferred to 'credit impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends.

The accompanying notes from pages 8 to 26 form an integral part of this condensed consolidated interim financial information.

Emirates Investment Bank P.J.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the nine month period ended 30 September 2022 (Unaudited)

	<i>Share capital AED'000 (Unaudited)</i>	<i>Legal reserve AED'000 (Unaudited)</i>	<i>Special reserve AED'000 (Unaudited)</i>	<i>Credit impairment reserve* AED'000 (Unaudited)</i>	<i>Cumulative changes in fair values AED'000 (Unaudited)</i>	<i>Retained earnings AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>	<i>Non- controlling interests AED'000 (Unaudited)</i>	<i>Total AED'000 (Unaudited)</i>
At 1 January 2022	70,000	35,000	44,251	13,412	10,241	307,977	480,881	228	481,109
Loss for the period	-	-	-	-	-	(35,300)	(35,300)	-	(35,300)
Other comprehensive loss for the period	-	-	-	-	(45,540)	-	(45,540)	-	(45,540)
Total comprehensive loss for the period	-	-	-	-	(45,540)	(35,300)	(80,840)	-	(80,840)
Transfer to credit impairment reserve	-	-	-	6,032	-	(6,032)	-	-	-
Balance at 30 September 2022	70,000	35,000	44,251	19,444	(35,299)	266,645	400,041	228	400,269

The accompanying notes from pages 8 to 26 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

1 GENERAL INFORMATION

Emirates Investment Bank P.J.S.C. (the “Bank”) was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. In 1999, the Bank was registered under the UAE Commercial Companies Law No. (8) Of 1984 (as amended) as a Public Joint Stock Company. UAE Federal Law No. 32 of 2021 (“Company law”) on Commercial Companies came into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015 and the Bank has complied with the requirements of the law.

The Bank is engaged in the business of investment advisory and wealth management. The address of the Bank’s registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The condensed consolidated interim financial information for the nine month period ended 30 September 2023 comprise the financial information of the Bank and its subsidiary (together referred to as the “Group”).

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 83.25% (2022: 52.85%) of the shares in the Bank (refer note 7).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial information of the Group is prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting*, issued by the International Accounting Standards Board (‘IASB’) and comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

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

The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied by the Group in the preparation of annual audited consolidated financial statements for the year ended 31 December 2022, unless otherwise stated.

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

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

For the Group, CT will apply on and from 1 January 2024. A rate of 9% will apply to taxable income exceeding AED 375,000. Management acknowledges that number of regulations with regards to the application of tax legislation are published and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax implications on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial information of the Bank and its subsidiary as at 30 September 2023. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated interim financial information comprises the financial information of the Bank and of its subsidiary. The financial information of the subsidiary is prepared for the same reporting period as that of the Bank, using consistent accounting policies.

The following subsidiary in which the Bank exercises control is consolidated in this interim condensed consolidated financial information:

<i>Name of subsidiary</i>	<i>Country</i>	<i>% Holding</i>		<i>Principal activities</i>
		30 September 2023	31 December 2022	
EIB Investment Co. LLC*	U.A.E	24%	24%	Investment in commercial, industrial and agricultural enterprises and their respective management.

* The Bank has the ability to exercise control over EIB Investment Co. LLC (the entity) as it has rights to variable returns and has the ability to affect the returns. As the Bank has control over the entity, it has been consolidated in this condensed consolidated interim financial information.

2.3 Significant management judgments and estimates

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

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements for the year ended 31 December 2022.

2.4 New and revised IFRS applied on the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8- The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction- These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductable temporary differences.

Amendment to IAS 12 - International tax reform - pillar two model rules- These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 New and revised IFRS in issue but not yet effective and not early adopted**

The Group has not yet early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS

**Effective for
annual periods
beginning on or after**

Amendment to IFRS 16 – Leases on sale and leaseback- These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. 1 January 2024

Amendment to IAS 1 – Non current liabilities with covenants - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. 1 January 2024

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements - These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. 1 January 2024

Amendments to IAS 21 - Lack of Exchangeability - An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. 1 January 2025

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

3 DUE FROM BANKS, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Domestic	456,230	376,154
Regional	82,049	127,381
International	252,872	408,998
	791,151	912,533
Less: allowance for impairment (note 6)	(338)	(113)
	790,813	912,420

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

4 LOANS AND ADVANCES, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Gross loans and advances	588,535	1,019,058
Less: allowance for impairment (note 6)	(23,596)	(23,441)
Less: interest and fees in suspense	(5,783)	(4,619)
Loans and advances, net	559,156	990,998

Management considers that the carrying amounts of loans and advances approximate their fair values as these are substantially short term in nature and carry market rates of interest.

