Mashreqbank PSC Group

Condensed consolidated interim financial information for the period from 1 January 2022 to 30 June 2022

Mashreqbank PSC Group

Review report and condensed consolidated interim financial information for the period from 1 January 2022 to 30 June 2022

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Review report on condensed consolidated interim financial information to the Directors of Mashreqbank PSC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mashreqbank PSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and 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 the 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 International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers
20 July 2022

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

Mashreqbank PSC Group

Condensed consolidated statement of financial position as at 30 June 2022

	Notes	30 June 2022 (un-audited) AED '000	31 December 2021 (audited) AED '000
ASSETS			
Cash and balances with central banks		**20,082,006**	17,507,751
Deposits and balances due from banks		**33,324,553**	28,805,095
Other financial assets measured at fair value	6	**14,397,328**	16,441,123
Other financial assets measured at amortised cost	6	**10,579,510**	10,277,824
Loans and advances measured at amortised cost	7	**74,733,849**	66,432,570
Islamic financing and investment products measured at amortised cost	8	**14,942,076**	15,053,454
Acceptances		**10,683,131**	14,340,671
Other assets		**4,856,807**	3,290,085
Reinsurance contract assets		**2,829,782**	2,699,966
Investment in associate		**71,833**	34,809
Investment properties	9	**462,829**	462,829
Property and equipment	10	**1,405,286**	1,426,096
Intangible assets		**274,985**	281,336
Total assets		**188,643,975**	177,053,609
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances due to banks	11	**25,287,228**	19,566,486
Repurchase agreements with banks		**3,196,290**	2,729,147
Customers' deposits	12	**97,516,366**	87,150,902
Islamic customers' deposits	13	**11,818,314**	14,332,087
Acceptances		**10,683,131**	14,340,671
Other liabilities		**7,785,419**	6,028,308
Medium-term loans	14	**6,630,270**	7,315,119
Insurance contract liabilities		**4,668,120**	4,566,602
Total liabilities		**167,585,138**	156,029,322
EQUITY			
Capital and reserves			
Issued and paid up capital	15	**2,006,098**	2,006,098
Statutory and legal reserves		**1,012,320**	1,012,320
General reserve		**312,000**	312,000
Currency translation reserve		**(104,386)**	(116,116)
Investments revaluation reserve		**(1,770,624)**	(547,489)
Retained earnings		**18,764,672**	17,561,412
Equity attributable to owners of the Parent		**20,220,080**	20,228,225
Non-controlling interests	16	**838,757**	796,062
Total equity		**21,058,837**	21,024,287
Total liabilities and equity		**188,643,975**	177,053,609

To the best of our knowledge, the condensed consolidated interim financial information present fairly in all material respects the financial condition, results of operation and cashflows of the Group as of, and for, the periods presented therein.

Abdul Aziz Abdulla Al Ghurair	Ahmed Abdelaal
Chairman	Group Chief Executive Officer

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Mashreqbank PSC Group

Condensed consolidated statement of profit or loss for the period from 1 January 2022 to 30 June 2022 (un-audited)

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Interest income		**1,350,508**	1,057,969	**2,470,380**	2,071,325
Income from Islamic financing and investment products		**150,382**	111,165	**273,368**	221,314
Total interest income and income from Islamic financing and investment products		**1,500,890**	1,169,134	**2,743,748**	2,292,639
Interest expense		**(443,805)**	(383,227)	**(816,587)**	(760,133)
Distribution to depositors – Islamic products		**(42,108)**	(43,262)	**(83,070)**	(92,130)
Net interest income and income from Islamic products net of distribution to depositors		**1,014,977**	742,645	**1,844,091**	1,440,376
Fee and commission income		**1,052,718**	794,561	**2,078,850**	1,669,104
Fee and commission expense		**(576,610)**	(425,073)	**(1,148,639)**	(850,574)
Net fee and commission income		**476,108**	369,488	**930,211**	818,530
Net investment income		**(13,649)**	105,358	**4,196**	133,953
Other income, net		**260,808**	243,152	**523,628**	477,001
Operating income		**1,738,244**	1,460,643	**3,302,126**	2,869,860
General and administrative expenses	17	**(697,168)**	(601,049)	**(1,366,988)**	(1,220,980)
Operating profit before impairment		**1,041,076**	859,594	**1,935,138**	1,648,880
Allowances for impairment, net		**(213,469)**	(785,473)	**(465,610)**	(1,496,280)
Profit before tax		**827,607**	74,121	**1,469,528**	152,600
Tax expense		**(14,571)**	(11,987)	**(26,407)**	(26,079)
Profit for the period		**813,036**	62,134	**1,443,121**	126,521
Attributed to:					
Owners of the Parent		**793,069**	42,371	**1,399,201**	85,356
Non-controlling interests		**19,967**	19,763	**43,920**	41,165
		813,036	62,134	**1,443,121**	126,521
Earnings per share (AED)	18	**3.95**	0.21	**6.97**	0.43

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Mashreqbank PSC Group

Condensed consolidated statement of other comprehensive income for the period from 1 January 2022 to 30 June 2022 (un-audited)

	For the three month period ended 30 June		For the six month period ended 30 June	
	2022	2021	2022	2021
	AED '000	AED '000	AED '000	AED '000
Profit for the period	**813,036**	62,134	**1,443,121**	126,521
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**(51,546)**	25,735	**19,341**	49,243
Items that may be reclassified subsequently to profit or loss:				
Changes in currency translation reserve	**53,333**	(6,449)	**38,698**	(12,348)
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	**(728,110)**	366,630	**(1,233,174)**	(247,035)
Cash flow hedges - fair value loss arising during the period	**-**	-	**-**	437
Total other comprehensive (loss)/income for the period	**(726,323)**	385,916	**(1,175,135)**	(209,703)
Total comprehensive income/(loss) for the period	**86,713**	448,050	**267,986**	(83,182)
Attributed to:				
Owners of the Parent	**51,213**	420,981	**192,465**	(134,611)
Non-controlling interests	**35,500**	27,069	**75,521**	51,429
	86,713	448,050	**267,986**	(83,182)

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Mashreqbank PSC Group

Condensed consolidated statement of changes in equity for the period from 1 January 2022 to 30 June 2022 (un-audited)

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Cashflow hedge reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2021	1,775,308	912,099	312,000	(98,332)	(358,088)	(437)	16,888,178	19,430,728	757,680	20,188,408
Profit for the period	-	-	-	-	-	-	85,356	85,356	41,165	126,521
Other comprehensive (loss) / income	-	-	-	(9,777)	(210,627)	437	-	(219,967)	10,264	(209,703)
Total comprehensive (loss) / income for the period	-	-	-	(9,777)	(210,627)	437	85,356	(134,611)	51,429	(83,182)
Payment of dividends	-	-	-	-	-	-	-	-	(32,825)	(32,825)
Transfer from investments revaluation reserve to retained earnings	-	-	-	-	(3,994)	-	3,994	-	-	-
Transaction with common control entity	-	-	-	-	-	-	5,602	5,602	-	5,602
Transaction with non-controlling interest (NCI)	-	-	-	-	-	-	-	-	(11,446)	(11,446)
Balance at 30 June 2021	1,775,308	912,099	312,000	(108,109)	(572,709)	-	16,983,130	19,301,719	764,838	20,066,557

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Mashreqbank PSC Group

Condensed consolidated statement of changes in equity for the period from 1 January 2022 to 30 June 2022 (un-audited)

	Issued and paid up capital AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Cashflow hedge reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2022	**2,006,098**	**1,012,320**	**312,000**	**(116,116)**	**(547,489)**	**-**	**17,561,412**	**20,228,225**	**796,062**	**21,024,287**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1,399,201**	**1,399,201**	**43,920**	**1,443,121**
Other comprehensive (loss)/income	**-**	**-**	**-**	**11,730**	**(1,218,466)**	**-**	**-**	**(1,206,736)**	**31,601**	**(1,175,135)**
Total comprehensive income/ (loss) for the period	**-**	**-**	**-**	**11,730**	**(1,218,466)**	**-**	**1,399,201**	**192,465**	**75,521**	**267,986**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(200,610)**	**(200,610)**	**(32,826)**	**(233,436)**
Transfer from investments revaluation reserve to retained earnings	**-**	**-**	**-**	**-**	**(4,669)**	**-**	**4,669**	**-**	**-**	**-**
Balance at 30 June 2022	**2,006,098**	**1,012,320**	**312,000**	**(104,386)**	**(1,770,624)**	**-**	**18,764,672**	**20,220,080**	**838,757**	**21,058,837**

