# Emirates Investment Bank P.J.S.C.

**CONDENSED INTERIM FINANCIAL INFORMATION**

**For the three month period ended 31 March 2024**

**Emirates Investment Bank P.J.S.C.**

# Review report and condensed interim financial information for the three month period ended 31 March 2024

**Contents** **Pages**

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**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C**

***Introduction***
We have reviewed the accompanying interim condensed financial information of Emirates Investment Bank P.J.S.C (the "Bank") as at 31 March 2024 which comprise the interim condensed statement of financial position as at 31 March 2024 and the related interim condensed statement of profit or loss, interim condensed statement of other comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial information in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information 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 condensed 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 interim condensed financial information are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

***Other Matter***
The interim condensed consolidated financial information of the Bank as of 31 March 2023 were reviewed by another auditor whose report dated 9 May 2023 expressed an unmodified conclusion on those interim condensed consolidated financial information. Also, the consolidated financial statements as of 31 December 2023, were audited by another auditor whose report dated 13 February 2024 expressed an unmodified opinion on those consolidated financial statements.

For Ernst & Young

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13 May 2024

Dubai, United Arab Emirates

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

| | Notes | *31 March 2024 AED'000 (Unaudited)* | *31 December 2023 AED'000 (Audited)* |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Central Bank of the UAE | | **1,161,999** | 1,065,963 |
| Due from banks and financial institutions, net | 3 | **698,193** | 653,549 |
| Investments, net | 4 | **2,608,476** | 2,294,006 |
| Loans and advances, net | 5 | **854,259** | 484,949 |
| Investment in associate | | **72** | 72 |
| Other assets | | **47,255** | 37,834 |
| Property and equipment | | **3,039** | 3,190 |
| Intangible assets | | **743** | 844 |
| **TOTAL ASSETS** | | **5,374,036** | 4,540,407 |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Customer deposits | | **4,043,493** | 3,195,712 |
| Other liabilities | | **70,795** | 130,370 |
| **TOTAL LIABILITIES** | | **4,114,288** | 3,326,082 |
| **EQUITY** | | | |
| Share capital | | **1,000,000** | 1,000,000 |
| Legal reserve | | **45,754** | 45,754 |
| Credit impairment reserve | | **25,313** | 25,306 |
| Cumulative changes in fair value | | **25,377** | 11,089 |
| Retained earnings | | **163,304** | 132,176 |
| **TOTAL EQUITY** | | **1,259,748** | 1,214,325 |
| **TOTAL LIABILITIES AND EQUITY** | | **5,374,036** | 4,540,407 |

The condensed interim financial information was approved by the Board of Directors on 13 May 2024 and signed on its behalf by:

| | | |
|---|---|---|
| Omar Abdullah Al Futtaim<br>(Chairman) | Edward Quinlan<br>(Director) | Gaurav Shah<br>(Chief Executive Officer) |

The accompanying notes from pages 8 to 23 form an integral part of this condensed interim financial information.

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

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

| | | *Three months period ended 31 March* | |
|---|---|---|---|
| | **Notes** | ***2024 AED'000*** | *2023 AED'000* |
| Interest income | 8 | **30,764** | 22,706 |
| Net income from investments | 9 | **30,600** | 10,036 |
| | | **61,364** | 32,742 |
| Interest expense | | **(19,987)** | (13,708) |
| **INTEREST AND INVESTMENT INCOME, NET** | | **41,377** | 19,034 |
| Fee, commission and other income,net | | **9,812** | 7,247 |
| Exchange gain, net | | **4,348** | 2,915 |
| **OPERATING INCOME** | | **55,537** | 29,196 |
| General and administrative expenses | | **(20,984)** | (17,807) |
| Net impairment (loss)/reversal on financial assets | 7 | **(339)** | 22,650 |
| **OPERATING EXPENSES** | | **(21,323)** | 4,843 |
| **PROFIT FOR THE PERIOD BEFORE TAX** | | **34,214** | 34,039 |
| Income tax expense | | **(3,079)** | - |
| **PROFIT FOR THE PERIOD** | | **31,135** | 34,039 |
| **BASIC AND DILUTED EARNING PER SHARE (in AED)** | 10 | **3.11** | 9.31 |

The accompanying notes from pages 8 to 23 form an integral part of this condensed interim financial information.

## CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
For the three month period ended 31 March 2024 (Unaudited)

| | *Three months period ended 31 March* | |
|---|---|---|
| | ***2024*** | *2023* |
| | ***AED'000*** | *AED'000* |
| **PROFIT FOR THE PERIOD** | **31,135** | 34,039 |
| ***Other comprehensive income*** | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Changes in the fair value of equity instruments at fair value through other comprehensive income | **14,192** | 3,778 |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Changes in the fair value of debt instruments at fair value through other comprehensive income | **96** | 3,633 |
| **Other comprehensive income for the period** | **14,288** | 7,411 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **45,423** | 41,450 |

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

| | Notes | *Three months period ended 31 March* **2024** ***AED'000*** | *2023* *AED'000* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period before tax | | **34,214** | 34,039 |
| Adjustments for: | | | |
| Depreciation on property and equipment | | **200** | 186 |
| Amortization of intangible assets | | **101** | 100 |
| Depreciation on right-of-use assets | | **877** | 877 |
| Net impairment loss/(reversal) on financial assets | 7 | **339** | (22,650) |
| Operating profit before changes in operating assets and liabilities | | **35,731** | 12,552 |
| Change in statutory reserve deposits with Central Bank of the UAE | | **(96,025)** | 89,397 |
| Change in loans and advances, net | | **(369,932)** | 428,575 |
| Change in investments, net | | **(300,008)** | (10,942) |
| Change in other assets | | **(10,298)** | (3,041) |
| Change in customers' deposits | | **847,781** | (340,060) |
| Change in other liabilities | | **(62,654)** | (18,524) |
| Net cash generated from operating activities | | **44,595** | 157,957 |
| **INVESTING ACTIVITY** | | | |
| Purchase of property and equipment | | **(49)** | (17) |
| Net cash used in investing activity | | **(49)** | (17) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **44,546** | 157,940 |
| Cash and cash equivalents at 1 January | | **648,831** | 1,107,653 |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | | **693,377** | 1,265,593 |
| Cash and cash equivalents comprise the following amounts in the condensed interim statement of financial position with original maturities of three months or less: | | | |
| Cash and balances with the Central Bank of the UAE (excluding statutory deposits) | | **438** | 547,467 |
| Due from banks | | **692,939** | 718,126 |
| | | **693,377** | 1,265,593 |
| **Operational cash flows from interest and dividends** | | | |
| Interest paid | | **20,054** | 42,213 |
| Interest received (including interest from investments) | | **51,360** | 33,501 |
| Dividends received | | **3,904** | 3,176 |

The accompanying notes from pages 8 to 23 form an integral part of this condensed interim financial information.

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

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

| | *Share capital AED'000 (Unaudited)* | *Legal reserve AED'000 (Unaudited)* | *Credit impairment reserve* AED'000 (Unaudited)* | *Cumulative changes in fair values AED'000 (Unaudited)* | *Retained earnings AED'000 (Unaudited)* | *Total AED'000 (Unaudited)* |
|---|---|---|---|---|---|---|
| At 1 January 2024 | **1,000,000** | **45,754** | **25,306** | **11,089** | **132,176** | **1,214,325** |
| Profit for the period | **-** | **-** | **-** | **-** | **31,135** | **31,135** |
| Other comprehensive income for the period | **-** | **-** | **-** | **14,288** | **-** | **14,288** |
| Total comprehensive income for the period | **-** | **-** | **-** | **14,288** | **31,135** | **45,423** |
| Transfer to credit impairment reserve | **-** | **-** | **7** | **-** | **(7)** | **-** |
| **Balance at 31 March 2024** | **1,000,000** | **45,754** | **25,313** | **25,377** | **163,304** | **1,259,748** |

