

Mashreqbank PSC Group

**Condensed consolidated interim
financial information for the period from
1 January 2023 to 31 March 2023**

Mashreqbank PSC Group

Condensed consolidated Interim Financial Information for the period from 1 January 2023 to 31 March 2023

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Mashreqbank PSC
Dubai
United Arab Emirates

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 31 March 2023 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this 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 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The consolidated financial statements of the Group for the year ended as at 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 January 2023. The interim financial information of the Group for the three-month period ended 31 March 2022 was reviewed by another auditor who expressed an unmodified conclusion on that information on 27 April 2022.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No.: 872
27 April 2023
Dubai
United Arab Emirates

**Condensed consolidated statement of financial position
as at 31 March 2023**

	Notes	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) (Restated) AED'000
ASSETS			
Cash and balances with central banks		33,810,276	31,435,930
Deposits and balances due from banks		31,082,977	28,846,448
Other financial assets measured at fair value	6	17,275,788	10,429,765
Other financial assets measured at amortised cost	6	11,197,409	16,422,947
Loans and advances measured at amortised cost	7	76,776,315	75,630,344
Islamic financing and investment products measured at amortised cost	8	14,333,155	14,672,897
Acceptances		6,413,187	9,310,974
Other assets		5,611,913	5,987,778
Reinsurance contract assets		2,635,461	2,373,692
Investment in associate		36,498	43,633
Investment properties	9	464,840	464,840
Property and equipment	10	1,363,947	1,395,485
Intangible assets		231,691	230,667
Total assets		201,233,457	197,245,400
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances due to banks	11	30,852,042	28,399,456
Repurchase agreements with banks		460,110	1,926,182
Customers' deposits	12	106,305,688	98,827,322
Islamic customers' deposits	13	13,856,175	14,978,941
Acceptances		6,413,187	9,310,974
Other liabilities		7,469,612	7,620,581
Medium-term loans	14	4,923,191	5,223,565
Subordinated debt	29	1,831,027	1,831,027
Insurance contract liabilities		4,896,849	4,618,473
Total liabilities		177,007,881	172,736,521
EQUITY			
Capital and reserves			
Issued and paid up capital	15	2,006,098	2,006,098
Tier 1 capital notes	28	1,101,900	1,101,900
Statutory and legal reserves		1,027,494	1,027,494
General reserve		312,000	312,000
Currency translation reserve		(128,917)	(130,804)
Investments revaluation reserve		(1,865,004)	(1,813,781)
Retained earnings		20,860,782	21,096,589
Equity attributable to owners of the Parent including noteholders of the Group		23,314,353	23,599,496
Non-controlling interests	16	911,223	909,383
Total equity		24,225,576	24,508,879
Total liabilities and equity		201,233,457	197,245,400

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
Chairman


Ahmed Abdelaal
Group Chief Executive Officer

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

**Condensed consolidated statement of profit or loss
for the three month period ended 31 March 2023**

	Notes	31 March 2023 (Unaudited) AED '000	31 March 2022 (Unaudited) (Restated) AED '000
Interest income		2,584,002	1,119,872
Income from Islamic financing and investment products		266,708	122,986
Total interest income and income from Islamic financing and investment products		2,850,710	1,242,858
Interest expense		(985,141)	(374,128)
Distribution to depositors - Islamic products		(119,318)	(40,962)
Net interest income and income from Islamic products net of distribution to depositors		1,746,251	827,768
Fee and commission income		1,188,618	970,096
Fee and commission expense		(605,347)	(613,734)
Net fee and commission income		583,271	356,362
Net investment income		18,444	17,845
Other income, net		171,859	301,553
Operating income		2,519,825	1,503,528
General and administrative expenses	17	(760,730)	(605,698)
Operating profit before impairment		1,759,095	897,830
Allowances for impairment, net		(96,260)	(228,408)
Profit before tax		1,662,835	669,422
Tax expense		(28,422)	(29,952)
Profit for the period		1,634,413	639,470
Attributable to:			
Owners of the Parent		1,610,038	612,182
Non-controlling interests		24,375	27,288
		1,634,413	639,470
Earnings per share (AED)	18	8.03	3.05

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

**Condensed consolidated statement of other comprehensive income
for the period from 1 January 2023 to 31 March 2023**

	31 March 2023 (Unaudited) AED'000	31 March 2022 (Unaudited) (Restated) AED'000
Profit for the period	1,634,413	639,470
<i>Other comprehensive income/(loss)</i>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	16,051	70,887
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in currency translation reserve	1,888	(14,635)
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	(50,378)	(505,064)
Total other comprehensive loss for the period	(32,439)	(448,812)
Total comprehensive income for the period	1,601,974	190,658
<u>Attributed to:</u>		
Owners of the Parent	1,567,176	147,302
Non-controlling interests	34,798	43,356
	1,601,974	190,658

