Mashreqbank PSC Group

Condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023

Mashreqbank PSC Group

Condensed consolidated Interim Financial Information for the period from 1 January 2023 to 30 June 2023

Contents

Deloitte & Touche (M.E.)
Building 2, Level 3
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

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 30 June 2023 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair 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 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 January 2023. The condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2022 was reviewed by another auditor who expressed an unmodified conclusion on that information on 20 July 2022.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No.: 872
26 July 2023
Dubai
United Arab Emirates

Condensed consolidated statement of financial position as at 30 June 2023

	Notes	**30 June 2023 (Unaudited) AED'000**	31 December 2022 (Audited) *(Restated)* AED'000
ASSETS			
Cash and balances with central banks		**29,431,041**	31,435,930
Deposits and balances due from banks	6	**38,993,637**	28,846,448
Other financial assets measured at fair value	7	**21,434,087**	10,429,765
Other financial assets measured at amortised cost	7	**10,580,267**	16,422,947
Loans and advances measured at amortised cost	8	**79,492,274**	75,630,344
Islamic financing and investment products measured at amortised cost	9	**15,463,914**	14,672,897
Acceptances		**5,544,815**	9,310,974
Other assets		**5,226,981**	5,987,778
Reinsurance contract assets		**2,597,506**	2,373,692
Investment in associate		**36,498**	43,633
Investment properties	10	**579,393**	464,840
Property and equipment	11	**1,354,168**	1,395,485
Intangible assets		**229,113**	230,667
Total assets		**210,963,694**	197,245,400
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances due to banks	12	**31,088,808**	28,399,456
Repurchase agreements with banks		**-**	1,926,182
Customers' deposits	13	**112,189,751**	98,827,322
Islamic customers' deposits	14	**14,588,712**	14,978,941
Acceptances		**5,544,815**	9,310,974
Other liabilities		**9,238,138**	7,620,581
Medium-term loans	15	**5,146,011**	5,223,565
Subordinated debt	30	**1,831,027**	1,831,027
Insurance contract liabilities		**5,124,761**	4,618,473
Total liabilities		**184,752,023**	172,736,521
EQUITY			
Capital and reserves			
Issued and paid up capital	16	**2,006,098**	2,006,098
Tier 1 capital notes	29	**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		**(127,099)**	(130,804)
Investments revaluation reserve		**(1,828,228)**	(1,813,781)
Retained earnings		**22,767,498**	21,096,589
Equity attributable to owners of the Parent including noteholders of the Group		**25,259,663**	23,599,496
Non-controlling interests	17	**952,008**	909,383
Total equity		**26,211,671**	24,508,879
Total liabilities and equity		**210,963,694**	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 period from 1 January 2023 to 30 June 2023

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) *(Restated)*	**2023 (Unaudited)**	2022 (Unaudited) *(Restated)*
		AED '000	AED '000	**AED '000**	AED '000
Interest income		**2,861,488**	1,350,508	**5,445,490**	2,470,380
Income from Islamic financing and investment products		**276,615**	150,382	**543,323**	273,368
Total interest income and income from Islamic financing and investment products		**3,138,103**	1,500,890	**5,988,813**	2,743,748
Interest expense		**(1,142,139)**	(444,720)	**(2,127,280)**	(818,848)
Distribution to depositors - Islamic products		**(126,375)**	(42,108)	**(245,693)**	(83,070)
Net interest income and income from Islamic products net of distribution to depositors		**1,869,589**	1,014,062	**3,615,840**	1,841,830
Fee and commission income		**1,003,187**	988,894	**2,191,805**	1,958,990
Fee and commission expense		**(709,825)**	(612,685)	**(1,315,172)**	(1,226,419)
Net fee and commission income		**293,362**	376,209	**876,633**	732,571
Net investment income		**(14,716)**	(13,649)	**3,728**	4,196
Other income, net		**458,499**	318,052	**630,358**	619,605
Operating income		**2,606,734**	1,694,674	**5,126,559**	3,198,202
General and administrative expenses	18	**(690,164)**	(633,351)	**(1,450,894)**	(1,239,049)
Operating profit before impairment		**1,916,570**	1,061,323	**3,675,665**	1,959,153
Allowances for impairment, net		**42,642**	(212,064)	**(53,618)**	(440,472)
Profit before tax		**1,959,212**	849,259	**3,622,047**	1,518,681
Tax expense		**(33,833)**	(31,064)	**(62,255)**	(61,016)
Profit for the period		**1,925,379**	818,195	**3,559,792**	1,457,665
Attributable to:					
Owners of the Parent		**1,906,226**	796,395	**3,516,264**	1,408,577
Non-controlling interests		**19,153**	21,800	**43,528**	49,088
		1,925,379	818,195	**3,559,792**	1,457,665
Earnings per share (AED)	19	**9.50**	3.97	**17.53**	7.02