** 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.*

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

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

| | *Share Capital AED'000 (Unaudited)* | *Legal reserve AED'000 (Unaudited)* | *Special reserve AED'000 (Unaudited)* | *Credit impairment reserve* AED'000 (Unaudited)* | *Cumulative changes in fair values AED'000 (Unaudited)* | *Retained earnings AED'000 (Unaudited)* | *Total AED'000 (Unaudited)* | *Non-controlling interests AED'000 (Unaudited)* | *Total AED'000 (Unaudited)* |
|---|---|---|---|---|---|---|---|---|---|
| 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 | - | - | - | - | - | 34,039 | 34,039 | - | 34,039 |
| Other comprehensive income for the period | - | - | - | - | 7,411 | - | 7,411 | - | 7,411 |
| Total comprehensive income for the period | - | - | - | - | 7,411 | 34,039 | 41,450 | - | 41,450 |
| Transfer to credit impairment reserve | - | - | - | 1,508 | - | (1,508) | - | - | - |
| Issuance of bonus shares | 280,000 | - | (44,251) | - | - | (235,749) | - | - | - |
| Balance at 31 March 2023 | 350,000 | 35,000 | - | 23,352 | (12,870) | 72,654 | 468,136 | 228 | 468,364 |

The accompanying notes from pages 8 to 23 form an integral part of this condensed interim financial information.

## 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. The Bank is registered under the UAE Federal Law No. (32) of 2021 (the "Companies law") as a Public Joint Stock Company. During 2023, the Bank received a restricted banking license under the Restricted License Bank Regulation (Circular 23/2022), issued by the Central Bank of the UAE ("CBUAE").

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 Bank is a subsidiary of Al Futtaim Private Company LLC which holds 92.39% (2023: 92.39%) of the shares in the Bank.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The condensed interim financial information of the Bank 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 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 Bank's annual consolidated financial statements for the year ended 31 December 2023.

In addition, results for the three month period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The accounting policies applied by the Bank in the preparation of the condensed interim financial information are consistent with those applied in the preparation of annual audited consolidated financial statements for the year ended 31 December 2023, unless otherwise stated.

***Implementation of UAE Corporation Tax law and application of IAS 12 Income Taxes***
On 9 December 2022, the UAE Ministry of Finance ("MOF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

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

The taxable income of the bank in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Bank generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

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

As per the Bank's initial assessment, there is no deferred tax impact on account of the CT Law in the condensed interim financial statements for the period ended 31 March 2024. However, the Bank will continue to monitor the publication of decisions and related guidelines, as well as continuing its more detailed review of its financial matters, to consider any changes to this position at subsequent reporting dates.

The tax charge for period ended 31 March 2024 is AED 3,079 thousand representing effective tax rate of 9%.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2023 comprise the financial information of the Bank and its subsidiary (together referred to as the “Group”).

During 2023, the Bank lost its rights to variable returns and the ability to affect the returns of its only subsidiary, EIB Investment Co. L.L.C” (the “Company”). Accordingly, the Bank no longer had control of the Company and accounted for as an investment in associate from 8 November 2023, the date that effective control was lost.

The interim financial information for period ended 31 March 2024 is presented on a standalone basis and investment in Company is accounted for using the equity method of accounting.

The comparative interim financial information for the period ended 31 March 2023 is presented on consolidated basis but no adjustment were required to conform to the current period presentation of the financial information.

### 2.3 Significant management judgments and estimates

In the application of the Bank’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 interim financial information, the significant judgments made by management in applying the Bank’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 2023.

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in this 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.

**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

**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

## 3 DUE FROM BANKS, NET

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| Domestic | **354,447** | 210,086 |
| Regional | **94,267** | 94,099 |
| International | **249,734** | 349,728 |
| | **698,448** | 653,913 |
| Less: allowance for impairment (note 6) | **(255)** | (364) |
| | **698,193** | 653,549 |

## 4 INVESTMENTS, NET

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| ***Investment at fair value through profit or loss*** | | |
| ***Equity instruments*** | | |
| Quoted | **-** | 26,859 |
| Unquoted | **27,655** | 29,960 |
| **Total investments measured at fair value through profit or loss** | **27,655** | 56,819 |
| ***Investments at fair value through other comprehensive income*** | | |
| ***Debt instruments*** | | |
| Quoted | **2,165,314** | 1,791,096 |
| ***Equity instruments*** | | |
| Quoted | **88,717** | 74,503 |
| Unquoted | **7,128** | 7,151 |
| | **95,845** | 81,654 |
| **Total investments measured at fair value through other comprehensive income** | **2,261,159** | 1,872,750 |
| ***Investments at amortised cost*** | | |
| ***Debt instruments*** | | |
| Quoted | **352,810** | 397,696 |
| **Total investments measured at amortised cost** | **352,810** | 397,696 |
| **Gross investments** | **2,641,624** | 2,327,265 |
| Less: allowance for impairment (note 6) | **(33,148)** | (33,259) |
| **Investments, net** | **2,608,476** | 2,294,006 |

The Bank has not purchased equity shares during the three months period ended 31 March 2024 and 31 March 2023.