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

**Condensed consolidated statement of changes in equity
for the period from 1 January 2023 to 31 March 2023**

	Issued and paid up capital	Tier 1 capital notes	Statutory and legal reserves	General reserve	Currency translation reserve	Investments revaluation reserve	Retained earnings	Equity attributable to owners of the Parent	Non- controlling interests	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2022 “as previously reported”	2,006,098	-	1,012,320	312,000	(116,116)	(547,489)	17,561,412	20,228,225	796,062	21,024,287
Changes on initial application of IFRS17 (Note 2.1)	-	-	-	-	-	-	32,706	32,706	18,030	50,736
Balance at 1 January 2022 (Restated)	2,006,098	-	1,012,320	312,000	(116,116)	(547,489)	17,594,118	20,260,931	814,092	21,075,023
Profit for the period (Restated)	-	-	-	-	(12,467)	(452,413)	612,182	612,182	27,288	639,470
Other comprehensive income/(loss)	-	-	-	-	(12,467)	(452,413)	-	(464,880)	16,068	(448,812)
Total comprehensive (loss)/income for the period	-	-	-	-	(12,467)	(452,413)	612,182	147,302	43,356	190,658
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	9,501	(9,501)	-	-	-
Balance at 31 March 2022 (Unaudited) (Restated)	2,006,098	-	1,012,320	312,000	(128,583)	(990,401)	18,196,799	20,408,233	857,448	21,265,681
Balance at 1 January 2023 “as previously reported”	2,006,098	1,101,900	1,027,494	312,000	(130,804)	(1,813,781)	21,038,417	23,541,324	877,315	24,418,639
Changes on initial application of IFRS17 (Note 2.1)	-	-	-	-	-	-	58,172	58,172	32,068	90,240
Balance at 1 January 2023 (Restated)	2,006,098	1,101,900	1,027,494	312,000	(130,804)	(1,813,781)	21,096,589	23,599,496	909,383	24,508,879
Profit for the period	-	-	-	-	-	-	1,610,038	1,610,038	24,375	1,634,413
Other comprehensive income/(loss)	-	-	-	-	1,887	(44,749)	-	(42,862)	10,423	(32,439)
Total comprehensive (loss)/income for the period	-	-	-	-	1,887	(44,749)	1,610,038	1,567,176	34,798	1,601,974
Payment of dividends (Note 15)	-	-	-	-	-	-	(1,805,488)	(1,805,488)	(32,958)	(1,838,446)
Coupon payment to Tier 1 note holders	-	-	-	-	-	-	(46,831)	(46,831)	-	(46,831)
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	(6,474)	6,474	-	-	-
Balance at 31 March 2023 (Unaudited)	2,006,098	1,101,900	1,027,494	312,000	(128,917)	(1,865,004)	20,860,782	23,314,353	911,223	24,225,576

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 2023 to 31 March 2023**

	31 March 2023 (Unaudited) AED '000	31 March 2022 (Unaudited) (Restated) AED '000
<i>Cash flows from operating activities</i>		
Profit before taxation for the period	1,662,835	669,422
<i>Adjustments for:</i>		
Depreciation and amortisation	61,757	61,152
Allowances for impairment, net	96,260	252,141
Gain on disposal of property and equipment	(23)	(1,157)
Unrealised (gain)/loss on other financial assets held at FVTPL	(9,905)	11,892
Net realized gain from sale of other financial assets measured at FVTPL	(26,006)	(6,574)
Dividend income from other financial assets measured at FVTOCI	(19,771)	(9,404)
Net realised loss/(gain) from sale of other financial assets measured at amortised cost/FVTOC	37,613	(13,519)
Unrealised loss/(gain) on derivatives	5,001	(34,228)
Share of loss on investment in associate	7,135	-
Operating cash flows before tax paid and changes in operating assets and liabilities and liabilities	1,814,896	929,725
Tax paid	(28,422)	(29,952)
<i>Changes in operating assets and liabilities</i>		
Increase in deposits with central banks	(673,896)	(516,948)
Increase in deposits and balances due from banks maturing after three months	(4,637,620)	(1,308,062)
Increase in loans and advances measured at amortised cost	(1,279,033)	(4,731,226)
Decrease/(increase) in Islamic financing and investment products measured at amortised cost	380,023	(42,286)
(Increase)/decrease in reinsurance assets	(261,769)	362,423
Decrease/(increase) in other assets	370,876	(659,149)
Increase in financial assets carried at FVTPL	(74,564)	(12,697)
Decrease/(increase) in repurchase agreements with banks	(1,466,072)	27,957
Increase in customers' deposits	7,478,366	2,925,790
Decrease in Islamic customers' deposits	(1,122,766)	(180,639)
Increase in deposits and balances due to banks	2,452,586	3,294,570
Increase/(decrease) in insurance contract liabilities	278,376	(619,442)
(Decrease)/increase in other liabilities	(120,220)	817,219
Net cash generated from operating activities	3,110,761	257,283
<i>Cash flows from investing activities</i>		
Purchase of property and equipment	(8,531)	(28,850)
Purchase on intangible assets	(27,702)	(32,368)
Proceeds from sale of property and equipment	5,013	9,245
Purchase of other financial assets measured at fair value or amortised cost	(13,876,636)	(10,431,041)
Proceeds from sale of other financial assets measured at fair value or amortised cost	12,243,977	11,534,496
Dividend income from other financial assets measured at FVTOCI	19,771	9,404
Investment in associate	-	(28,200)
Net cash generated from investing activities	(1,644,108)	1,032,686
<i>Cash flows from financing activities</i>		
Dividends paid	(1,805,488)	-
Coupon payment to Tier 1 note holders	(46,831)	-
Medium term notes redeemed	(337,025)	(493,759)
Medium term notes issued	36,651	-
Net cash used in financing activities	(2,152,693)	(493,759)
Net (decrease)/increase in cash and cash equivalents	(686,040)	796,210
Net foreign exchange difference	(1,887)	12,467
Cash and cash equivalents at beginning of the period	38,505,206	21,302,038
Cash and cash equivalents at end of the period (Note 19)	37,817,279	22,110,715

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

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023**

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 31 March 2023 and 31 December 2022, 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
<i>Subsidiary</i>			
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 and 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 (SMCPrivate) 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	100.00%	Finance

**Under liquidation.*

As at 31 March 2023 and 31 December 2022, the Bank had the following associates and joint venture:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
<i>Associate</i>			
Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service
<i>Joint venture</i>			
Noon Digital Pay LLC	United Arab Emirates	51.00%	Digital wallet service

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

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 2023, 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.

Initial Application of IFRS17 - Comparative Information

In this condensed consolidated interim financial information, the Group has applied IFRS 17 for the first time. IFRS 17 replaced IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023.