Mashreqbank PSC Group

Condensed consolidated statement of cash flows for the period from 1 January 2022 to 30 June 2022 (un-audited)

	For the six month period ended 30 June	
	2022	2021
	AED '000	AED '000
Cash flows from operating activities		
Profit before taxation for the period	**1,469,528**	152,600
Adjustments for:		
Depreciation of property and equipment	**122,163**	126,893
Allowance for impairment, net	**465,610**	1,496,280
Loss on disposal of property and equipment	**895**	1,846
Unrealised gain / (loss) on other financial assets held at Fair Value Through Profit or Loss (FVTPL)	**39,898**	(5,736)
Unrealised gain on derivatives	**(43,084)**	(1,245)
Dividend income from other financial assets measured at FVTOCI	**(23,793)**	(15,268)
Realised gain on disposal of other financial assets	**(3,357)**	(90,252)
Net realised gain on sale of other financial asset held at FVTPL	**(16,241)**	(21,833)
Operating cash flows before tax paid and changes in operating assets and liabilities	**2,011,619**	1,643,285
Taxes paid	**(26,407)**	(26,079)
Changes in operating assets and liabilities		
(Increase)/decrease in deposits with central banks	**(449,940)**	2,525,469
Increase in deposits and balances due from banks maturing after three months	**(2,412,265)**	(5,191,460)
Increase in other financial assets measured at FVTPL	**(47,481)**	(873,897)
Increase in loans and advances measured at amortised cost	**(8,467,647)**	(5,854,888)
Decrease/(increase) in Islamic financing and investment products measured at amortised cost	**84,821**	(505,676)
(Increase)/decrease in other assets	**(1,523,638)**	30,127
Increase in reinsurance contract asset	**(129,816)**	(31,755)
Increase in deposits and balances due to banks	**5,720,742**	4,176,223
Increase in customers' deposits	**10,365,464**	4,324,403
(Decrease)/increase in Islamic customers' deposits	**(2,513,773)**	2,847,916
Increase in insurance contract liabilities	**101,517**	200,068
Increase in other liabilities	**1,508,845**	606,233
Increase in repurchase agreements with banks	**467,143**	1,717,025
Net cash generated from operating activities	**4,689,184**	5,586,994
Cash flows from investing activities		
Purchase of property and equipment	**(66,645)**	(52,982)
Proceeds from sale of property and equipment	**10,925**	466
Purchase of intangible assets	**(41,093)**	(17,160)
Purchase of other financial assets measured at fair value or amortised cost	**(20,237,383)**	(17,118,763)
Proceeds from sale of other financial assets measured at fair value or amortised cost	**20,772,116**	14,577,457
Investment in associate	**(37,025)**	(20,900)
Dividend income from other financial assets measured at FVTOCI	**23,793**	15,268
Disposal of subsidiary of insurance subsidiary of the Group	**50,183**	-
Net cash generated from/(used in) investing activities	**474,871**	(2,616,614)

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows for the period from 1 January 2022 to 30 June 2022 (un-audited) (continued)

	For the six month period ended 30 June 2022 AED '000	For the six month period ended 30 June 2021 AED '000
Cash flows from financing activities		
Transaction with non-controlling interest	**-**	(11,446)
Dividends paid	**(233,436)**	(32,825)
Medium term notes issued during the period	**27,020**	-
Medium term notes redeemed during the period	**(711,869)**	(1,688,519)
Net cash used in financing activities	**(918,285)**	(1,732,790)
Net increase in cash and cash equivalents	**4,245,770**	1,237,590
Net foreign exchange difference	**(11,731)**	9,777
Cash and cash equivalents at beginning of the period (Note 19)	**21,302,038**	20,840,616
Cash and cash equivalents at end of the period (Note 19)	**25,536,077**	22,087,983

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 June 2022

1 General information

Mashreqbank PSC (the "Bank") was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Qatar, the United Kingdom and the United States of America. The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

At 30 June 2022 and 31 December 2021, Mashreqbank PSC Group (the "Group") comprises of the Bank and the following direct subsidiaries:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Principal activity
Subsidiary			
Oman Insurance Company (PSC)	United Arab Emirates	64.46	Insurance & reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00	IT services
Mashreq Securities LLC	United Arab Emirates	100.00	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00	Brokerage and asset & fund management
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80	Islamic finance company
Injaz Services FZ LLC	United Arab Emirates	100.00	Service provider
Invictus Limited	Cayman Islands	100.00	Special purpose vehicle
Al Taqania Employment Services One Person Company LLC	United Arab Emirates	100.00	Employment services
Al Kafaat Employment Services One Person Company LLC	United Arab Emirates	100.00	Employment services
Mashreq for Business Process Support (Sole Person Company)	Egypt	100.00	Employment services
Mashreq Global Services (SMC private) Limited	Pakistan	100.00	Employment services
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00	Trading
IDFAA Payment Services LLC	United Arab Emirates	100.00	Payment service provider
Osool – A Finance Company (PJSC)*	United Arab Emirates	98.00	Finance

**Under liquidation.*

As at 30 June 2022, the Bank had the following associates and joint venture:

Associate			
Emirates Digital Wallet LLC	United Arab Emirates	23.61	Digital wallet service
Depa PLC	United Arab Emirates	24.18	Interior contracting
Joint venture			
Noon Digital Pay LLC	United Arab Emirates	51.00	Digital wallet service

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

2.1 New and revised IFRS adopted in the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, 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.

- **Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16-**

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRS	Effective for annual periods beginning on or after
• **IFRS 17, 'Insurance contracts'** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows. Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in these consolidated financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management has completed the gap analysis in relation to this standard and is currently in the process of performing a detailed assessment of the impact of the above new standard on the Group's consolidated financial statements. Due to the short term nature of the majority of the contracts issued by the Group, the Premium Allocation Approach (PAA) model will be applied and the general model / variable fee approach model will be applied to the insurance contracts that do not meet the PAA eligibility criteria.	1 January 2023

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• **Amendments to IFRS 17, 'Insurance Contracts'**- The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.	1 January 2023
• **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities** - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
• **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 deductible temporary differences.	1 January 2023

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• **Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8,' Accounting policies, changes in accounting estimates and errors'** The IASB amended IAS 1, 'Presentation of Financial Statements', to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

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 Summary of significant accounting policies

3.1 Basis of preparation

This condensed consolidated interim financial information of the Group is prepared under the historical cost basis except for certain financial instruments, including derivatives, investment properties and reserves for unit linked policies which are measured at fair value.

This condensed consolidated interim financial information is prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standard Board ('IASB') and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of this condensed consolidated interim financial information is consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2021.

This condensed consolidated interim financial information does not include all the information and disclosures required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021. In addition, results for the period from 1 January 2022 to 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated financial information.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021. The Bank is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

3.2 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial information of the Bank and entities controlled by the Bank. 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 the subsidiaries as disclosed in Note 1. The financial information of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

3 Summary of significant accounting policies (continued)

3.3 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

For financial assets or financial liabilities not at fair value through profit or loss, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus transactions costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fee and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (‘ECL’) is recognized for financial assets measured at amortised cost and investment in debt instruments measured as FVTOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an ‘equity instrument’ if it is a non-derivative and meets the definition of ‘equity’ for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are ‘debt instruments’. Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans and government and corporate bonds.

Debt instruments, including loans and advances and Islamic financing and investments products, are measured at amortised cost if both of the following conditions are met:

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
(ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

3 Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets (continued)

All other financial assets are subsequently measured at fair value.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized.

- Fair value through other comprehensive income ('FVTOCI'): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movement in carrying amount are taken through Other Comprehensive Income ('OCI'), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net investment income'.

- Fair value through profit or loss ('FVTPL'): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Net investment income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'.