5 INVESTMENTS, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
<i>Investment at fair value through profit or loss</i>		
<i>Debt instruments</i>		
Quoted	-	5,041
<i>Equity instruments</i>		
Quoted	25,788	26,311
Unquoted	49,892	75,795
	75,680	102,106
Total investments measured at fair value through profit or loss	75,680	107,147
<i>Investments at fair value through other comprehensive income</i>		
<i>Debt instruments</i>		
Quoted	1,279,055	837,364
<i>Equity instruments</i>		
Quoted	73,412	68,230
Unquoted	6,352	6,352
	79,764	74,582
Total investments measured at fair value through other comprehensive income	1,358,819	911,946
<i>Investments at amortised cost</i>		
<i>Debt instruments</i>		
Quoted	406,363	576,422
Total investments measured at amortised cost	406,363	576,422
Gross investments	1,840,862	1,595,515
Less: allowance for impairment (note 6)	(33,690)	(56,931)
Investments, net	1,807,172	1,538,584

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

5 INVESTMENTS, NET (continued)

The Group has not purchased equity shares during the nine months period ended 30 September 2023 (nine months period ended 30 September 2022: purchased equity shares amounting to AED 794 thousand).

The Group 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 which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September 2023, the Group held the following investments measured as follows:

		Investments carried at fair value			Investments carried at amortized cost
		Level 1	Level 2	Level 3*	
	AED'000	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Debt instruments:					
Domestic	183,579	86,920	-	-	96,659
Regional	150,379	98,124	-	-	52,255
International	1,351,460	1,094,011	-	-	257,449
Equity instruments:					
Domestic	79,343	40,846	-	38,497	-
Regional	399	399	-	-	-
International	75,702	25,788	49,914	-	-
Gross investments	1,840,862	1,346,088	49,914	38,497	406,363
Less: allowance for impairment (note 6)	(33,690)				
Investments, net	1,807,172				

The fair value of debt investments carried at amortised cost as at 30 September 2023 amounted to AED 352,394 thousand (31 December 2022: AED 493,859 thousand) and these investments would be classified as level 1 within the fair value hierarchy. During the nine month period ended 30 September 2023, the Group reviewed its portfolio in certain geographies owing to increased credit risk based on heightened geo-political uncertainties and sold certain investments measured at amortised cost amounting to AED 65,649 thousand (30 September 2022: Nil) and recognized a loss of AED 6,418 thousand (30 September 2022: Nil). These disposals were part of credit risk management activities of the Bank that were aimed at minimising potential credit losses due to further credit deterioration.

* Key inputs used in the valuation techniques for these investments are comparable sales transaction with appropriate haircut, Discounted cash flows (DCF) which included significant unobservable inputs of - haircut for comparable transactions and interest rate and in term of relationship of unobservable inputs to fair value, any changes in comparable sale transaction and interest rate change in DCF will directly impact the fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

5 INVESTMENTS, NET (continued)

As at 31 December 2022, the Group held the following investments measured as follows:

	<i>31 December 2022 AED'000 (Audited)</i>	<i>Level 1 AED'000 (Audited)</i>	<i>Investments carried at fair value Level 2 AED'000 (Audited)</i>	<i>Level 3* AED'000 (Audited)</i>	<i>Investments carried at amortized cost AED'000 (Audited)</i>
Debt instruments:					
Domestic	175,612	70,816	-	-	104,796
Regional	167,696	95,234	-	-	72,462
International	1,075,519	676,355	-	-	399,164
Equity instruments:					
Domestic	74,029	39,658	-	34,371	-
Regional	532	532	-	-	-
International	102,127	26,311	75,816	-	-
Gross investments	1,595,515	908,906	75,816	34,371	576,422
Less: allowance for impairment (note 6)	(56,931)				
Investments, net	1,538,584				