The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

As permitted by the transition provisions in IFRS 17, the Group has applied modified retrospective approach across all groups of contracts or to an asset for insurance acquisition cash flows due to factors such as the limitation of running models since the inception of the contracts, the lack of historical data, use of simplification to the extent reasonable and supportable available information, data & assumptions, etc.

The adoption of IFRS 17 has resulted in changes in the accounting policies for recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts and supersedes IFRS 4 *Insurance Contracts*.

Set out below are the disclosures relating to the impact from the first time adoption of IFRS 17 on the Group. Further details of the specific IFRS 17 policies applied in the current period are described in more details in Note 3 and the areas of significant accounting judgments and estimates in note 5.

As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied various adjustments and reclassifications permitted under the modified retrospective approach of the transitional provisions of IFRS 17 on its group of insurance contracts which has resulted in the following adjustments to the amounts reported as at 1 January 2022 and 31 December 2022 and for the prior period three month ended 31 March 2022..

The following table summarise the impact of various adjustments and reclassifications on the amounts as at 31 December 2021:

Condensed consolidated statement of financial position as at 1 January 2022

	As previously reported AED ‘000	Effect of restatement AED ‘000	As restated AED ‘000
Equity			
Retained earnings	17,561,412	32,706	17,594,118
Non-controlling interests	796,062	18,030	814,092
	<u> </u>	<u> </u>	<u> </u>

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

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

The following table summarise the impact of various adjustments and reclassifications on the amounts for the three month period ended 31 March 2022.

Condensed consolidated statement of profit or loss for the three month period ended 31 March 2022

	As previously reported AED ‘000	Effect of restatement AED ‘000	As restated AED ‘000
Interest expense	(372,782)	(1,346)	(374,128)
Fee and commission income	1,026,132	(56,036)	970,096
Fee and commission expense	(572,029)	(41,705)	(613,734)
Other income, net	262,820	38,733	301,553
General, administrative and tax expenses	(681,656)	46,006	(635,650)
Allowances for impairment, net	(252,141)	23,733	(228,408)
Profit for the period	630,085	9,385	639,470

The following tables summarise the impact of various adjustments and reclassifications on the amounts as at 31 December 2022:

Condensed consolidated statement of financial position as at 31 December 2022

	As previously reported AED ‘000	Effect of restatement AED ‘000	As restated AED ‘000
Assets			
Other assets	6,799,304	(811,526)	5,987,778
Reinsurance contract assets	3,128,009	(754,317)	2,373,692
Liabilities			
Other liabilities	8,253,044	(632,463)	7,620,581
Insurance contract liabilities	5,642,093	(1,023,620)	4,618,473
Equity			
Retained earnings	21,038,417	58,172	21,096,589
Non-controlling interests	877,315	32,068	909,383

IFRS 17 also allows entities, in limited circumstances, that have applied IFRS 9 ‘Financial instruments’ to annual reporting period before the initial application of IFRS 17, to redesignate their financial assets associated with insurance. The Group has not redesignated any of its financial assets as a result of the first time adoption of IFRS 17.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2023 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

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***

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

1 January 2024

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale

Non-current Liabilities with Covenants (Amendments to IAS 1)

1 January 2024

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

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 complies with the applicable requirements of the laws in the U.A.E including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

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 2022 except for the ones disclosed in note 2.1. 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 2022. In addition, results for the period from 1 January 2023 to 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 interim financial information.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)****3. Summary of significant accounting policies (continued)****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.

3.3 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.

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'.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2023 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets (continued)

- 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'.

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 entirety 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.

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.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2023 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Amortised cost and effective interest method (continued)

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).

i) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its loans and advances, Islamic financing and investment products, due from banks debt instrument assets carried at amortised cost and FVTOCI, other assets 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.

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

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2023 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Amortised cost and effective interest method (continued)

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;
- 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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)****3. Summary of significant accounting policies (continued)****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.

3.6 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.

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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)****3. Summary of significant accounting policies (continued)****3.7 Islamic financing and investment products (continued)***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.

3.9 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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)****3. Summary of significant accounting policies (continued)****3.10 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.

3.11 Insurance contracts (as a result of first time adoption of IFRS 17)

To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts. IFRS 17 consists of 3 measurement models:

- The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin.
- The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate insurance contracts with direct participating features.
- The premium allocation approach is an optional simplified approach for the measurement of the liability for remaining coverage. An entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfillment cash flows for a group of insurance contracts.

The Group applies the premium allocation approach (PAA) to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its contracts to be eligible for PAA measurement model, except for long term individual life business which will be measured under the GMM. The Group plans to apply the GMM for long term individual life insurance policies and the VFA for unit linked insurance policies.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

Insurance acquisition cash flows

The Group capitalises insurance acquisition cash flows for all contracts. The Group allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. The Group assesses the recoverability of the asset for insurance acquisition cash flows at each reporting period, if facts and circumstances indicate the asset may be impaired.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)****3. Summary of significant accounting policies (continued)****3.11 Insurance contracts (as a result of first time adoption of IFRS 17) (continued)**

Liability for Remaining Coverage (“LRC”) adjusted for financial risk and time value of money

The Group makes an allowance for time value of money on the LRC.

Liability for Incurred Claims (“LIC”) adjusted for time value of money

The LIC will be discounted and adjusted for the time value of money.

Insurance finance income and expenses

The Group intends to include changes in discount rates and other financial changes within OCI.

Disaggregation of risk adjustment

The Group will not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and will include the entire change within the insurance service result.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group. The period covered by the premiums within the contract boundary is the “coverage period”, which is relevant when applying IFRS 17 requirements.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Group can compel the policyholder to pay premium or has a substantive obligation to provide services. For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

4. Risk management (continued)

4.1 Credit risk (continued)

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.