3 Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

3 Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets (continued)

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

Amortised cost and effective interest method

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

3 Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

(i) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(ii) Modification of loans

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

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

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

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

3 Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

(ii) Modification of loans (continued)

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownerships, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

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

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

3.4 Financial liabilities

Classification and subsequent measurement

Financial liabilities (including deposits and balances due to banks, repurchase agreements with banks, medium term loans and customer deposits) are initially recognised at fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

3 Summary of significant accounting policies (continued)

3.4 Financial liabilities (continued)

Classification and subsequent measurement (continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby for financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

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

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

3.5 Financial guarantee contracts and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance.

3 Summary of significant accounting policies (continued)

3.6 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the condensed consolidated interim statement of profit or loss;
- for financial assets that are monetary items and designated as at FVTOCI, any foreign exchange component is recognized in consolidated statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVTOCI, any foreign exchange component is recognised in the consolidated statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

3.7 Islamic financing and investment products

In addition to conventional banking products, the Group offers its customers certain non-interest based banking products, which are approved by its Shari'ah Supervisory Board.

Any conventional terminologies that are used only for reasons of legal requirement, explanation and/or clarity will be considered as replaced with its Shari'ah compliant equivalent and will not impact the Islamic products or documentation in terms of their Shari'ah compliance. All Islamic banking products are accounted for in conformity with the accounting policies described below:

(i) Accounting policy

Islamic financing and investing products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income.

The effective profit rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Allowance for impairment is made against Islamic financing and investing products is measured in accordance with note 3.3(i). Islamic financing and investing products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(ii) Revenue recognition policy

Income from Islamic financing and investing assets are recognised in the condensed consolidated statement of profit or loss using the effective profit method.

3 Summary of significant accounting policies (continued)

3.7 Islamic financing and investment products (continued)

(ii) Revenue recognition policy (continued)

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(iii) Islamic customers' deposits and distributions to depositors

Islamic customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Distributions to depositors (Islamic products) are calculated according to the Group's standard procedures and are approved by the Group's Sharia'a Supervisory Board.

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair value of investment properties are included in the condensed consolidated statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed consolidated profit or loss in the period in which the property is derecognised.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3 Summary of significant accounting policies (continued)

3.9 Leasing

The group leases various branches, offices and premises for ATMs. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.10 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021, except for those matters described in note 4.2.

3.11 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and other balances with the Central Bank of the UAE (excluding statutory reserve) and money market placements which are maturing within three months from the value date of the deposit or placement. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4 Risk management

4.1 Credit risk

Credit risk is the risk of suffering a financial loss as a result of any of the Group's customers failing or unwilling to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to credit risk arising from investments in debt instruments, derivatives as well as settlement balances with market counterparties.

The Chief Credit Officer ("CCO") of the Group is responsible for overseeing all aspects of credit risk management supported by a team of experienced and trained credit managers. The CCO and credit managers have delegated authority within the risk management framework to approve credit transactions and manage credit risk on an ongoing basis.

Credit risk is the most material risk from the Group's business of extending loans and advances (including loan commitments, letters of credit and letters of guarantee) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. Credit risk management and controls are centralized under the CCO function with ongoing governance and monitoring exercised by the Board Risk Committee ("BRC"), Board Credit Committee ("BCC") and Enterprise Risk Committee ("ERC").

Specifically, the BCC reviews and approves credit proposals that are beyond lending authorities delegated to management by the Board of Directors. In addition, BRC and BCC monitor key elements of the Bank's credit risk profile relative to the Bank's risk appetite. The Board Committees are supported by ERC through detailed review and monitoring of credit portfolio, including exposure concentrations.

An Early Alert Committee ("EAC") is also in place to review and proactively identify potential problematic exposures within Corporate and Investment Banking ("CIBG") and International Banking ("IBG") business groups and determine appropriate strategies. The EAC, along with the IFRS 9 Forum (a forum in place to oversee all aspects of the Group's IFRS 9 framework), plays an important role in ensuring that credit fundamentals are linked to determination of Significant Increase in Credit Risk (SICR) and staging for IFRS 9 purposes.

4.1 Credit risk (continued)

(i) The following tables explains the changes in the gross carrying for loans and advances (including Islamic financing and investment products) measured at amortised cost:

	30 June 2022 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in million)			
Gross carrying amount as at 1 January	**76,511**	**6,262**	**5,434**	**88,207**
Transfers				
Transfer from Stage 1 to Stage 2	**(2,307)**	**2,307**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(122)**	**-**	**122**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(307)**	**307**	**-**
Transfer from Stage 3 to Stage 2	**-**	**422**	**(422)**	**-**
Transfer from Stage 2 to Stage 1	**1,550**	**(1,550)**	**-**	**-**
New financial assets originated	**43,024**	**-**	**-**	**43,024**
Repayments and other movements	**(31,998)**	**(2,722)**	**168**	**(34,552)**
Write-offs	**-**	**-**	**(390)**	**(390)**
Gross carrying amount as at 30 June	**86,658**	**4,412**	**5,219**	**96,289**

	31 December 2021 (audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in million)			
Gross carrying amount as at 1 January	67,109	5,598	4,637	77,344
Transfers	-	-	-	-
Transfer from Stage 1 to Stage 2	(3,974)	3,974	-	-
Transfer from Stage 1 to Stage 3	(223)	-	223	-
Transfer from Stage 2 to Stage 3	-	(975)	975	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	82	(82)	-	-
New financial assets originated	46,689	-	-	46,689
Repayments and other movements	(33,172)	(2,253)	629	(34,796)
Write-offs	-	-	(1,030)	(1,030)
Gross carrying amount as at 31 December	76,511	6,262	5,434	88,207

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 June 2022 (continued)

4 Risk management (continued)

4.1 Credit risk (continued)

ii) The following tables explain the changes in the loss allowance for loans and advances (including Islamic financing and investment products) measured at amortised cost:

	30 June 2022 (un-audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total ECL
	AED (in million)			
Loss allowance as at 1 January	**563**	**1,247**	**4,911**	**6,721**
Transfers				
Transfer from Stage 1 to Stage 2	**(108)**	**108**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(46)**	**-**	**46**	**-**
Transfer from Stage 2 to Stage 1	**29**	**(29)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(68)**	**68**	**-**
Transfer from Stage 3 to Stage 2	**-**	**92**	**(92)**	**-**
New financial assets originated	**344**	**-**	**-**	**344**
Changes in PDs/LGDs/EADs	**(121)**	**78**	**(18)**	**(61)**
Write-offs	**-**	**-**	**(390)**	**(390)**
Loss allowance as at 30 June	**661**	**1,428**	**4,525**	**6,614**

	31 December 2021 (audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total ECL
	AED (in million)			
Loss allowance as at 1 January	615	2,287	2,909	5,811
Transfers				
Transfer from Stage 1 to Stage 2	(152)	152	-	-
Transfer from Stage 1 to Stage 3	(15)	-	15	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-
Transfer from Stage 2 to Stage 3	-	(748)	748	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated	328	-	-	328
Changes in PDs/LGDs/EADs	(214)	(443)	2,269	1,612
Write-offs	-	-	(1,030)	(1,030)
Loss allowance as at 31 December	563	1,247	4,911	6,721

4 Risk management (continued)

4.1 Credit risk (continued)

iii) The credit risk exposures relating to on-balance sheet items (excluding loans and advances and Islamic financing and investment products) are as follows:

	30 June 2022 (un-audited)			
Due from banks	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in million)			
Investment-grade	**5,267**	**53**	**-**	**5,320**
BB+ & below	**13,329**	**868**	**-**	**14,197**
Unrated	**11,790**	**2,108**	**36**	**13,934**
	30,386	**3,029**	**36**	**33,451**
Loss allowance	**(81)**	**(27)**	**(18)**	**(126)**
	30,305	**3,002**	**18**	**33,325**

	31 December 2021 (audited)			
Due from banks	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in million)			
Investment-grade	5,765	73	-	5,838
BB+ & below	12,104	1,360	-	13,464
Unrated	8,115	1,477	79	9,671
	25,984	2,910	79	28,973
Loss allowance	(92)	(15)	(61)	(168)
	25,892	2,895	18	28,805

Exposures of AED 2.3 billion were transferred from stage 1 to 2 during the six month period ended 30 June 2022. There were no other transfers between stages during the period ended 30 June 2022.