**4 INVESTMENTS, NET (continued)**

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs 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 31 March 2024, the Bank held the following investments measured as follows:

| | | | **Investments carried at fair value** | | ***Investments carried at amortized cost*** |
|---|---|---|---|---|---|
| | ***AED'000 (Unaudited)*** | ***Level 1 AED'000 (Unaudited)*** | ***Level 2 AED'000 (Unaudited)*** | ***Level 3 AED'000 (Unaudited)*** | ***AED'000 (Unaudited)*** |
| **Debt instruments:** | | | | | |
| Domestic | 948,114 | 895,516 | - | - | 52,598 |
| Regional | 229,705 | 138,392 | - | - | 91,313 |
| International | 1,340,305 | 1,131,406 | - | - | 208,899 |
| **Equity instruments:** | | | | | |
| Domestic | 94,595 | 57,602 | - | 36,993 | - |
| Regional | 1,250 | 1,250 | - | - | - |
| International | 27,655 | - | 27,655 | - | - |
| **Gross investments** | 2,641,624 | 2,224,166 | 27,655 | 36,993 | 352,810 |
| Less: allowance for impairment (note 6) | (33,148) | | | | |
| **Investments, net** | **2,608,476** | | | | |

The fair value of debt investments carried at amortised cost as at 31 March 2024 amounts to AED 305,981 thousand (31 December 2023: AED 348,898 thousand) and these investments would be classified as level 1 within the fair value hierarchy. During the period ended 31 March 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 61,923 thousand and recognized a loss of AED 6,364 thousand. These disposals were part of credit risk management activities that were aimed at minimising potential credit losses due to further credit deterioration.

**4 INVESTMENTS, NET (continued)**

As at 31 December 2023, the Bank held the following investments measured as follows:

| | Total | Investments carried at fair value | | | Investments carried at amortised cost |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3* | |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| | *(Audited)* | *(Audited)* | *(Audited)* | *(Audited)* | *(Audited)* |
| *Debt instruments:* | | | | | |
| Domestic | 602,380 | 506,216 | - | - | 56,470 |
| Regional | 152,761 | 100,794 | - | - | 91,661 |
| International | 1,433,651 | 1,184,086 | - | - | 249,565 |
| *Equity instruments:* | | | | | |
| Domestic | 81,224 | 44,229 | - | 36,995 | - |
| Regional | 408 | 408 | - | - | - |
| International | 56,841 | 26,859 | 29,982 | - | - |
| Gross investments | 2,327,265 | 1,862,592 | 29,982 | 36,995 | 397,696 |
| Less: allowance for impairment (note 10) | (33,259) | | | | |
| Investments, net | 2,294,006 | | | | |

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

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| At the beginning of the period/year | **36,995** | 34,371 |
| Net unrealised (loss)/gain recognised in other comprehensive income | **(2)** | 2,624 |
| At the end of the period/year | **36,993** | 36,995 |

The Bank 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 under level 3 is noted as at 31 March 2024. 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.

**5 LOANS AND ADVANCES, NET**

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| Gross loans and advances | **863,730** | 493,696 |
| Less: allowance for impairment (note 6) | **(9,279)** | (8,657) |
| Less: interest and fees in suspense | **(192)** | (90) |
| Loans and advances, net | **854,259** | 484,949 |

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.