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

31 March 2023 (Unaudited)				
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in Million)			
Gross carrying amount as at 1 January	86,931	5,291	2,862	95,084
Transfers				-
Transfer from Stage 1 to Stage 2	(1,585)	1,585	-	-
Transfer from Stage 1 to Stage 3	(28)	-	28	-
Transfer from Stage 2 to Stage 3	-	(159)	159	-
Transfer from Stage 3 to Stage 2	-	120	(120)	-
Transfer from Stage 2 to Stage 1	132	(132)	-	-
New financial assets originated	26,041	-	-	26,041
Other movements	(23,484)	(1,250)	(373)	(25,107)
Write-offs	-	-	(7)	(7)
Gross carrying amount as at 31 March	88,007	5,455	2,549	96,011

31 December 2022 (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	(3,565)	3,565	-	-
Transfer from Stage 1 to Stage 3	(85)	-	85	-
Transfer from Stage 2 to Stage 3	-	-235	235	-
Transfer from Stage 3 to Stage 2	-	470	(470)	-
Transfer from Stage 2 to Stage 1	1,186	(1,186)	-	-
New financial assets originated	59,043	-	-	59,043
Repayments and other movements	(46,159)	(3,585)	-	(49,744)
Write-offs	-	-	(2,422)	(2,422)
Gross carrying amount as at 31 December	86,931	5,291	2,862	95,084

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (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:

31 March 2023 (Unaudited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED (in Million)			
Loss allowance as at 1 January	581	1,499	2,702	4,782
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(126)	126	-	-
Transfer from Stage 1 to Stage 3	(13)	-	13	-
Transfer from Stage 2 to Stage 1	5	(5)	-	-
Transfer from Stage 2 to Stage 3	-	(46)	46	-
Transfer from Stage 3 to Stage 2	-	16	(16)	-
New financial assets originated	172	-	-	172
Changes in PDs/LGDs/EADs	(38)	256	(263)	(45)
Write-offs	-	-	(7)	(7)
Loss allowance as at 31 March	581	1,846	2,475	4,902
31 December 2022 (Audited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED (in Million)			
Loss allowance as at 1 January	563	1,247	4,911	6,721
<i>Transfers</i>				
Transfer from Stage 1 to Stage 2	(117)	117	-	-
Transfer from Stage 1 to Stage 3	(34)	-	34	-
Transfer from Stage 2 to Stage 1	21	(21)	-	-
Transfer from Stage 2 to Stage 3	-	(32)	32	-
Transfer from Stage 3 to Stage 2	-	101	(101)	-
New financial assets originated	381	-	-	381
Changes in PDs/LGDs/EADs	(233)	87	248	102
Write-offs	-	-	(2,422)	(2,422)
Loss allowance as at 31 December	581	1,499	2,702	4,782

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

31 March 2023 (Unaudited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED (in Million)			
Due from banks				
Investment-grade	5,578	120	-	5,698
BB+ & below	8,925	2,337	-	11,262
Unrated	13,217	1,021	19	14,257
	27,720	3,478	19	31,217
Loss allowance	(93)	(23)	(18)	(134)
	27,627	3,455	1	31,083

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

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 (continued):

	31 December 2022 (Audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
Due from banks				
	AED (in Million)			
Investment-grade	4,365	122	-	4,487
BB+ & below	9,199	2,598	-	11,797
Unrated	11,546	1,112	25	12,683
	25,110	3,832	25	28,967
Loss allowance	(71)	(32)	(18)	(121)
	25,039	3,800	7	28,846

Exposures of AED 1,209 million were transferred from stage 1 to 2 and exposures of AED 22 million were transferred from stage 2 to stage 1 during the three month period ended 31 March 2023. There were no other transfers between stages during the period ended 31 March 2023:

Other financial assets measured at amortised cost and FVTOCI (debt securities)	31 March 2023 (Unaudited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED (in Million)			
Investment-grade	20,281	-	-	20,281
BB+ & below	4,620	-	-	4,620
Unrated	-	-	-	-
	24,901	-	-	24,901
Loss allowance	(52)	-	-	(52)
	24,849	-	-	24,849

Other financial assets measured at amortised cost and FVTOCI (debt securities)	31 December 2022 (Audited)			Total
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	
	AED (in Million)			
Investment-grade	18,711	-	-	18,711
BB+ & below	4,678	-	-	4,678
Unrated	-	-	2	2
	23,389	-	2	23,391
Loss allowance	(31)	-	(-2)	(33)
	23,358	-	-	23,358

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

4. Risk management (continued)

4.1 Credit risk (continued)

There were no transfers between stages during the period ended 31 March 2023.

	31 March 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	AED (in Million)			
Acceptances	6,101	312	-	6,413
Loss allowance	(11)	(1)	-	(12)
	31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	AED (in Million)			
Acceptances	9,073	238	-	9,311
Loss allowance	(11)	(1)	-	(12)

Exposures of AED 160 million were transferred from stage 1 to 2 and exposures of AED 0.2 million were transferred from stage 2 to 1 during the three month period ended 31 March 2023. There were no other transfers between stages during the period ended 31 March 2023.