	30 June 2022 (un-audited)			
***Other financial assets measured at amortised cost and FVTOCI* (debt securities)**	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in million)			
Investment-grade	**16,947**	**-**	**-**	**16,947**
BB+ & below	**4,657**	**-**	**-**	**4,657**
Unrated	**366**	**-**	**2**	**368**
	21,970	**-**	**2**	**21,972**
Loss allowance	**(49)**	**-**	**(2)**	**(51)**
	21,921	**-**	**-**	**21,921**

4 Risk management (continued)

4.1 Credit risk (continued)

Other financial assets measured at amortised cost and FVTOCI **(debt securities)**	31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	AED (in million)			
Investment-grade	14,129	-	-	14,129
BB+ & below	4,201	-	-	4,201
Unrated	5,456	-	2	5,458
	23,786	-	2	23,788
Loss allowance	(27)	-	(2)	(29)
	23,759	-	-	23,759

There were no transfers between stages during the period ended 30 June 2022.

	30 June 2022 (un-audited)			
	Stage 1	Stage 2	Stage 3	
Other assets	12-month	Lifetime	Lifetime	Total
	AED (in million)			
Other assets	**-**	**594**	**447**	**1,041**
Loss allowance	**-**	**(14)**	**(424)**	**(438)**
Carrying amount	**-**	**580**	**23**	**603**

	31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	
Other assets	12-month	Lifetime	Lifetime	Total
	AED (in million)			
Other assets	-	567	435	1,002
Loss allowance	-	(20)	(420)	(440)
Carrying amount	-	547	15	562

There were no transfers between stages during the period ended 30 June 2022.

4 Risk management (continued)

4.1 Credit risk (continued)

	30 June 2022 (un-audited)			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in million)			
Acceptances	**10,568**	**115**	**-**	**10,683**
Loss allowance	**(14)**	**(1)**	**-**	**(15)**

	31 December 2021 (audited)			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in million)			
Acceptances	14,137	204	-	14,341
Loss allowance	(26)	(4)	-	(30)

Exposures of AED 104 million were transferred from stage 1 to 2 during the six month period ended 30 June 2022. There were no other transfers between stages during the period ended 30 June 2022.

4 Risk management (continued)

4.1 Credit risk (continued)

(iv) The following tables explains the changes in the balances for off-balance sheet items (LC, LGs and commitments):

	30 June 2022 (un-audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in million)			
As at 1 January	**50,120**	**6,081**	**1,241**	**57,442**
Transfers				
Transfer from Stage 1 to Stage 2	**(2,672)**	**2,672**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(63)**	**63**	**-**
Transfer from Stage 3 to Stage 2	**-**	**3**	**(3)**	**-**
Transfer from Stage 2 to Stage 1	**153**	**(153)**	**-**	**-**
New contracts originated	**19,229**	**-**	**-**	**19,229**
Other movements	**(14,735)**	**(2,617)**	**(139)**	**(17,491)**
As at 30 June	**52,095**	**5,923**	**1,162**	**59,180**

	31 December 2021 (audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in million)			
As at 1 January	49,114	4,258	2,382	55,754
Transfers				
Transfer from Stage 1 to Stage 2	(3,810)	3,810	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(16)	16	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	182	(182)	-	-
New contracts originated	20,879	-	-	20,879
Other movements	(16,245)	(1,789)	(1,157)	(19,191)
As at 31 December	50,120	6,081	1,241	57,442

4 Risk management (continued)

4.1 Credit risk (continued)

v) The following tables explain the changes in the loss allowance for LC, LGs, commitments and acceptances:

	30 June 2022 (un-audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total ECL
	AED (in million)			
As at 1 January	**88**	**42**	**409**	**539**
Transfers				
Transfer from Stage 1 to Stage 2	**(5)**	**5**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(3)**	**3**	**-**
Transfer from Stage 2 to Stage 1	**1**	**(1)**	**-**	**-**
New financial assets originated	**29**	**-**	**-**	**29**
Changes in PDs/LGDs/EADs	**(40)**	**(7)**	**260**	**213**
As at 30 June	**73**	**36**	**672**	**781**

	31 December 2021 (audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total ECL
	AED (in million)			
As at 1 January	92	52	325	469
Transfers				
Transfer from Stage 1 to Stage 2	(14)	14	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-
New financial assets originated	69	-	-	69
Changes in PDs/LGDs/EADs	(62)	(21)	84	1
As at 31 December	88	42	409	539

4 Risk management (continued)

4.2 Risk management in the current economic scenario

Economic fallout from COVID-19 crisis has now mostly been contained through the advent of global vaccination drives along with targeted economic measures. With infection and death rates now coming under control, lockdown and other restrictions have eased, which has in turn led to a return of normalcy and a pick-up in economic activity. While the Group continues to closely monitor the situation and work closely with clients to work through any residual elements of COVID-19 related stresses, it is management's view that economic risks associated with the pandemic have moderated to a great extent at present.

In addition, the Group continues to closely monitor and manage, as required, direct and indirect exposure from the ongoing geopolitical situation. The group is cognizant of the regional economic impacts resulting from global inflationary pressures and monetary policy tightening and has been actively managing down exposure to countries that are most susceptible.

Impact of current Macroeconomic environment on measurement of ECL

The Group has robust governance in place to ensure appropriateness of the IFRS 9 framework and resultant Expected Credit Loss ("ECL") estimates at all times. Specifically, all aspects of the IFRS 9 framework are overseen by the ERC and a dedicated IFRS 9 Forum ("the forum"). The forum is chaired by the Head of Enterprise Risk Management with participation from business, Finance, credit & risk management departments. The Group, through the forum, reviews the appropriateness of inputs and methodology for IFRS 9 ECL on an ongoing basis.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in macroeconomic environment, risk profile as well as any actual and expected increase in credit risk.

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

With respect to monitoring of COVID-19 impacts, the Group continues to:

(i) Classify clients benefitting from payment deferrals into two groups; (a) Group 1: clients those are temporarily and mildly impacted; and (b) Group 2: clients that are significantly impacted and potential stage migrations; and

(ii) Revise to IFRS 9 model inputs pertaining to macroeconomic forecasts in case the situation demands;

Grouping of clients have been carried out based on an assessment of Significant Increase in Credit Risk ("SICR") for clients benefiting from payment deferrals. The Group has applied knowledge of its clients and judgement in assessing SICR and whether the impact of COVID-19 is temporary or longer term. Specifically, clients that are expected to face liquidity constraints without substantial changes in their creditworthiness have been classified in Group 1. For these clients, the Group holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. On the other hand, clients that are expected to face substantial changes in their creditworthiness beyond liquidity issues have been classified as Group 2. Ultimately grouping of borrowers assists in determining whether a stage migration is warranted. As at 30 June 2022, the proportion of clients benefitting from deferrals along with their exposures and ECL is as follows:

	Total	**Group 1**		**Group 2**	
Sector	**Total gross carrying amount**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
		AED (in million)			
Manufacturing	**16,456**	**14**	**-**	**-**	**-**
Construction	**8,671**	**905**	**38**	**32**	**-**
Trade	**16,104**	**325**	**3**	**4**	**-**
Transport and communication	**3,297**	**100**	**3**	**-**	**-**
Services	**11,911**	**2,047**	**7**	**-**	**-**
Financial institutions	**3,777**	**-**	**-**	**-**	**-**
Personal*	**14,540**	**1,419**	**53**	**-**	**-**
Residential mortgage*	**9,109**	**1,614**	**26**	**-**	**-**
Government and related enterprises	**14,509**	**67**	**-**	**-**	**-**
	98,374	**6,491**	**130**	**36**	**-**

*The above categories of "Personal" and "Residential Mortgage" mainly comprises of Retail portfolio of the Bank.

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

Impact of current Macroeconomic environment on measurement of ECL

The Bank has deferred payments for customers in line with the economic relief programs announced in the countries, where the Bank operates. Due to the payment deferrals, the contractual cashflows from these credit exposures (totaling to AED 149 million) have been modified and in accordance with IFRS 9 requirements the Group has recognized a modification loss of AED 1 million, which is included as part of the ECL disclosed in note 4.1.