## 6 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

**Movement in allowances for impairment losses**

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| *Allowance on due from banks* | | |
| At 1 January | **364** | 113 |
| (Reversal)/charge for the period/year | **(109)** | 251 |
| | **255** | 364 |
| *Allowance on loans and advances* | | |
| At 1 January | **8,657** | 23,441 |
| Charge for the period/year | **622** | 9 |
| Loans and advances written off | **-** | (14,793) |
| | **9,279** | 8,657 |
| *Allowance on Investments – measured at amortised cost* | | |
| At 1 January | **33,259** | 56,931 |
| Reversal for the period/year | **(111)** | (23,672) |
| | **33,148** | 33,259 |

**Expected credit losses by stage**

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:

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| Expected credit losses- Lifetime ECL (Stage 3) | **40,572** | 40,074 |
| Expected credit losses- 12-months ECL (Stage 1) | **2,110** | 2,191 |
| Expected credit losses- Lifetime ECL (Stage 2) | **-** | 15 |
| Expected credit losses (Stage 1 and 2) | **2,110** | 2,206 |
| Total expected credit losses | **42,682** | 42,280 |

## 7 Net impairment (loss)/reversal on financial assets

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024 AED'000 (Unaudited)*** | *2023 AED'000 (Unaudited)* |
| Impairment reversal on investments measured at amortized cost | **111** | 22,525 |
| Impairment reversal on investments measured at FVOCI | **63** | 122 |
| Impairment (loss)/ reversal on loans and advances | **(622)** | 13 |
| Impairment reversal/(loss) on due from banks | **109** | (10) |
| | **(339)** | 22,650 |

During the period ended 31 March 2023, the Group had sold an investment measured at amortised cost amounting to AED 20,723 thousand and reversed the corresponding ECL on this investment amounting to AED 20,723 thousand.

## 8 INTEREST INCOME

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024 AED'000 (Unaudited)*** | *2023 AED'000 (Unaudited)* |
| Loans and advances | **14,319** | 13,569 |
| Bank placements | **16,445** | 9,137 |
| | **30,764** | 22,706 |

## 9 NET INCOME FROM INVESTMENTS

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024 AED'000 (Unaudited)*** | *2023 AED'000 (Unaudited)* |
| Interest income on investments in debt instruments | **27,573** | 13,451 |
| Dividend income | **3,904** | 3,176 |
| Net realised loss on investments measured at amortised cost and FVOCI | **(713)** | (6,119) |
| Net income/(loss) from investments measured at fair value through profit or loss | **90** | (339) |
| Portfolio management fees paid to other financial institutions | **(254)** | (133) |
| | **30,600** | 10,036 |

## 10 BASIC AND DILUTED EARNING PER SHARE

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

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024*** | *2023* |
| | ***AED'000*** | *AED'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Profit for the period | **31,135** | 34,039 |
| Weighted average number of shares | **10,000,000** | 3,655,442 |
| Basic earning per share (AED) | **3.11** | 9.31 |

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

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.

## 11 SEGMENTAL ANALYSIS

For operating purposes, the Bank is organised into two major business segments: (a) Investments, which is principally involved in managing the Bank'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 Bank 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 Bank 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.

| | ***Investments Three month ended 31 March*** | | ***Banking Services Three month ended 31 March*** | | ***Total Three month ended 31 March*** | |
|---|---|---|---|---|---|---|
| | ***2024*** | *2023* | ***2024*** | *2023* | ***2024*** | *2023* |
| | ***AED'000*** | *AED'000* | ***AED'000*** | *AED'000* | ***AED'000*** | *AED'000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Operating income | **48,878** | 19,732 | **6,659** | 9,464 | **55,537** | 29,196 |
| Intersegment adjustment | **(36,554)** | (23,133) | **36,554** | 23,133 | **-** | - |
| | **12,324** | (3,401) | **43,213** | 32,597 | **55,537** | 29,196 |
| General and administrative expenses | **(5,219)** | (5,027) | **(15,765)** | (12,780) | **(20,984)** | (17,807) |
| Net impairment reversal/(loss) on financial assets | **283** | 22,637 | **(622)** | 13 | **(339)** | 22,650 |
| Operating expenses | **(4,936)** | 17,610 | **(16,387)** | (12,767) | **(21,323)** | 4,843 |
| Profit for the period before tax | **7,388** | 14,209 | **26,826** | 19,830 | **34,214** | 34,039 |
| Income tax expense | | | | | **(3,079)** | - |
| Profit for the period | | | | | **31,135** | 34,039 |