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

	31 March 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
	AED (in Million)			
As at 1 January	51,897	4,349	1,115	57,361
Transfers				
Transfer from Stage 1 to Stage 2	(1,837)	1,837	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(20)	20	-
Transfer from Stage 3 to Stage 2	-	87	(87)	-
Transfer from Stage 2 to Stage 1	67	(67)	-	-
New contracts originated	11,597	-	-	11,597
Other movements	(11,978)	(1,055)	(4)	(13,037)
As at 31 March	49,746	5,131	1,044	55,921
	=====	=====	=====	=====
	31 December 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	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	(3,875)	3,875	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(60)	60	-
Transfer from Stage 3 to Stage 2	-	16	(16)	-
Transfer from Stage 2 to Stage 1	592	(592)	-	-
New contracts originated	41,738	-	-	41,738
Other movements	(36,678)	(4,971)	(170)	(41,819)
As at 31 December	51,897	4,349	1,115	57,361
	=====	=====	=====	=====

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

4. Risk management (continued)

4.1 Credit risk (continued)

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

31 March 2023 (Unaudited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total ECL
	AED (in Million)			
As at 1 January	85	76	710	871
Transfers				
Transfer from Stage 1 to Stage 2	(4)	4	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-
Transfer from Stage 2 to Stage 3	-	(2)	2	-
Transfer from Stage 3 to Stage 2	-	35	(35)	-
New contracts originated	17	-	-	17
Changes in PDs/LGDs/EADs	(19)	(43)	14	(48)
As at 31 March	82	67	691	840
	=====	=====	=====	=====
31 December 2022 (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	(49)	49	-	-
Transfer from Stage 2 to Stage 1	4	(4)	-	-
Transfer from Stage 2 to Stage 3	-	(3)	3	-
Transfer from Stage 3 to Stage 2	-	2	(2)	-
New contracts originated	100	-	-	100
Changes in PDs/LGDs/EADs	(58)	(10)	300	232
As at 31 December	85	76	710	871
	=====	=====	=====	=====

4.2 Risk management in the current economic scenario

The Group continues to closely monitor and manage, as required, direct and indirect exposure and impacts from the ongoing geopolitical situation and resultant market disruption. 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. The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs is typically updated every 6 months. The last update was made in March 2023.

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.

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 Enterprise Risk Committee (“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.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2023 (continued)

4. Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

Impact of current Macroeconomic environment on measurement of ECL (continued)

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.

In addition, in anticipation of credit softness in other regional countries subject to economic turmoil, such as Sri Lanka and Pakistan, the Group has either significantly wound down the exposure or has tightened its position and is focused on dealing with carefully selected counterparties only.

Reasonableness of ECL estimates

The Group performs historical analysis to determine key economic variables that impact credit risk across different portfolios. Macroeconomic forecasts 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 31 March 2023.

From a sensitivity analysis point of view, if the pessimistic scenario was changed by +10% / -10%, ECL would change by +/- AED 26 million.

Liquidity management

The liquidity risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2022.

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 2022, the Group's transition program has commenced and will be running until the final publication date of LIBOR on 30 June 2023.

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 31 March 2023:

	31 March 2023 AED (in million)
Non-derivative financial assets	12,232
Non-derivative financial liabilities	567
Derivatives	23,402

As at 31 March 2023, 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 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 three month period ended 31 March 2023 (continued)****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 had 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 2022.

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 2022 except for those disclosed below as a result of the first time adoption of IFRS 17.

Areas of significant judgements

The following are the key judgements and estimates which the Group has applied as a result of its first time adoption of IFRS 17.

Discount rates

The Group uses the bottom-up approach for groups of contracts other than long term individual life and top-down approach of long-term individual life contracts to derive the discount rates.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The primary difficulty is deriving the illiquidity premium which is required to adjust the risk-free yield curve. The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free curve.

Top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

Risk adjustment

The Group estimates the risk adjustment using a confidence level (probability of sufficiency) approach. The Group uses stochastic techniques to estimate the probability distribution of the future cash flows which forms the basis for determining the risk adjustment.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Areas of significant judgments (continued)

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied. The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition. If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flows. For contracts applying the premium allocation approach, any adjustments to premium receipts or insurance acquisition cash flows arising from a modification adjust the liability for remaining coverage and insurance revenue is allocated to the period for services provided (which also requires judgement in determining the period to which the modification applies).

Contractual Service Margin and Coverage units

For long term Individual Life portfolio, measured under the GMM and VFA, the Group recognizes a contractual service margin (CSM) which represents the unearned profit the group earns as it provides service under those contracts. A coverage units methodology is used for the release of the CSM. Based on the benefit for the Policy Holders, the applicable CSM release pattern is determined by using coverage unit methodology which reflects the benefit defined in the insurance contracts with the policy holders.

In performing the above determination, management applies judgement that might significantly impact the CSM carrying values and amounts of the CSM allocation recognised in the consolidated income statement for the period.

Investment component

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios, regardless of whether the insurance event occurs. Under IFRS 17, the investment component is excluded from the insurance revenue and insurance service expenses.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group. The period covered by the premiums within the contract boundary is the “coverage period”, which is relevant when applying IFRS 17 requirements.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Group can compel the policyholder to pay premium or has a substantive obligation to provide services. For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Judgement might be required to assess the Group’s practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

6. Other financial assets

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

Other financial assets measured at fair value

i) Other financial assets measured at fair value through profit and loss (FVTPL):

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	1,432,000	1,348,137
<i>Equities</i>		
Quoted	27,905	16,667
Unquoted	849	707
Funds	1,301,975	1,286,743
	2,762,729	2,652,254

ii) Other financial assets measured at fair value through other comprehensive income (FVTOCI):

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	13,651,411	6,934,735
<i>Equities</i>		
Quoted	718,037	699,587
Unquoted	62,098	63,117
Funds	81,513	80,072
	14,513,059	7,777,511
Total other financial assets measured at fair value (A)	17,275,788	10,429,765

iii) Other financial assets measured at amortised cost:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	11,242,566	16,451,362
Less: Allowance for impairment	(45,157)	(28,415)
Total other financial assets measured at amortised cost (B)	11,197,409	16,422,947
Total other financial assets [(A) + (B)]	28,473,197	26,852,712

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

6. Other financial assets (continued)

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Within the UAE	14,921,398	12,568,304
Outside the UAE	13,596,956	14,312,823
	28,518,354	26,881,127
Less: Allowance for impairment	(45,157)	(28,415)
	28,473,197	26,852,712