The following table shows a reconciliation of the opening and closing amounts of level 3 investments recorded at fair value:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
At the beginning of the period/year	34,371	22,467
Net unrealised gain recognised in other comprehensive income	4,126	11,904
At the end of the period/year	38,497	34,371

The Group has assessed the sensitivity of the fair value measurement of investments under level 3 due to changes in inputs used. Based on the assessment, no major changes in the fair value of investments within level 3 are noted as at 30 September 2023. Such an assessment is performed on a quarterly basis by reviewing the changes in unobservable inputs which might result in higher or lower fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

6 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Movement in allowances for impairment losses

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Due from banks		
At 1 January	113	508
Charge/(reversal) for the period/year	225	(395)
	<u>338</u>	<u>113</u>
Loans and advances		
At 1 January	23,441	23,970
Charge for the period/year	155	18
Loans and advances written off	-	(547)
	<u>23,596</u>	<u>23,441</u>
Investments		
At 1 January	56,931	8,895
(Reversal)/charge for the period/year	(23,241)	48,036
	<u>33,690</u>	<u>56,931</u>

Expected credit losses

The analysis of expected credit losses by stage for loans and advances, investment in debt instruments measured at amortised cost and due from banks is as follows:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Expected credit losses- Lifetime ECL (Stage 3)	54,866	75,589
Expected credit losses- 12-months ECL (Stage 1)	2,739	3,214
Expected credit losses- Lifetime ECL (Stage 2)	19	1,682
Expected credit losses (Stage 1 and 2)	<u>2,758</u>	<u>4,896</u>
Total expected credit losses	<u>57,624</u>	<u>80,485</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

6 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS (continued)**6.1 Net impairment (loss)/reversal on financial assets**

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Impairment reversal/(loss) on investments measured at amortized cost	536	(956)	23,241	(48,733)
Impairment (loss)/ reversal on investments measured at FVOCI	(1,078)	(1,026)	19	(6,466)
Impairment (loss)/ reversal on loans and advances	(353)	(108)	(155)	7
Impairment (loss)/ reversal on due from banks	(103)	343	(225)	114
	(998)	(1,747)	22,880	(55,078)

7 SHARE CAPITAL AND RESERVES

The Central Bank of the UAE issued a regulation by Circular No. 23/2022 date 6 April 2022, mandating all investment banks and wholesale banks to convert their existing license to a Restricted Bank License (the "Regulation") with, among other requirements, the obligation to maintain a minimum issued and paid-up share capital of AED 1,000 million.

To comply with the Regulation, the Bank filed an application to the Central Bank on 23 June 2022 for a license as a Restricted Licensed Bank, supported by a business plan detailing the proposed scope of activities and the capital increase plan to take place in two stages as follows:

Stage 1: Distribute the Bank's distributable reserves (including retained earnings) amounting AED 280 million as bonus shares by issuing 2,800,000 new bonus shares at a nominal value to AED 100 per share to the existing shareholders of the Bank (the "Distribution").

Stage 2: Raise additional capital amounting to AED 650 million by way of a rights issue ("Rights Issue"), issuing 6,500,000 new shares at a nominal value of AED 100 per share.

At the General Assembly held on 27 December 2022, the shareholders of the Bank approved to distribute the Bank's distributable reserves (Special reserve amounting to AED 44,251 thousand and retained earnings amounting to AED 235,749 thousand) amounting AED 280 million as bonus shares by issuing 2,800,000 new shares at a nominal value of AED 100 per share to the existing shareholders of the Bank, subject to regulatory approval.

Further, at General Assembly held on 24 March 2023, the shareholders of the Bank approved the right issue of 6,500,000 new shares at a nominal value of AED 100 per share amounting to AED 650 million.

During the period ended 30 September 2023, the Bank received the relevant regulatory approval and the share capital of the Bank was increased to AED 1,000 million.

At 30 September 2023, the issued and fully paid share capital of the Bank comprises 10,000,000 ordinary shares of AED 100 each (31 December 2022: 700,000 ordinary shares of AED 100 each).