## 11 SEGMENTAL ANALYSIS (Continued)

| | ***Investments*** | | ***Banking Services*** | | ***Total*** | |
|---|---|---|---|---|---|---|
| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
| Segment assets | **4,492,299** | 4,032,898 | **881,737** | 507,509 | **5,374,036** | 4,540,407 |
| Segment liabilities and equity | **1,059,052** | 1,069,666 | **4,314,984** | 3,470,741 | **5,374,036** | 4,540,407 |

## 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 Bank's customers.

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

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

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| Guarantees | **11,074** | 11,074 |
| Unutilised committed credit facilities* | **39,757** | 47,266 |
| | **50,831** | 58,340 |

The Bank has recorded ECL on the guarantees issued by it in line with the requirements of IFRS 9. All guarantees are classified as Stage 1 (31 December 2023: Stage 1). There was no transition in the staging of the guarantees during the period ended 31 March 2024 (2023: no transition).

The Bank has commitments of AED 23,702 thousand on account of investment in equity instruments (31 December 2023: AED 23,094 thousand).

* Unutilized committed credit facilities represent a contractual commitment to permit draw downs 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 Bank was a defendant in respect of a secured facility granted to a client, where the Dubai courts ruled against the Bank after the Abu Dhabi courts had previously ruled in favour of the Bank and the Dubai ruling was acknowledged as enforceable by the Federal Supreme Court. 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 Dubai courts ruled to offset the execution amount of the Dubai judgment against the execution amount of the first judgment in Abu Dhabi. The Bank 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 Bank as at 31 March 2024.

The Bank, 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 for the year ended 31 December 2023.

## 13 RELATED PARTY TRANSACTIONS

The Bank 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 Bank's management and the Board of Directors where appropriate.

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

| | ***31 March 2024 AED'000 (Unaudited)*** | *31 December 2023 AED'000 (Audited)* |
|---|---|---|
| Customer deposits | **808,456** | 270,636 |
| Loans and advances* | **402,217** | 90,027 |
| Other liabilities | **4,013** | 1,793 |
| Other assets | **4,986** | 2,633 |
| Guarantees | **1,811** | 1,811 |

* These loans and advances are collaterised by customer deposits from related party.

Outstanding balances at the period end arise in the normal course of business. For the period ended 31 March 2024, the Bank has recorded ECL on the loans and advances and guarantees provided to related parties in line with the requirements of IFRS 9. All related party balances are classified as Stage 1 (31 December 2023: Stage 1). There was no transition in the staging of the related party balances during the period ended 31 March 2024 (2023: no transition).

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

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024 AED'000 (Unaudited)*** | *2023 AED'000 (Unaudited)* |
| Interest income | **4,543** | 3,680 |
| Interest expense | **(3,953)** | (5,342) |
| Fee, commission, and other income | **3,310** | 1,047 |
| General and administrative expenses | **(1,638)** | (1,674) |

**Compensation of key management personnel:**

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2024 AED'000 (Unaudited)*** | *2023 AED'000 (Unaudited)* |
| Salaries and other benefits | **10,784** | 9,239 |

## 14 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Bank 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 Bank's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Bank 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.

***Foreign exchange contracts***

| | *Positive fair value AED'000* | *Negative fair value AED'000* | *Notional amount AED'000* | *Notional amount by term to maturity Less than 1 year AED'000* |
|---|---|---|---|---|
| ***31 March 2024 (Unaudited)*** | **27** | **(18)** | **1,750** | **1,750** |
| *31 December 2023 (Audited)* | 1 | - | 3,916 | 3,916 |

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 Bank. The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank'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 customised 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 Bank. With gross–settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank 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 recognised at fair value.

## 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 Bank. Such risk arises from lending, trade finance, treasury and other activities undertaken by the Bank. 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.