- c) During the period from 1 January 2023 to 31 March 2023, dividends received from financial assets measured at FVTOCI amounting to AED 19.7 million (period ended 31 March 2022: AED 9.4 million) were recognised as net investment income in the condensed consolidated statement of profit or loss.
- d) At 31 March 2023, certain financial assets measured at amortised cost, financial assets measured at fair value included debt securities with an aggregate carrying value of AED 130 million (fair value of AED 124 million) [31 December 2022: Carrying value of AED 1,497 million (fair value of AED 1,472 million)] which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 93 million (31 December 2022: AED 1,305 million).
- e) No sales of other financial assets measured at amortised cost have occurred during the period ended 31 March 2023. (31 March 2022: the Group had reviewed its portfolio and sold certain other financial assets measured at amortised cost, resulting in a gain of AED 0.02 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:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Loans	73,529,477	72,164,096
Overdrafts	4,535,283	4,655,624
Credit cards	2,313,939	2,277,205
Others	887,750	845,785
	81,266,449	79,942,710
Less: Allowance for impairment	(4,490,134)	(4,312,366)
	76,776,315	75,630,344

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

7. Loans and advances measured at amortised cost (continued)

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Manufacturing	16,865,370	16,506,087
Construction	6,143,521	5,722,816
Trade	14,870,943	14,430,399
Transport and communication	3,613,178	3,517,480
Services	9,901,603	9,901,662
Financial institutions	3,280,338	3,092,482
Personal	8,044,512	8,462,730
Residential mortgage	9,287,807	8,805,210
Government and related enterprises	9,259,177	9,503,844
	81,266,449	79,942,710
Less: Allowance for impairment	(4,490,134)	(4,312,366)
	76,776,315	75,630,344

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
At beginning of the period/year	4,312,366	6,094,077
Impairment allowance for the period/year	146,285	298,051
Interest in suspense	25,437	211,319
Exchange rate and other adjustments	12,793	(49,525)
Written off during the period/year	(6,749)	(2,241,556)
At end of the period/year	4,490,132	4,312,366

d) The allowance for impairment includes a specific provision of AED 2,169 million for stage 3 loans of the Group as at 31 March 2023 (31 December 2022: AED 2,263 million).

e) At 31 March 2023, certain loans and advances measured at amortised cost with an aggregate carrying value of AED 777 million (fair value of AED 763 million) [31 December 2022: carrying value of AED 1,059 million (fair value of AED 1,048 million)] were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 367 million (31 December 2022: AED 497 million).

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

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:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Financing		
Murabaha	12,569,238	12,970,564
Ijarah	4,206,885	4,380,730
	16,776,123	17,351,294
Investment		
Wakalah	561,718	372,294
	17,337,841	17,723,588
Less: Unearned income	(2,592,933)	(2,581,225)
Allowance for impairment	(411,753)	(469,466)
	14,333,155	14,672,897

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Manufacturing	1,129,578	1,231,306
Construction	1,282,350	1,103,908
Trade	870,407	849,986
Transport and communication	101,167	121,458
Services	2,674,034	2,683,957
Financial institutions	814,102	957,899
Personal	6,847,902	6,840,636
Residential mortgage	1,333,159	1,386,627
Government and related enterprises	2,285,142	2,547,811
	17,337,841	17,723,588
Less: Unearned income	(2,592,933)	(2,581,225)
Allowance for impairment	(411,753)	(469,466)
	14,333,155	14,672,897

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

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

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
At beginning of the period/year	469,466	626,963
Reversal of impairment allowance for the period/year	(39,036)	(71,452)
(Reversal of)/Profit in suspense	(18,760)	23,102
Exchange and other adjustment	83	71,014
Written off during the period/year	-	(180,161)
At end of the period/year	411,753 =====	469,466 =====

- d) The allowance for impairment includes a specific provision of AED 306 million for stage 3 Islamic financing and investment exposure of the Group as at 31 March 2023 (31 December 2022: AED 439 million).

9. Investment properties

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
At fair value		
At beginning of the period/year	464,840	462,829
Change in fair value during the period/year	-	2,011
At end of the period/year	464,840 =====	464,840 =====

All of the Group's investment properties are freehold properties and located in the U.A.E these were classified as level 3 in the fair value hierarchy.

The fair value of investment properties as at 31 December 2022 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 31 March 2023.

10. Property and equipment

During the period, the Group purchased AED 36 million (period ended 31 March 2022: AED 29 million) of various types of property and equipment and disposed of property and equipment with a net book value of AED 5 million (period ended 31 March 2022: AED 9 million).

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

11. Deposits and balances due to banks

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Time	17,727,593	16,559,285
Demand	9,313,594	8,805,301
Overnight	3,810,855	3,034,870
	<u><u>30,852,042</u></u>	<u><u>28,399,456</u></u>

12. Customers' deposits

The analysis of customers' deposits is as follows:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Current and other accounts	66,756,179	62,482,606
Saving accounts	6,339,292	5,786,550
Time deposits	33,210,217	30,558,166
	<u><u>106,305,688</u></u>	<u><u>98,827,322</u></u>

13. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Current and other accounts	4,038,236	3,876,915
Saving accounts	697,965	232,925
Time deposits	9,119,974	10,869,101
	<u><u>13,856,175</u></u>	<u><u>14,978,941</u></u>

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

14. Medium-term loans

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Medium term notes	4,923,191	5,223,565

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

<i>Year</i>	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
2023	84,455	424,148
2024	3,946,548	3,944,001
2025	753,152	752,951
2027	64,330	64,800
2028	36,730	-
2029	37,976	37,665
	4,923,191	5,223,565

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 three month period ended 31 March 2023, medium-term notes of AED 339 million were redeemed.