Emirates Investment Bank P.J.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

8 INTEREST INCOME

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans and advances	11,254	11,540	35,893	29,952
Bank placements	21,618	2,591	45,860	3,237
	32,872	14,131	81,753	33,189

9 NET INCOME FROM INVESTMENTS

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income on investments in				
debt instruments	17,093	12,057	44,373	34,195
Dividend income	1,603	2,090	7,179	7,929
Net realised (loss)/gain on investments				
measured at amortised cost and FVOCI	(1,076)	(2)	(8,860)	343
Net loss from investments measured as fair				
value through profit or loss	(875)	(1,711)	(2,645)	(3,633)
Portfolio management fees paid to other				
financial institutions	(166)	(339)	(424)	(778)
	16,579	12,095	39,623	38,056

10 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic earning per share of AED 12.41 (30 September 2022: Basic loss per share of AED 9.66) is calculated by dividing the profit attributable to the equity holders of the parent of AED 80,361 thousand for the nine month period ended 30 September 2023 (30 September 2022: loss of AED 35,300 thousand) by the weighted average number of shares outstanding during the period of 6,475,245 (30 September 2022: 3,655,442). In accordance with IAS 33 "Earnings Per Share", the impact of bonus shares and right shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented.

The figure for basic and diluted earnings per share is the same as the Group has not issued any instruments which would have an impact on earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

11 SEGMENTAL ANALYSIS

For operating purposes, the Group is organised into two major business segments: (a) Investments, which is principally involved in managing the Group's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages clients' investment portfolios, provides credit facilities, accepts deposits from corporate and individual customers. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses and the Group operations are primarily within the UAE.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue *	111,486	(10,857)	66,100	47,722	177,586	36,865
Expenses	(108,379)	(28,412)	11,154	(43,753)	(97,225)	(72,165)
Profit/(Loss) for the period	3,107	(39,269)	77,254	3,969	80,361	(35,300)

* Revenue comprises of interest income, net income from investments, fee commission and other income and exchange gain/ (loss) less net impairment loss/(reversal) on financial assets.

	<i>Investments</i>		<i>Banking Services</i>		<i>Total</i>	
	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2023</i>	<i>31 December 2022</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets	3,854,892	2,870,694	583,504	1,015,211	4,438,396	3,885,905
Segment liabilities and equity	941,737	288,497	3,496,659	3,597,408	4,438,396	3,885,905

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

12 COMMITMENTS AND CONTINGENT LIABILITIES***Credit-related commitments and contingent liabilities***

Credit-related commitments include commitments to extend credit, guarantees and acceptances which are designed to meet the requirements of the Group's customers.

Guarantees and acceptances commit the Group to make payments on behalf of customers, contingent upon the failure of the customers to perform under the terms of the contract.

The Group has the following credit related contingent liabilities and commitments:

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Guarantees	11,074	6,776
Unutilised committed credit facilities*	50,492	59,814
	61,566	66,590

The Group has commitments of AED 22,100 thousand on account of investment in equity instruments (31 December 2022: AED 21,645 thousand).

* Unutilized committed credit facilities represent a contractual commitment to permit drawdowns on a facility within a defined period subject to conditions precedent and termination clauses. As commitments may expire without being drawn down and since conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

The Group is a defendant in respect of a secured facility granted to a client, where the Dubai courts ruled against the Group after the Abu Dhabi courts had previously ruled in favour of the Group. Accordingly, the Group applied to the Federal Supreme Court (FSC) to rule on the applicable verdict, and the FSC acknowledged the enforceability of the Dubai judgment. The Group had also filed an application, which was accepted by the Dubai courts, to offset the execution amount of the Dubai judgment against the execution amount of the first judgment in Abu Dhabi. The Bank had previously obtained a decision of the execution court of Abu Dhabi that any amounts received in Dubai in execution of the Dubai courts decisions must be transferred to the execution court of Abu Dhabi to offset the amounts owed by the client.

The Group has performed an assessment and has concluded that it has no legal obligation to the client in respect of this matter. Accordingly, no provision has been maintained by the Group as at 30 September 2023.

The Group, on a continuous basis, identifies and assesses such risks and recognizes provisions, in accordance with the accounting policy for provisions as disclosed in the annual consolidated financial statements.