With respect to the Russia and Ukraine conflict, a significant majority of the Group's exposure to Russia and Ukraine is to Financial Institution in these countries. The Group had implemented a credit Judgmental Overlay ("JO") of AED 19 million within the Group's ECL in Q1 2022. The credit JO has been discontinued in Q2 2022 as heightened stress in these countries is now reflected in the credit ratings of the respective borrowers and the resultant ECL. The Group continues to monitor the day-to-day situation of the crisis and is actively managing any direct exposure.

Reasonableness of ECL estimates

The Group performs historical analysis to determine key economic variables that impact credit risk across different portfolios. Macroeconomic forecasts[1] for these economic variables are used to estimate risk parameters (PD and LGD) on a forward-looking basis for all borrowers and instruments that are in scope of IFRS 9 ECL framework. In accordance with IFRS 9 requirements, the Group estimates these risk parameters under optimistic, base and pessimistic scenarios with representative weights used to measure ECL. The models have been refreshed with latest macro-economic data for the period ended 30 June 2022.

From a sensitivity analysis point of view, if the pessimistic scenario was changed by +10% / -10%, ECL would change by +/- AED 19 million.

[1] The Bank utilizes 'Abu Dhabi Stock Index', 'Annual change in UAE Current Account to GDP Ratio', 'UAE Budget expenditure as a% of GDP', 'Oil Price', 'World Industrial Production Growth' and 'World GDP growth' as leading macroeconomic variables, amongst others, within the Bank's IFRS 9 models. Values for these have changed by + 22%, +120%, -5%, 107%, 8% and -48.8% respectively under the adverse scenario for year 1 relative to previous quarter projections. Normalized scenario probability used by the Bank is based on 60% base, 20% optimistic and 20% pessimistic scenario probability.

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

Liquidity management

The effects of the COVID-19 crisis on the economy continue to be felt by the UAE banks. The gradual recovery in the oil prices along with renewed access to the international capital markets by GCC sovereigns and financial institutions however, have eased the concerns regarding GCC Governments' finances and banking sector's liquidity. In this environment, the Group has taken measures to manage its liquidity carefully. The Bank's ALCO meets regularly with primary focus on monitoring cash flows and forecasts, across all jurisdictions in which the Bank operates. The Bank has strengthened its liquidity buffer significantly through raising deposits.

The CBUAE has adopted a proactive approach in order to ensure flow of credit to the economy, especially to sectors severely impacted by the COVID-19 crisis. The CBUAE announced a comprehensive Targeted Economic Support Scheme ("TESS") effective from 15 March 2020, allowing UAE Banks to access zero cost funding and pass on the benefit to their clients through Principal and Interest deferrals. CBUAE also reduced Reserve Requirement against CASA balances, providing an immediate boost to UAE Banks' liquidity. CBUAE also reduced Reserve Requirement against CASA balances, providing an immediate boost to UAE Banks' liquidity. In order to allow banks to deploy the liquidity thus released, the liquidity ratios' (LCR and ELAR) minimum threshold was reduced by 30%. Given the increase in economic activity and stability of the financial system, CBUAE is starting a gradual and well calibrated withdrawal of some of the TESS facilities, which is scheduled to be concluded by mid of 2022.

The combination of above measures by the CBUAE along with prudent liquidity management by the Bank, has helped to ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption. Recently, while high inflation readings as well as the Russia Ukraine crisis negatively impacted US and European capital markets, they have not had a discernable impact on liquidity in the UAE due to the accompanying rise in oil prices and the increase in Government and Related Enterprises ("GRE") cash balances.

LIBOR transition

The Group is actively preparing for the transition to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which includes representatives from Risk, Finance, Technology, Legal, Marketing and relevant business units. In line with the disclosures in the financial statements for the year ended 31 December 2021, the Group's transition program has commenced and will be running until the final publication date of LIBOR on 30 June 2023.

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

LIBOR transition (continued)

Financial instruments impacted by IBOR reform

The exposures impacted by the LIBOR Transition reference USD LIBOR are summarized in the table below. None of these instruments had been transitioned to an Alternative Reference Rate (SOFR) as at 30 June 2022.

	30 June 2022
	AED (in million)
Non-derivative financial assets	**26,995**
Non-derivative financial liabilities	**1,248**
Derivatives	**27,054**

As at 30 June 2022, the Group did not hold any off-balance sheet commitments and financial guarantees linked to LIBOR.

Hedge accounting

The Group did not enter into any any LIBOR-linked hedging instruments since January 2022. The existing contracts are due from transition on 30 June 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2022 to 30 June 2022 (continued)

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

Insurance subsidiary of the Group

On 10 February 2022, Oman Insurance's Syndicate 2880 received Lloyd's approval to commence underwriting. Syndicate 2880 was launched under the Syndicate-in-a-box initiative (SIAB) and will operate on the Lloyd's platform under the Dubai International Financial Centre (DIFC). As part of SIAB arrangement, Oman Insurance has also incorporated "OIC Corporate Member Limited", a private limited company in England and Wales, United Kingdom as a fully owned subsidiary of Oman Insurance Company P.S.C. ("OIC").

As part of SIAB arrangement, OIC on behalf of 'OIC Corporate Member Limited' has pledged certain bonds having nominal value of USD 27.73 million to be held at Lloyd's deposit with the beneficial ownership remains with OIC. Net book value of these bonds is AED 111.53 million as at 30 June 2022.

Additionally, on 23 February 2022, OIC and ASSICURAZIONI GENERALI S.p.A acting through its branch office in the UAE ("Generali UAE") signed an agreement to transfer the life insurance portfolio of Generali UAE to OIC. This portfolio transfer is expected to be completed in Q3 2022 subject to the necessary required regulatory approvals.

Also on 4 March 2022, a share sale and purchase agreement was signed between Oman Insurance Company P.S.C. (OIC) and and VHV Reasürans A.Ş. - Istanbul, Turkey (a company of VHV Group - Hannover, Germany) for OIC to fully sell 100% shareholding in the Group's subsidiary Dubai Sigorta A.Ş., Turkey. The Company completed the transaction for the sale of its subsidiary, Dubai Sigorta A. Ş. after obtaining regulatory approval and subsequently shares were transferred on 14 June 2022 for a cash consideration of USD 26.64 million (AED 97.84 million).

The details of the sale of the subsidiary is as follows:

	As at 14 June 2022 AED'000
Cash consideration received	**97,835**
Carrying amount of net assets sold	**(32,041)**
Carrying amount of goodwill	**(2,751)**
Gain on sale before reclassification of foreign currency translation reserve	**63,043**
Reclassification of foreign currency translation reserve	**(89,003)**
Loss on sale of a subsidiary recognised in condensed consolidated income statement	**(25,960)**

4 Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

Insurance subsidiary of the Group (continued)

The carrying amounts of assets and liabilities were:

	As at 14 June 2022 AED'000
Assets	249,040
Liabilities	(216,999)
Net assets value	**32,041**

Net cash flows on sale of a subsidiary:

	As at 14 June 2022 AED'000
Consideration received in cash and cash equivalents	97,835
Less: Cash and cash equivalent balances disposed	(47,652)
Net cash inflow	**50,183**

4 Risk management (continued)

4.3 Compliance risk

Contingent liabilities

In 2015, the Bank became aware that certain historical US dollar payment processing activities involving Sudan may have potentially breached US sanction laws in effect at the time. The Bank proactively cooperated with the UAE and the US regulators and appointed external legal advisors to assist in the review of these transactions, which occurred prior to March 2009, including compliance with US sanction laws as well as its own compliance processes. In 2018, the Bank formally submitted the findings of the review to the regulators in both the UAE and the US.

During the year ended 31 December 2021 the Bank reached a joint settlement with the Office of Foreign Assets Control (OFAC), the New York State Department of Financial Services (DFS) and the Federal Reserve Board of Governors (FRB). The settlement included a financial penalty of US$100 million to be paid by the Bank to the DFS which was fully provided for and recognised as an expense in the consolidated financial statements for the year ended 31 December 2021. No separate financial penalty was levied by OFAC and FRB.