15. Issued and paid up capital

As at 31 March 2023 and 31 December 2022, 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 22 February 2023, the shareholders approved a cash dividend of 90% for the year ended 31 December 2022 (31 December 2021: Cash dividend of 10%) of issued and paid up capital amounting to AED 1.8 billion (31 December 2021: AED 201 million).

16. Non-controlling interests

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000 (Restated)
At beginning of the period/year	909,383	814,092
Share of profit for the period/year	24,375	92,595
Share of other comprehensive income for the period/year	10,423	38,842
Dividend paid	(32,958)	(32,826)
Transaction with NCI	-	(3,320)
At end of the period/year	911,223	909,383

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

17. General and administrative expenses

General and administrative expenses include senior management remuneration and director fees of AED 20 million for the three-month period ended 31 March 2023 (three-month period ended 31 March 2022: AED 13 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.

	31 March 2023 (Unaudited) AED'000	31 March 2022 (Unaudited) (Restated) AED'000
Profit for the period (AED'000) (Attributed to owners of the Parent)	1,610,038	612,182
Weighted average number of shares in issue	200,609,830	200,609,830
Basic earnings per share (AED)	8.03	3.05

There were no potentially dilutive shares as of 31 March 2023 and 31 March 2022.

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:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000	31 March 2022 (Unaudited) AED'000
Cash on hand	1,246,390	1,249,478	1,088,791
Current accounts and other balances with central banks	26,116,652	24,413,114	8,618,532
Certificates of deposit maturing within 3 months	550,000	550,000	2,600,000
Deposits and balances due from banks maturing within 3 months	9,904,237	12,292,614	9,803,392
	37,817,279	38,505,206	22,110,715

20. Contingent liabilities and commitments

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Guarantees	29,411,013	31,075,131
Letters of credit	15,341,464	15,698,423
Irrevocable undrawn credit facilities commitments	11,168,137	10,587,500
	55,920,614	57,361,054

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

21. Derivative financial instruments

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
31 March 2023 (Unaudited)			
<i>Held for trading</i>			
Forward foreign exchange contract	367,468	229,807	70,637,287
Foreign exchange options (bought)	5,759	5,693	246,532
Foreign exchange options (sold)	-	-	99,373
Interest rate swaps	1,709,778	1,072,588	30,017,737
Futures contracts purchased (Customer)	19,937	26,452	798,185
Futures contracts sold (Customer)	72,607	1,338	1,506,421
Futures contracts purchased (Bank)	26,492	20,309	808,811
Futures contracts sold (Bank)	1,338	72,624	1,517,410
Total	2,203,379	1,428,811	105,631,756
<i>Held as fair value/cash flow hedge</i>			
Cross-currency swap	48,180	70,481	1,831,342
Total	2,251,559	1,499,292	107,463,098

31 March 2023 (Unaudited):

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>Other assets</i>				
Positive fair value of derivatives	-	2,251,559	-	2,251,559
<i>Other liabilities</i>				
Negative fair value of derivatives	-	1,499,292	-	1,499,292

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
31 December 2022 (Audited)			
<i>Held for trading</i>			
Forward foreign exchange contract	560,057	380,540	73,311,757
Foreign exchange options (bought)	9,713	9,703	448,587
Foreign exchange options (sold)	-	-	210,948
Interest rate swaps	1,933,379	1,148,720	28,167,946
Credit default swaps	-	-	-
Futures contracts purchased (Customer)	75,556	369	818,767
Futures contracts sold (Customer)	909	3,143	192,811
Futures contracts purchased (Bank)	369	75,556	818,767
Futures contracts sold (Bank)	3,143	909	192,811
Total	2,583,126	1,618,940	104,162,394
<i>Held as fair value/cash flow hedge</i>			
Cross-currency swap	40,596	80,075	1,822,469
Total	2,623,722	1,699,015	105,984,863

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

21. Derivative financial instruments (continued)

31 December 2022 (Audited):

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<i>Other assets</i>				
Positive fair value of derivatives	-	2,623,722	-	2,623,722
<i>Other liabilities</i>				
Negative fair value of derivatives	-	1,699,015	-	1,699,015

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 three-month periods ended 31 March 2023 and 2022, 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:

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
<i>Balances with major shareholders</i>		
Loans and advances	2,665,488	3,216,692
Deposits/financial instruments under lien	1,517,717	1,198,230
Letter of credit and guarantees	1,308,036	1,449,059
<i>Balances with directors and key management personnel</i>		
Loans and advances	131,828	135,248
Deposits/financial instruments under lien	361,457	364,835
Letter of credit and guarantees	251	251
<i>Balances with associates and joint venture</i>		
Deposits/financial instruments under lien	87,255	99,372
Letter of credit and guarantees	25,000	25,000

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2023 (continued)**

23. Related party transactions (continued)

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

	Period from 1 January 2023 to 31 March 2023 (Unaudited) AED'000	Period from 1 January 2022 31 March 2022 (Unaudited) AED'000
<i>Transactions with major shareholders</i>		
Interest income	26,585	18,170
Interest expense	754	393
Other income	7,914	10,493
<i>Transactions with directors and key management personnel</i>		
Interest income	842	619
Interest expense	181	23
Other income	4	102
<i>Transactions with associates and joint venture</i>		
Interest income	-	227
Other income	-	426

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.

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

- Wholesale segment comprises of corporate and commercial banking. It also includes global Financial Institution and corporate business. It offers complete suite of corporate banking products such as Trade finance, contracting finance, project finance, investment banking, cash management, correspondent banking and islamic products.
- 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, wealth management services and islamic products.
- 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.
- 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.
- 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.