13 RELATED PARTY TRANSACTIONS

The Group enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. Transactions with such related parties are done on an arm's length basis, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Pricing policies and terms of related parties' transactions are approved by the Group's management and the Board of Directors where appropriate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

13 RELATED PARTY TRANSACTIONS (continued)

The significant balances outstanding in respect of related parties included in the condensed consolidated interim financial information are as follows:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
<i>Balances with shareholders and their related companies:</i>		
Customers' deposits	182,973	1,132,500
Loans and advances	28	422,000
Other liabilities	2,642	38,731
Other assets	937	1,305
Commitments and contingencies	1,811	3,024

The income and expenses in respect of related parties included in the condensed consolidated interim financial information are as follows:

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
<i>Shareholders and their group companies:</i>				
Interest income	-	3,777	2,339	11,204
Interest expense	(2,055)	(5,560)	(11,837)	(15,781)
Fee, commission and other income	1,051	1,123	3,128	3,391
General and administrative expenses	(1,669)	(1,728)	(5,021)	(5,142)

Outstanding balances at the period end arise in the normal course of business. For the period ended 30 September 2023, the Group has not recorded any impairment on amounts owed by related parties (31 December 2022: Nil).

	<i>Three month ended 30 September</i>		<i>Nine month ended 30 September</i>	
	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>	<i>2023 AED'000 (Unaudited)</i>	<i>2022 AED'000 (Unaudited)</i>
Salaries and other benefits to key management personnel	3,580	3,432	10,756	10,295

14 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rate or index. The purpose of derivative financial instruments in the Group's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Group uses forward foreign exchange contracts and options to mitigate the currency risk on certain investments.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are neither indicative of the market risk nor credit risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

30 September 2023

	<i>Positive fair value AED'000 (Unaudited)</i>	<i>Negative fair value AED'000 (Unaudited)</i>	<i>Notional amount AED'000 (Unaudited)</i>	<i>Notional amount by term to maturity Less than 1 year AED'000 (Unaudited)</i>
Derivatives:				
Foreign exchange contracts	19	10	1,836	1,836

There were no derivative instruments held by the Group as of 31 December 2022.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Group. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Derivative product type*Forwards*

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are recognized contracts transacted in over-the-counter markets.

Options

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price, either at a fixed future date or at any time within a specified year.

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favorable to the Group. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation, but the counterparty fails to deliver the counter value.

Changes in counterparty credit risk have no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

15 RISK MANAGEMENT**Credit risk**

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk arises from lending, trade finance, treasury and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

Impact of current economic and geopolitical situation on credit risk

On 24 February 2022, the military conflict between Russia and Ukraine started. As a result, a number of countries have and continue to impose new sanctions against Russian government entities, state-owned enterprises and certain specified entities and individuals linked to Russia anywhere in the world. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources directly impacted entities that have significant operations or exposures in, or with Russia and Ukraine. The situation is fluid and may also have significant consequences for other entities that could be exposed to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn.

As of 30 September 2023, the Group's investment in Russian bonds (before provision for ECL) was as below:

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Investments at amortised cost	9,304	30,027
Investments at fair value through other comprehensive income	5,485	5,485
	14,789	35,512

Detailed portfolio reviews are conducted on an ongoing basis and the Group is applying increased scrutiny when onboarding clients in sensitive industries and is ensuring compliance with sanctions requirements. The Group continues to monitor the current Russia-Ukraine geopolitical situation and its impact on the economy and will mitigate its exposures and risks as appropriate.

Impact of current economic and geopolitical situation on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Group utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes.

The Group has reviewed the potential impact of economic and geopolitical unrest outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. In light of the current economic situation and ongoing sanctions, the Group has utilized stressed / punitive credit ratings and haircuts on securities, where relevant, within the ECL framework, thereby ensuring a pragmatic view and sufficient coverage from a provision standpoint. The Group is monitoring the day-to-day situation of the crisis and is actively managing down any direct exposure.

In respect of the loans and advances portfolio, the Group is conducting frequent reviews of the Loan to Value ("LTV") ratios on the collateral held against loans given to customers. Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Group's assessment of the customers' creditworthiness, staging and grouping as of the reporting date. The Group has reassessed its portfolio of Stage 1, Stage 2 and Stage 3 customers as at 30 September 2023.