Dialogue with another US agency on the same matter is ongoing and, based on legal advice, it is premature at this stage to determine if the Bank is likely to be subject to any further penalty or the quantum of the penalty. The Group, on a continuous basis, identifies and assesses such risks, recognizes provisions and considers appropriate disclosure, in consultation with its legal counsel, in accordance with the accounting policy for provisions as disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

6 Other financial assets

(a) The analysis of the Group's other financial assets is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Other financial assets measured at fair value		
(i) Other financial assets measured at fair value through profit and loss (FVTPL)		
Debt securities	**1,698,688**	1,548,129
Equities		
Quoted	**22,945**	37,668
Unquoted	**930**	1,113
Mutual and other funds	**574,704**	686,534
	2,297,267	2,273,444
(ii) Other financial assets measured at fair value through other comprehensive income (FVTOCI)		
Debt securities	**11,341,654**	13,480,719
Equities		
Quoted	**628,751**	577,857
Unquoted	**72,329**	53,589
Mutual and other funds	**57,327**	55,514
	12,100,061	14,167,679
Total other financial assets measured at fair value (A)	**14,397,328**	16,441,123
(iii) Other financial assets measured at amortised cost		
Debt securities	**10,625,021**	10,302,332
Less: Allowance for impairment	**(45,511)**	(24,508)
Total other financial assets measured at amortised cost (B)	**10,579,510**	10,277,824
Total other financial assets [(A) +(B)]	**24,976,838**	26,718,947

6 Other financial assets (continued)

(b) The geographical analysis of other financial assets is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balances within the U.A.E.	**9,441,263**	10,908,883
Balances outside the U.A.E.	**15,581,086**	15,834,572
	25,022,349	26,743,455
Less: Allowance for impairment	**(45,511)**	(24,508)
	24,976,838	26,718,947

(c) During the period from 1 January 2022 to 30 June 2022, dividends received from financial assets measured at FVTOCI amounting to AED 24 million (period ended 30 June 2021: AED 15 million) were recognised as net investment income in the condensed consolidated statement of profit or loss.

(d) At 30 June 2022, certain financial assets measured at amortised cost, financial assets measured at fair value included debt securities with an aggregate carrying value of AED 3,289 million (fair value of AED 3,447 million) [31 December 2021: carrying value of AED 2,890 million (fair value of AED 2,905 million)] which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 2,811 million (31 December 2021: AED 2,288 million).

(e) During the period, the Group has reviewed its portfolio and sold certain other financial assets measured at amortised cost, resulting in a gain of AED 0.02 million (period ended 30 June 2021: gain of AED 50 million) on the sale.

7 Loans and advances measured at amortised cost

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Loans	**71,067,002**	63,354,455
Overdrafts	**6,759,588**	6,465,665
Credit cards	**2,113,369**	1,915,726
Others	**754,471**	790,801
Total	**80,694,430**	72,526,647
Less: Allowance for impairment	**(5,960,581)**	(6,094,077)
	74,733,849	66,432,570

(b) The analysis of loans and advances measured at amortised cost by industry sector is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Manufacturing	**15,092,949**	11,404,850
Construction	**7,319,470**	6,939,219
Trade	**15,201,052**	14,706,291
Transport and communication	**3,128,515**	3,065,888
Services	**9,241,127**	7,368,222
Financial institutions	**2,601,296**	2,532,671
Personal	**8,767,917**	8,196,625
Residential mortgage	**7,800,705**	6,819,805
Government and related enterprises	**11,541,399**	11,493,076
	80,694,430	72,526,647
Less: Allowance for impairment	**(5,960,581)**	(6,094,077)
	74,733,849	66,432,570

7 Loans and advances measured at amortised cost (continued)

(c) The analysis of allowance for impairment on loans and advances measured at amortised cost by industry sector is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Manufacturing	**592,192**	246,502
Construction	**1,904,071**	2,017,902
Trade	**633,707**	684,979
Transport and communication	**423,350**	531,710
Services	**561,416**	660,663
Financial institutions	**5,416**	14,630
Personal	**1,589,794**	1,777,812
Residential mortgage	**189,542**	99,050
Government and related enterprises	**61,093**	60,829
	5,960,581	6,094,077

(d) The movements in the allowance for impairment and suspended interest on loans and advances measured at amortised cost are as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period / year	**6,094,077**	5,403,626
Impairment allowance for the period / year	**127,406**	1,529,908
Interest in suspense	**118,140**	150,359
Exchange rate and other adjustments	**10,677**	39,720
Written off during the period / year	**(389,719)**	(1,029,536)
Balance at the end of the period / year	**5,960,581**	6,094,077

(e) The allowance for impairment includes a specific provision of AED 3,916 million for stage 3 loans of the Group as at 30 June 2022 (31 December 2021: AED 4,347 million).

(f) At 30 June 2022, certain loans and advances measured at amortised cost with an aggregate carrying value of AED 1,332 million (fair value of AED 693 million) [31 December 2021: carrying value of AED 1,332 million (fair value of AED 945 million)] were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 323 million (31 December 2021: AED 441 million).

8 Islamic financing and investment products measured at amortised cost

(a) The analysis of the Group's Islamic financing and investment products measured at amortised cost is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Financing		
Murabaha	**12,457,027**	11,403,396
Ijarah	**4,840,515**	5,344,195
	17,297,542	16,747,591
Investment		
Wakalah	**381,924**	464,826
	381,924	464,826
Total	**17,679,466**	17,212,417
Less: Unearned income	**(2,084,329)**	(1,532,000)
Allowance for impairment	**(653,061)**	(626,963)
	14,942,076	15,053,454

(b) The analysis of Islamic financing and investment products measured at amortised cost by industry sector is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Manufacturing	**1,362,791**	1,878,933
Construction	**1,351,202**	1,875,799
Trade	**903,130**	1,001,147
Transport and communication	**168,380**	291,898
Services	**2,669,601**	2,692,387
Financial institutions	**1,176,123**	1,098,307
Personal	**5,772,148**	4,331,202
Residential mortgage	**1,308,515**	1,202,193
Government and related enterprises	**2,967,576**	2,840,551
Total	**17,679,466**	17,212,417
Less: Unearned income	**(2,084,329)**	(1,532,000)
Allowance for impairment	**(653,061)**	(626,963)
	14,942,076	15,053,454

8 Islamic financing and investment products measured at amortised cost (continued)

(c) The analysis of allowance for impairment on Islamic financing and investment products measured at amortised cost by industry sector is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Manufacturing	**4,999**	7,957
Construction	**412,519**	378,133
Trade	**115,233**	109,196
Transport and communication	**4,529**	7,885
Services	**5,984**	17,002
Financial institutions	**1,865**	3,707
Personal	**12,401**	11,299
Residential mortgage	**42,728**	36,947
Government and related enterprises	**52,803**	54,837
	653,061	626,963

(d) The movement in the allowance for impairment of Islamic financing and investment products measured at amortised cost are as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period / year	**626,963**	407,330
Impairment allowance for the period / year	**26,423**	203,822
Profit in suspense	**(397)**	16,042
Exchange rate and other adjustments	**72**	-
Written off during the period / year	**-**	(231)
Balance at the end of the period / year	**653,061**	626,963

(e) The allowance for impairment includes a specific provision of AED 608 million for stage 3 Islamic financing and investment exposure of the Group as at 30 June 2022 (31 December 2021: AED 564 million).

9 Investment properties

	30 June 2022 (un-audited) AED '000	31 December 2021 (audited) AED '000
At fair value		
Balance at beginning of the period / year	**462,829**	449,715
Change in fair value during the period	**-**	13,114
Balance at the end of the period / year	**462,829**	462,829

All of the Group's investment properties are freehold properties and located in the U.A.E.

The fair value of investment properties as at 31 December 2021 has been arrived at on the basis of valuations carried out by third party valuers and also are in accordance with the Royal Institute of Chartered Surveyor (RICS) Valuation Standards. The valuers performing the valuation have necessary qualifications, skills, understanding and knowledge to undertake the valuation competently and possess recent market experience in the valuation of properties in the United Arab Emirates. The valuers are not related to the Group. The fair value of the Group's investment properties is based on unobservable market inputs, i.e. Level 3. Management has assessed the fair value of investment properties and the carrying value approximates the fair value as at 30 June 2022.

10 Property and equipment

During the period, the Group purchased AED 107 million (period ended 30 June 2021: AED 53 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 13 million (period ended 30 June 2021: AED 4 million).