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

24. Segmental information (continued)

	Period from 1 January 2022 to 31 March 2023 (Unaudited)					
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance AED'000	Other AED'000	Total AED'000
Net interest income and earnings from Islamic products	808,169	624,789	92,174	27,042	194,077	1,746,251
Other income, net	303,336	329,966	16,863	127,367	(3,958)	773,574
Operating income	1,111,505	954,755	109,037	154,409	190,119	2,519,825
General and administrative expenses	(248,592)	(377,601)	(37,182)	(83,374)	(13,981)	(760,730)
Operating profit before impairment						1,759,095
Allowances for impairment, net						(96,260)
Profit before taxes						1,662,835
Tax expense						(28,422)
Profit for the period						1,634,413
Attributed to:						
Owners of the Parent						1,610,038
Non-controlling interests						24,375
						1,634,413
	31 March 2023 (Unaudited)					
Segment Assets	94,297,622	26,190,887	56,527,840	7,922,039	16,295,069	201,233,457
Segment Liabilities	90,113,566	54,206,884	17,476,310	5,454,209	9,756,912	177,007,881

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

24. Segmental information (continued)

	Period from 1 January 2022 to 31 March 2022 (Unaudited) (Restated)					
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance AED'000	Other AED'000	Total AED'000
Net interest income and earnings from Islamic products	398,245	309,669	49,119	18,830	51,905	827,768
Other income, net	269,231	274,615	54,797	70,378	6,739	675,760
Operating income	<u>667,476</u>	<u>584,284</u>	<u>103,916</u>	<u>89,208</u>	<u>58,644</u>	<u>1,503,528</u>
General and administrative expenses	(219,194)	(320,480)	(30,491)	(30,411)	(5,122)	(605,698)
Operating profit before impairment						897,830
Allowances for impairment, net						(228,408)
Profit before taxes						669,422
Tax expense						(29,952)
Profit for the period						<u>639,470</u>
<i>Attributed to:</i>						
Owners of the Parent						612,182
Non-controlling interests						27,288
						<u>639,470</u>
	31 December 2022 (Audited)					
Segment Assets	<u>95,593,672</u>	<u>25,718,464</u>	<u>48,696,901</u>	<u>7,595,481</u>	<u>19,640,882</u>	<u>197,245,400</u>
Segment Liabilities	<u>84,194,570</u>	<u>52,527,388</u>	<u>18,153,742</u>	<u>5,063,512</u>	<u>12,797,309</u>	<u>172,736,521</u>

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)****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 2022.

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

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

25. Fair value of financial instruments (continued)

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:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Other financial assets	31 March 2023 (Unaudited) AED'000	31 December 2022 (audited) AED'000				
<i>Other financial assets measured at FVTPL</i>						
Quoted debt investments	393,493	202,752	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted equity investments	27,905	16,667	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted debt investments	1,038,507	1,145,385	Level 2	Based on the recent similar transactions in the market	None	Not applicable
Funds	1,301,975	1,286,743	Level 2	Quoted prices in secondary market.	None	Not applicable
				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.
Unquoted equity investments	849	707	Level 3			
	2,762,729	2,652,254				

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

25. Fair value of financial instruments (continued)

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 (continued):

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 March 2023 (Unaudited) AED'000	31 December 2022 (audited) AED'000				
Other financial assets						
<i>Other financial assets measured at FVTOCI</i>						
Quoted debt investments	13,651,411	6,934,735	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted equity investments	718,037	699,587	Level 1	Quoted bid prices in an active market	None	Not applicable
Funds	81,513	80,072	Level 2	Quoted prices in secondary market.	None	Not applicable
				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.
Unquoted equity investments	62,098	63,117	Level 3			
	14,513,059	7,777,511				
	17,275,788	10,429,765				

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

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

25. Fair value of financial instruments (continued)

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Balance at the beginning of the period/year	707	1,113
Change in fair value	142	(406)
Balance at the end of the period/year	849	707

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Balance at the beginning of the period/year	63,117	613,519
Purchases	-	12,856
Disposals/matured	(1,916)	(573,611)
Change in fair value	897	10,353
Balance at the end of the period/year	62,098	63,117

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 31 March 2023 is 13% inclusive of capital conservation buffer of 2.5%.

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.

**Notes to the condensed consolidated interim financial information
for the period from 1 January 2023 to 31 March 2023 (continued)**

26. Capital adequacy ratio (continued)

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

	31 March 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Capital base		
Tier 1 capital	21,991,597	20,419,571
Additional tier 1 capital (AT1)	1,101,900	1,101,900
Tier 2 capital	3,597,187	3,631,439
Total capital base (A)	26,690,684	25,152,910
Risk-weighted assets		
Credit risk	139,852,773	144,032,961
Market risk	2,889,793	2,655,216
Operational risk	10,319,049	10,319,049
Total risk-weighted assets (B)	153,061,615	157,007,226
Capital adequacy ratio (%) [(A)/(B) x 100]	17.43%	16.02%

27. Corporate tax

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax (the "CIT") on business profits, which will come into effect on 1 June 2023 and which will apply from such date. The CIT will apply on the adjusted accounting net profits of a business. The Group is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, in preparation for full compliance with the new Corporate tax law noting that the first tax period for the Group is starting on 1 January 2024.

28. Additional Tier 1 capital securities

In July 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. These securities are issued at a coupon rate of 8.5% p.a. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in 2027 subject to Central bank approval.

29. Subordinated debt

In November 2022, the Bank issued US\$ 500 million of subordinated Tier 2 notes. The notes, which were issued at a re-offer price and yield of 99.702 and 7.95 per cent, respectively, and with a coupon of 7.875%, are callable after 5.25 years and have a final maturity of 10.25 years. They will rank pari passu among themselves, rank subordinate and junior to all senior obligations and rank in priority only to all junior obligations, subject to solvency conditions.

30. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the three-month period ended 31 March 2023.

31. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information for the three-months period ended 31 March 2023 were approved by the Board of Directors on 27 April 2023.