For its investment portfolio, the Group has evaluated whether the investment portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies and assessment of any increase in probability of default, the Group has assessed whether there has been a significant increase in credit risk for investments and whether these investments are credit impaired and assessed the impact on ECL as at 30 September 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

15 RISK MANAGEMENT (continued)**Credit risk (continued)****Impact on measurement of ECL (continued)**

Based on the assessment performed, the Group had transferred its investments in Russian bonds to stage 3. To reflect the credit impairment on these investments, the Group has recognised an ECL on these stage 3 instruments as below:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Investments at amortised cost	9,304	30,027
Investments at fair value through other comprehensive income	5,485	5,485
	<u>14,789</u>	<u>35,512</u>

During the period ended 30 September 2023, the Group has sold a Russian investment measured at amortised cost amounting to AED 20,723 thousand (2022: Nil) and recognized a loss of AED 4,835 thousand (2022: Nil). The Group has reversed the corresponding ECL on this investment amounting to AED 20,723 thousand.

Movement in gross carrying amount

The following table explains the changes in the gross carrying amount from 1 January 2023 to 30 September 2023 and 1 January 2022 to 31 December 2022:

	30 September 2023 (Unaudited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Due from banks</i>				
As at 1 January 2023	912,533	-	-	912,533
New financial assets originated	621,036	-	-	621,036
Repayment and other movements	(742,418)	-	-	(742,418)
As at 30 September 2023	<u>791,151</u>	<u>-</u>	<u>-</u>	<u>791,151</u>
<i>Loans and advances</i>				
As at 1 January 2023	987,484	4,512	27,062	1,019,058
Transfers				
Transfer from Stage 1 to Stage 2	(121)	121	-	-
New financial assets originated	121,709	-	-	121,709
Repayments and other movements	(548,885)	(4,512)	1,165	(552,232)
As at 30 September 2023	<u>560,187</u>	<u>121</u>	<u>28,227</u>	<u>588,535</u>
<i>Investments – measured at amortised cost</i>				
As at 1 January 2023	506,148	17,128	53,146	576,422
Repayment and other movements	(135,881)	(13,455)	(20,723)	(170,059)
As at 30 September 2023	<u>370,267</u>	<u>3,673</u>	<u>32,423</u>	<u>406,363</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

15 RISK MANAGEMENT (continued)**Credit risk (continued)****Movement in gross carrying amount (continued)**

	31 December 2022 (Audited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Due from banks</i>				
As at 1 January 2022	271,654	-	-	271,654
New financial assets originated	662,520	-	-	662,520
Repayment and other movements	(21,641)	-	-	(21,641)
As at 31 December 2022	912,533	-	-	912,533
<i>Loans and advances</i>				
As at 1 January 2022	913,734	1,720	26,155	941,609
Transfers				
Transfer from Stage 1 to Stage 2	(4,434)	4,434	-	-
New financial assets originated	228,183	-	-	228,183
Repayment and other movements	(149,999)	(1,642)	907	(150,734)
As at 31 December 2022	987,484	4,512	27,062	1,019,058
<i>Investments – measured at amortised cost</i>				
As at 1 January 2022	620,969	63,590	1,660	686,219
Transfers				
Transfer from Stage 1 to Stage 3	(9,316)	-	9,316	-
Transfer from Stage 1 to Stage 2	(13,656)	13,656	-	-
Transfer from Stage 2 to Stage 1	11,978	(11,978)	-	-
Transfer from Stage 2 to Stage 3	-	(42,375)	42,375	-
Repayment and other movements	(103,827)	(5,765)	(205)	(109,797)
As at 31 December 2022	506,148	17,128	53,146	576,422

Movement in loss allowance

The following table explains the changes in the loss allowance from 1 January 2023 to 30 September 2023 and 1 January 2022 to 31 December 2022:

	30 September 2023 (Unaudited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Due from banks</i>				
As at 1 January 2023	113	-	-	113
New financial assets originated	23	-	-	23
Changes in PDs/LGDs/EADs	202	-	-	202
As at 30 September 2023	338	-	-	338