**Movement in gross carrying amount**

The following table explains the changes in the gross carrying amount of financial assets from 1 January 2024 to 31 March 2024 and 1 January 2023 to 31 December 2023:

| | 31 March 2024 (Unaudited) | | | |
|---|---|---|---|---|
| | Stage 1<br>12-month ECL<br>AED'000 | Stage 2<br>Lifetime ECL<br>AED'000 | Stage 3<br>Lifetime ECL<br>AED'000 | Total<br>AED'000 |
| ***Due from banks*** | | | | |
| As at 1 January 2024 | **653,913** | **-** | **-** | **653,913** |
| New financial assets originated | **521,151** | **-** | **-** | **521,151** |
| Repayment and other movements | **(476,616)** | **-** | **-** | **(476,616)** |
| As at 31 March 2024 | **698,448** | **-** | **-** | **698,448** |
| ***Loans and advances*** | | | | |
| As at 1 January 2024 | **485,955** | **-** | **7,740** | **493,695** |
| Transfers | | | | |
| Transfer from Stage 1 to Stage 2 | **(379)** | **379** | **-** | **-** |
| Transfer from Stage 2 to Stage 3 | **-** | **(379)** | **379** | **-** |
| New financial assets originated | **464,637** | **-** | **-** | **464,637** |
| Repayments and other movements | **(94,825)** | **-** | **223** | **(94,602)** |
| As at 31 March 2024 | **855,388** | **-** | **8,342** | **863,730** |
| ***Investments – measured at amortised cost*** | | | | |
| As at 1 January 2024 | **361,600** | **3,673** | **32,423** | **397,696** |
| Transfers | | | | |
| Transfer from Stage 2 to Stage 1 | **3,673** | **(3,673)** | **-** | **-** |
| Redemption and other movements | **(44,886)** | **-** | **-** | **(44,886)** |
| As at 31 March 2024 | **320,387** | **-** | **32,423** | **352,810** |

**15 RISK MANAGEMENT (continued)**

**Credit risk (continued)**

**Movement in gross carrying amount (continued)**

| | 31 December 2023 (Audited) | | | |
|---|---|---|---|---|
| | Stage 1<br>12-month ECL<br>AED'000 | Stage 2<br>Lifetime ECL<br>AED'000 | Stage 3<br>Lifetime ECL<br>AED'000 | Total<br>AED'000 |
| ***Due from banks*** | | | | |
| As at 1 January 2023 | 912,533 | - | - | 912,533 |
| New financial assets originated | 402,370 | - | - | 402,370 |
| Repayment and other movements | (660,990) | - | - | (660,990) |
| As at 31 December 2023 | 653,913 | - | - | 653,913 |
| ***Loans and advances*** | | | | |
| As at 1 January 2023 | 987,484 | 4,512 | 27,062 | 1,019,058 |
| New financial assets originated | 99,045 | - | - | 99,045 |
| Repayment and other movements | (600,573) | (4,512) | (19,322) | (624,407) |
| As at 31 December 2023 | 485,956 | - | 7,740 | 493,696 |
| ***Investments – measured at amortised cost*** | | | | |
| As at 1 January 2023 | 506,148 | 17,128 | 53,146 | 576,422 |
| Redemption and other movements | (144,548) | (13,455) | (20,723) | (178,726) |
| As at 31 December 2023 | 361,600 | 3,673 | 32,423 | 397,696 |

**Movement in loss allowance**

The following table explain the changes in the loss allowance on financial asset from 1 January 2024 to 31 March 2024 and 1 January 2023 to 31 December 2023:

| | **31 March 2024 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Stage 1<br>12-month ECL<br>AED'000** | **Stage 2<br>Lifetime ECL<br>AED'000** | **Stage 3<br>Lifetime ECL<br>AED'000** | **Total<br>AED'000** |
| ***Due from banks*** | | | | |
| As at 1 January 2024 | 364 | - | - | 364 |
| New financial assets originated | 8 | - | - | 8 |
| Changes in PDs/LGDs/EADs | (117) | - | - | (117) |
| As at 31 March 2024 | 255 | - | - | 255 |
| ***Loans and advances*** | | | | |
| As at 1 January 2024 | 1,007 | - | 7,650 | 8,657 |
| Transfers | | | | |
| Transfer from Stage 1 to Stage 2 | (1) | 1 | - | - |
| Transfer from Stage 2 to Stage 3 | - | (1) | 1 | - |
| New financial assets originated | 432 | - | - | 432 |
| Changes in PDs/LGDs/EADs | (309) | - | 499 | 190 |
| As at 31 March 2024 | 1,129 | - | 8,150 | 9,279 |