11 Deposits and balances due to banks

The analysis of deposits and balances due to banks is as follows:

	30 June 2022 (un-audited) AED '000	31 December 2021 (audited) AED '000
Time	**16,212,409**	13,947,840
Demand	**6,414,669**	3,192,445
Overnight	**2,660,150**	2,426,201
	25,287,228	19,566,486

12 Customers' deposits

The analysis of customers' deposits is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Current and other accounts	**59,036,839**	50,248,066
Saving accounts	**5,668,950**	6,109,303
Time deposits	**32,810,577**	30,793,533
	97,516,366	87,150,902

13 Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Current and other accounts	**3,384,846**	3,586,227
Saving accounts	**183,036**	191,227
Time deposits	**8,250,432**	10,554,633
	11,818,314	14,332,087

14 Medium-term loans

	30 June 2022 (un-audited) AED '000	31 December 2021 (audited) AED '000
Medium-term notes	**6,630,270**	7,315,119

The maturities of the medium-term notes (MTNs) issued under the programme are as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Year		
2022	**1,491,103**	2,095,531
2023	**374,398**	389,753
2024	**3,934,042**	3,989,012
2025	**764,767**	799,917
2027	**27,020**	-
2029	**38,940**	40,906
	6,630,270	7,315,119

The Group established a Euro Medium Term Note (EMTN) programme for USD 5 billion (AED 18.37 billion) under an agreement dated 15 March 2010.

During the six month period ended 30 June 2022, medium-term notes of AED 0.7 billion were redeemed.

15 Issued and paid up capital

At the general meeting held on 9 November 2021, the shareholders approved increase in the share capital of the Bank to AED 2,006,098,300 by issuing 23,079,007 bonus shares based on the existing face value of AED 10 per share, which is a non cash transaction.

As at 30 June 2022, 200,609,830 ordinary shares of AED 10 each (31 December 2021: 200,609,830 ordinary shares of AED 10 each) were fully issued and paid up.

At the Annual General Meeting of the shareholders held on 20 April 2022, the shareholders approved a cash dividend of 10% for the year ended 31 December 2021 (31 December 2020: cash dividend of nil) of the issued and paid up capital amounting to AED 201 million.

16 Non-controlling interests

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
At beginning of the period/year	**796,062**	757,680
Share of profit for the period/year	**43,920**	73,508
Share of other comprehensive income for the period/year	**31,601**	12,024
Dividend paid	**(32,826)**	(32,825)
Transaction with NCI	**-**	(14,325)
At end of the year	**838,757**	796,062

17 General and administrative expenses

General and administrative expenses include senior management remuneration and director fees of AED 25 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021 : AED 21 million).

18 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period.

	For the six month period ended	
	30 June 2022 (un-audited)	30 June 2021 (un-audited)
Profit for the period (AED'000) (Attributed to owners of the Parent)	**1,399,201**	85,356
Weighted average number of shares in issue	**200,609,830**	200,609,830
Basic earnings per share (AED)	**6.97**	0.43

In accordance with IAS 33 "Earnings Per Share", the impact of bonus shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented.

There were no potentially dilutive shares as of 30 June 2022 and 30 June 2021.

19 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, certificates of deposits, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as below.

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000	30 June 2021 (un-audited) AED'000
Cash on hand	**1,052,821**	1,027,306	812,208
Current accounts and other balances with central banks	**11,522,420**	9,223,621	7,494,603
Certificates of deposit maturing within 3 months	**2,600,000**	2,800,000	2,000,000
Deposits and balances due from banks maturing within 3 months	**10,360,836**	8,251,111	11,781,172
	25,536,077	21,302,038	22,087,983

20 Contingent liabilities and commitments

The analysis of the Group's contingent liabilities is as follows:

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Guarantees	**33,710,500**	33,706,515
Letters of credit	**18,571,234**	15,785,785
Irrevocable undrawn credit facilities commitments	**6,898,540**	7,950,047
	59,180,274	57,442,347

21 Derivative financial instruments

30 June 2022 (un-audited)

	Positive fair value AED'000	**Negative fair value** AED'000	**Notional Amount** AED'000
Held for trading:			
Forward foreign exchange contracts	**440,655**	**698,852**	**86,248,946**
Foreign exchange options (bought)	**9,729**	**9,766**	**1,082,919**
Foreign exchange options (sold)	**-**	**-**	**514,971**
Credit default swaps	**-**	**242**	**29,384**
Total return swap	**-**	**4**	**514,971**
Interest rate swaps	**1,574,841**	**982,897**	**35,419,621**
Futures contracts purchased (Customer)	**25,137**	**5,582**	**1,134,743**
Futures contracts sold (Customer)	**399**	**222**	**45,851**
Futures contracts sold (Bank)	**243**	**637**	**122,083**
Futures contracts purchased (Bank)	**5,773**	**25,142**	**1,161,036**
	2,056,777	**1,723,344**	**126,274,525**
Held as fair value / cash flow hedges:			
Cross currency swaps	**55,260**	**72,431**	**1,878,232**
	2,112,037	**1,795,775**	**128,152,757**

30 June 2022 (un-audited)

	Level 1 AED'000	**Level 2** AED'000	**Level 3** AED'000	**Total** AED'000
Other assets				
Positive fair value of derivatives	**-**	**2,112,037**	**-**	**2,112,037**
Other liabilities				
Negative fair value of derivatives	**-**	**1,795,775**	**-**	**1,795,775**

21 Derivative financial instruments (continued)

31 December 2021 (audited)

	Positive fair value AED'000	**Negative fair value** AED'000	**Notional amount** AED'000
Held for trading:			
Forward foreign exchange contract	249,452	194,982	56,973,978
Foreign exchange options (bought)	-	336	1,880,243
Foreign exchange options (sold)	513	-	1,622,613
Interest rate swaps	606,997	662,173	34,035,738
Credit default swaps	237	271	55,095
Futures contracts purchased (Customer)	47,450	23,481	1,208,485
Futures contracts sold (Customer)	142	1,301	47,595
Futures contracts purchased (Bank)	1,301	142	47,595
Futures contracts sold (Bank)	23,481	47,451	1,217,320
	929,573	930,137	97,088,662
Held as fair value /cash flow hedges:			
Cross currency swaps	98,613	40,123	1,960,813
	1,028,186	970,260	99,049,475

31 December 2021 (audited)

	Level 1 AED'000	**Level 2** AED'000	**Level 3** AED'000	**Total** AED'000
Other assets				
Positive fair value of derivatives	-	1,028,186	-	1,028,186
Other liabilities				
Negative fair value of derivatives	-	970,260	-	970,260

Derivatives with positive fair value and negative fair value are included in other assets balance and other liabilities balance respectively.

There were no transfers between levels during the period.

22 Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim financial information for the six month periods ended 30 June 2022 and 2021 respectively.

23 Related party transactions

(a) Certain related parties (such as, directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

(b) Related party balances included in the condensed consolidated statement of financial position are as follows:

	30 June 2022 AED'000 (un-audited)	31 December 2021 AED'000 (audited)
Balances with major shareholders		
Loans and advances and islamic financing and investment products measured at amortised cost	**3,325,247**	2,810,150
Deposits/ financial instruments under lien	**925,005**	1,029,236
Letter of credit and guarantees	**1,741,917**	1,854,305
Balances with directors and key management personnel		
Loans and advances and islamic financing and investment products measured at amortised cost	**141,835**	125,107
Deposits/ financial instruments under lien	**288,126**	230,884
Letter of credit and guarantees	**251**	5,369
Balances with associates and joint venture		
Loans and advances and islamic financing and investment products measured at amortised cost	**13,236**	-
Deposits/ financial instruments under lien	**126,483**	-
Letter of credit and guarantees	**147,156**	-

23 Related party transactions (continued)

(c) Profit for the period includes related party transactions as follows:

	30 June 2022 AED'000 (un-audited)	30 June 2021 AED'000 (audited)
Transactions with major shareholders		
Interest income	**32,874**	46,104
Interest expense	**649**	568
Other income	**19,785**	19,148
Transactions with directors and key management personnel		
Interest income	**1,337**	1,139
Interest expense	**46**	47
Other income	**212**	21
Transactions with associates and joint venture		
Interest income	**381**	-
Other income	**715**	-

24 Segmental information

IFRS 8 – *Operating Segments* – requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

24 Segmental information (continued)

Reportable segments (continued)

The Group's reportable segments under IFRS 8 are therefore as follows:

1. Corporate and Investment Banking segment comprises of domestic corporate and commercial banking. It also includes global Financial Institution business. It offers complete suite of corporate banking products such as Trade finance, contracting finance, project finance, investment banking, cash management, correspondent banking, etc.