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

15 RISK MANAGEMENT (continued)**Credit risk (continued)****Movement in loss allowance (continued)**

	30 September 2023 (Unaudited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Loans and advances</i>				
As at 1 January 2023	974	24	22,443	23,441
New financial assets originated	240	-	-	240
Changes in PDs/LGDs/EADs	(61)	(24)	-	(85)
As at 30 September 2023	<u>1,153</u>	<u>-</u>	<u>22,443</u>	<u>23,596</u>
<i>Investments – measured at amortised cost</i>				
As at 1 January 2023	2,127	1,658	53,146	56,931
Changes in PDs/LGDs/EADs	(879)	(1,639)	(20,723)	(23,241)
As at 30 September 2023	<u>1,248</u>	<u>19</u>	<u>32,423</u>	<u>33,690</u>

All guarantees issued by the Group are collateralised by cash and classified as stage 1 within the ECL model as at 30 September 2023 and 31 December 2022.

	31 December 2022 (Audited)			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
<i>Due from banks</i>				
As at 1 January 2022	508	-	-	508
New financial assets originated	30	-	-	30
Changes in PDs/LGDs/EADs	(425)	-	-	(425)
As at 31 December 2022	<u>113</u>	<u>-</u>	<u>-</u>	<u>113</u>
<i>Loans and advances</i>				
As at 1 January 2022	972	9	22,989	23,970
Transfers				
Transfer from Stage 1 to Stage 2	(9)	9	-	-
New financial assets originated	310	-	-	310
Changes in PDs/LGDs/EADs	(298)	6	(546)	(838)
As at 31 December 2022	<u>975</u>	<u>24</u>	<u>22,443</u>	<u>23,442</u>
<i>Investments – measured at amortised cost</i>				
As at 1 January 2022	3,592	3,643	1,660	8,895
Transfers				
Transfer from Stage 1 to Stage 3	(2)	-	2	-
Transfer from Stage 1 to Stage 2	(23)	23	-	-
Transfer from Stage 2 to Stage 1	92	(92)	-	-
Transfer from Stage 2 to Stage 3	-	(3,387)	3,387	-
Changes in PDs/LGDs/EADs	(1,532)	1,471	48,097	48,036
As at 31 December 2022	<u>2,127</u>	<u>1,658</u>	<u>53,146</u>	<u>56,931</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

15 RISK MANAGEMENT (continued)**Libor transition**

The Group's transition program commenced in the previous year and was completed during the period ended 30 September 2023.

At 30 September 2023, there were no financial instruments which were referenced to significant IBORs (31 December 2022: Loans and advances amounting to AED 67,341 thousand were exposed to USD LIBOR). All the Group's exposure at the period-end have been transitioned to RFRs.

Hedge accounting

As at 30 September 2023 and 31 December 2022 the Group did not hold any hedged instruments which reference USD LIBOR and have not yet transitioned to an alternative interest rate.

16 CAPITAL ADEQUACY

The Central Bank of UAE ('CBUAE') supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion.

The capital adequacy ratio as per Basel III framework is given below:

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Common Equity Tier 1 capital		
Issued capital	1,000,000	70,000
Legal reserve	35,000	35,000
Special reserve	-	44,251
Retained earnings	115,949	275,873
Fair value reserve	(32,739)	(37,848)
Regulatory deductions	(944)	(1,580)
Total CET I capital	1,117,266	385,696
Tier II capital		
Eligible general provisions	23,218	22,283
Total tier II capital	23,218	22,283
Total eligible capital	1,140,484	407,979
Risk weighted exposure		
Credit risk	1,857,446	1,782,666
Market risk	763	8,416
Operational risk	159,180	159,180
Total	2,017,389	1,950,262
	Minimum capital requirement	
Capital Ratio		
Total capital ratio	13%	56.5%
Tier I ratio	11%	55.4%
CET I ratio	9.5%	55.4%
		20.9%
		19.8%
		19.8%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

17 FIDUCIARY ASSETS

	<i>30 September 2023 AED'000 (Unaudited)</i>	<i>31 December 2022 AED'000 (Audited)</i>
Balance of fiduciary assets	<u>3,877,319</u>	<u>3,764,440</u>

The Group provides custody services for its customers' assets. These assets are held by the Group in a fiduciary capacity and are, accordingly, not included in this condensed consolidated interim financial information as assets of the Group.

18 SUBSEQUENT EVENTS

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the nine-month period ended 30 September 2023.