**15 RISK MANAGEMENT (continued)**

**Credit risk (continued)**

**Movement in loss allowance (continued)**

| | **31 March 2024 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Stage 1 12-month ECL AED'000** | **Stage 2 Lifetime ECL AED'000** | **Stage 3 Lifetime ECL AED'000** | **Total AED'000** |
| ***Investments – measured at amortised cost*** | | | | |
| As at 1 January 2024 | 821 | 15 | 32,423 | 33,259 |
| Transfers | | | | |
| Transfer from Stage 2 to Stage 1 | 15 | (15) | - | - |
| Changes in PDs/LGDs/EADs | (111) | - | - | (111) |
| As at 31 March 2024 | 725 | - | 32,423 | 33,148 |

All guarantees issued by the Bank are collateralised by cash and classified as stage 1 within the ECL model as at 31 March 2024 and 31 December 2023.

| | 31 December 2023 (Audited) | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL AED'000 | Stage 2 Lifetime ECL AED'000 | Stage 3 Lifetime ECL AED'000 | Total AED'000 |
| ***Due from banks*** | | | | |
| As at 1 January 2023 | 113 | - | - | 113 |
| New financial assets originated | 24 | - | - | 24 |
| Changes in PDs/LGDs/EADs | 227 | - | - | 227 |
| As at 31 December 2023 | 364 | - | - | 364 |
| ***Loans and advances*** | | | | |
| As at 1 January 2023 | 974 | 24 | 22,443 | 23,441 |
| New financial assets originated | 195 | - | - | 195 |
| Changes in PDs/LGDs/EADs | (162) | (24) | (14,793) | (14,979) |
| As at 31 December 2023 | 1,007 | - | 7,650 | 8,657 |
| ***Investments – measured at amortised cost*** | | | | |
| As at 1 January 2023 | 2,127 | 1,658 | 53,146 | 56,931 |
| Changes in PDs/LGDs/EADs | (1,306) | (1,643) | (20,723) | (23,672) |
| As at 31 December 2023 | 821 | 15 | 32,423 | 33,259 |

## 16 CAPITAL ADEQUACY

The Central Bank of UAE ('CBUAE') supervises the Bank and therefore receives information on the capital adequacy of, and sets capital requirements for, the Bank. Effective from 2017, the capital is computed at a Bank 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:

| | **_31 March 2024 AED'000 (Unaudited)_** | _31 December 2023 AED'000 (Audited)_ |
|---|---|---|
| **Common Equity Tier 1 capital** | | |
| Issued capital | **1,000,000** | 1,000,000 |
| Legal reserve | **45,754** | 45,754 |
| Retained earnings | **163,304** | 132,176 |
| Fair value reserve | **(4,484)** | (12,157) |
| Regulatory deductions | **(743)** | (844) |
| **Total CET I capital** | **1,203,831** | 1,164,929 |
| **Tier II capital** | | |
| Eligible general provisions | **22,851** | 22,926 |
| **Total tier II capital** | **22,851** | 22,926 |
| **Total eligible capital** | **1,226,682** | 1,187,855 |
| **Risk weighted exposure** | | |
| Credit risk | **1,828,082** | 1,834,099 |
| Market risk | **20,589** | 10,498 |
| Operational risk | **245,311** | 223,233 |
| Total | **2,093,982** | 2,067,830 |

| **Capital Ratio** | **Minimum capital requirement** | | |
|---|---|---|---|
| Total capital ratio | 13% | **58.58%** | 57.44% |
| Tier I ratio | 11% | **57.49%** | 56.34% |
| CET I ratio | 9.5% | **57.49%** | 56.34% |

## 17 FIDUCIARY ASSETS

| | **_31 March 2024 AED'000 (Unaudited)_** | _31 December 2023 AED'000 (Audited)_ |
|---|---|---|
| Balance of fiduciary assets | **5,055,320** | 4,215,836 |

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

**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 interim financial information as at and for the three month period ended 31 March 2024.

**19 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified where appropriate to conform to the presentation adopted in this condensed interim financial information.