2. The Retail segment includes products and services offered to individuals or small businesses within U.A.E and Egypt. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking, SME, private banking and wealth management services.

3. The Treasury & Capital Markets segment consists of customer flow business and proprietary business and funding centre management. Customer flow business includes transactions for foreign exchange, derivatives, margin FX, futures, hedging, investment products, domestic equities (brokerage) and asset management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

4. The International Banking segment consists of Corporate business for the Group's overseas banking branches. Product range covers complete suite similar to domestic corporate.

5. All Islamic banking products offered to customers are included under the Islamic Banking segment. These products are Ijarah Home Finance, Mudarabah Deposit, Mudarabah savings account, Musharaka finance, Murabaha commodity finance, Ijarah Equipment Finance, Sukuk Underwriting, Musharaka LC, Murabaha LC, TR Murabaha, Kafala, Wakalah Deposit, Reverse Murabaha Deposit & Sukuk Advisory.

6. The Insurance subsidiary, Oman Insurance Company (PSC) Group – comprises the Insurance segment. The product offerings to customers include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance.

7. Other consists of Head office and certain investments and assets held centrally due to their strategic significance to the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and tax expenses.

24 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2022 to 30 June 2022 (un-audited)							
	Corporate & Investment banking AED'000	**Retail** AED'000	**Treasury & capital markets** AED'000	**Islamic banking** AED'000	**International banking** AED'000	**Insurance** AED'000	**Other** AED'000	**Total** AED'000
Net interest income and earnings from Islamic products	**647,165**	**582,172**	**92,349**	**190,298**	**216,121**	**40,223**	**75,763**	**1,844,091**
Other income, net	**443,287**	**410,962**	**261,485**	**25,192**	**76,634**	**243,416**	**(2,941)**	**1,458,035**
Operating income	**1,090,452**	**993,134**	**353,834**	**215,490**	**292,755**	**283,639**	**72,822**	**3,302,126**
General and administrative expenses								**(1,366,988)**
Operating profit before impairment								**1,935,138**
Allowances for impairment, net								**(465,610)**
Profit before taxes								**1,469,528**
Tax expense								**(26,407)**
Profit for the period								**1,443,121**
Attributed to:								
Owners of the Parent								**1,399,201**
Non-controlling interests								**43,920**
								1,443,121
	30 June 2022 (un-audited)							
Segment Assets	**67,921,443**	**18,533,276**	**41,834,333**	**15,792,504**	**17,086,823**	**7,828,037**	**19,647,559**	**188,643,975**
Segment Liabilities	**61,857,166**	**41,206,507**	**19,196,972**	**13,354,233**	**10,827,887**	**5,622,291**	**15,520,082**	**167,585,138**

24 Segmental information (continued)

Reportable segments (continued)

	Period from 1 January 2021 to 30 June 2021(un-audited)							
	Corporate & Investment banking AED'000	**Retail** AED'000	**Treasury & capital markets** AED'000	**Islamic banking** AED'000	**International banking** AED'000	**Insurance** AED'000	**Other** AED'000	**Total** AED'000
Net interest income and earnings from Islamic products	467,307	453,271	110,232	129,185	193,396	39,533	47,452	1,440,376
Other income, net	361,330	325,825	388,319	35,046	90,284	241,742	(13,062)	1,429,484
Operating income	828,637	779,096	498,551	164,231	283,680	281,275	34,390	2,869,860
General and administrative expenses								(1,220,980)
Operating profit before impairment								1,648,880
Allowances for impairment, net								(1,496,280)
Profit before taxes								152,600
Tax expense								(26,079)
Profit for the period								126,521
Attributed to:								
Owners of the Parent								85,356
Non-controlling interests								41,165
								126,521
	31 December 2021 (audited)							
Segment Assets	61,650,177	17,139,798	40,558,355	15,093,871	14,409,163	7,466,493	20,735,752	177,053,609
Segment Liabilities	51,973,472	36,399,897	17,687,601	15,033,770	12,000,394	5,305,995	17,628,193	156,029,322

25 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Valuation techniques and assumptions applied for the purposes of measuring fair value.

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2021.

Fair value of the Group’s financial assets that are measured at fair value on recurring basis.

Some of the Group’s financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

25 Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Other financial assets	Fair value as at					
	30 June 2022	31 December 2021	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
	(un-audited)	(audited)				
	AED'000	AED'000				
Other financial assets measured at FVTPL						
Quoted debt investments	**286,352**	257,064	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted equity investments	**22,945**	37,668	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted debt investments	**1,412,336**	1,291,065	Level 2	Based on the recent similar transactions in the market	None	Not applicable
Mutual and other funds	**574,704**	686,534	Level 2	Quoted prices in secondary market.	None	Not applicable
Unquoted equity investments	**930**	1,113	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/ historical financial information.	Net assets value	Higher the net assets value of the investees, higher the fair value.
	2,297,267	2,273,444				

25 Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Other financial assets	**Fair value as at**					
	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Other financial assets measured at FVTOCI						
Quoted equity investments	**628,751**	577,857	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted debt investments	**545,771**	559,930	Level 3	Based on the recent similar transactions in the market.	None	Not applicable
Quoted debt investments	**10,795,883**	12,920,789	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity investments	**72,329**	53,589	Level 3	Comparable sales transactions with appropriate haircut, Discounted cash flows (DCF) and for very insignificant assets, net assets as per financial statements.	1. Hair cut for comparable transactions. 2. Interest rate	1. Changes in hair cut for comparable sales transactions will directly impact fair value. 2. Interest rate changes in DCF will directly impact the fair valuation calculation.
Mutual and other funds	**57,327**	55,514	Level 2	Quoted prices in secondary market.	None	Not applicable.
	12,100,061	14,167,679				
	14,397,328	16,441,123				

There were no transfers between Level 1 and 2 during the period.

25 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTPL

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period / year	**1,113**	1,112
Change in fair value	**(183)**	1
Balance at the end of the period / year	**930**	1,113

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balance at the beginning of the period / year	**613,519**	615,541
Purchases	**12,856**	7,933
Disposals	**(55)**	(1,118)
Change in fair value	**(8,220)**	(8,837)
Balance at the end of the period / year	**618,100**	613,519

Gains and losses included in condensed consolidated statement of comprehensive income include unquoted investments in equity instruments held at the end of the reporting period and are reported as changes of 'investment revaluation reserve'.

26 Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 30 June 2022 is 13% inclusive of capital conservation buffer of 2.5%. However, as per the standards for issued by CBUAE for TESS program due to the COVID-19 crisis, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% without supervisory consequences, effective from 15 March 2020 until 30 June 2022.

The Bank is required to comply with the following minimum requirement:

(i) CET1 must be at least 7% of risk weighted assets (RWA);
(ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
(iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA).
(iv) In addition, banks are required to maintain a capital conservation buffer (CCB) of 2.5% of risk weighted assets (RWA) in the form of CET 1.

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank as per Basel III.

	30 June 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Capital base		
Tier 1 capital	**19,967,714**	19,785,886
Tier 2 capital	**1,851,670**	1,693,975
Total capital base (A)	**21,819,384**	21,479,861
Risk-weighted assets		
Credit risk	**148,133,612**	135,518,028
Market risk	**3,291,255**	3,206,199
Operational risk	**9,444,817**	9,444,817
Total risk-weighted assets (B)	**160,869,684**	148,169,044
Capital adequacy ratio (%) [(A)/(B) x 100]	**13.56%**	14.50%

27 Subsequent events

Subsequent to the six-month period ended 30 June 2022, the Bank issued US$ 300 million (AED 1,101.9 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in 2027. Following the AT1 issuance, the Group's capital adequacy ratio is 14.25%.

28 Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information on pages 2 to 63 were approved by the Board of Directors on 20 July 2022.