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 30 June 2023

	For the three month period ended 30 June		For the six month period ended 30 June	
	2023	2022	**2023**	2022
	(Unaudited)	(Unaudited) *(Restated)*	**(Unaudited)**	(Unaudited) *(Restated)*
	AED '000	AED '000	**AED '000**	AED '000
Profit for the period	**1,925,379**	818,195	**3,559,792**	1,457,665
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**16,107**	(49,357)	**32,160**	21,530
Items that may be reclassified subsequently to profit or loss:				
Changes in currency translation reserve	**1,818**	53,333	**3,705**	38,698
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	**29,141**	(728,110)	**(21,237)**	(1,233,174)
Total other comprehensive income/(loss) for the period	**47,066**	(724,134)	**14,628**	(1,172,946)
Total comprehensive income for the period	**1,972,445**	94,061	**3,574,420**	284,719
Attributable to:				
Owners of the Parent	**1,945,309**	55,950	**3,512,486**	203,252
Non-controlling interests	**27,136**	38,111	**61,934**	81,467
	1,972,445	94,061	**3,574,420**	284,719

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 30 June 2023

	Issued and paid up capital AED'000	Tier 1 capital notes AED'000	Statutory and legal reserves AED'000	General reserve AED'000	Currency translation reserve AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2022 "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)	-	-	-	-	-	-	1,408,577	1,408,577	49,088	1,457,665
Other comprehensive (loss)/income	-	-	-	-	11,730	(1,217,055)	-	(1,205,325)	32,379	(1,172,946)
Total comprehensive (loss)/income for the period	-	-	-	-	11,730	(1,217,055)	1,408,577	203,252	81,467	284,719
Payment of dividends	-	-	-	-	-	-	(200,610)	(200,610)	(32,826)	(233,436)
Transfer from investments revaluation reserve Retained earnings	-	-	-	-	-	(6,080)	6,080	-	-	-
Balance at 30 June 2022 (Unaudited) (Restated)	2,006,098	-	1,012,320	312,000	(104,386)	(1,770,624)	18,808,165	20,263,573	862,733	21,126,306
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	**-**	**-**	**-**	**-**	**-**	**-**	**3,516,264**	**3,516,264**	**43,528**	**3,559,792**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**3,705**	**(7,483)**	**-**	**(3,778)**	**18,406**	**14,628**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**3,705**	**(7,483)**	**3,516,264**	**3,512,486**	**61,934**	**3,574,420**
Payment of dividends (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**(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	**-**	**-**	**-**	**-**	**-**	**(6,964)**	**6,964**	**-**	**-**	**-**
Non-controlling interests arising on acquisition of a subsidiary (Note 31)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,649**	**13,649**
Balance at 30 June 2023 (Unaudited)	**2,006,098**	**1,101,900**	**1,027,494**	**312,000**	**(127,099)**	**(1,828,228)**	**22,767,498**	**25,259,663**	**952,008**	**26,211,671**

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 30 June 2023

	For the six month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
		(Restated)
	AED '000	AED'000
Cash flows from operating activities		
Profit before taxation for the period	**3,622,047**	1,518,681
Adjustments for:		
Depreciation and amortisation	**122,979**	122,163
Allowances for impairment, net	**53,618**	440,472
(Gain)/loss on disposal of property and equipment	**(382)**	895
Unrealised (gain)/loss on other financial assets held at FVTPL	**(7,557)**	39,898
Net realized gain from sale of other financial assets measured at FVTPL	**(46,949)**	(16,241)
Dividend income from other financial assets measured at FVTOCI	**(34,436)**	(23,793)
Realised gain on disposal of other financial assets	-	(3,357)
Net realised loss from sale of debt instruments measured at FVTOCI	**86,085**	-
Unrealised loss/(gain) on derivatives	**4,540**	(43,084)
Gain from disposal of investment properties	**(506)**	-
Share of loss on investment in associate	**7,135**	-
Operating cash flows before tax paid and changes in operating assets and liabilities	**3,806,574**	2,035,634
Tax paid	**(62,255)**	(61,016)
Changes in operating assets and liabilities		
Increase in deposits with central banks	**(3,596,766)**	(449,940)
Increase in deposits and balances due from banks maturing after three months	**(13,146,483)**	(2,412,265)
Increase in loans and advances measured at amortised cost	**(4,003,923)**	(8,467,647)
(Increase)/decrease in Islamic financing and investment products measured at amortised cost	**(722,477)**	84,821
(Increase)/decrease in reinsurance assets	**(204,824)**	615,663
Increase in other assets	**816,406**	(735,570)
Increase in financial assets carried at FVTPL	**(611,505)**	(47,481)
(Decrease)/increase in repurchase agreements with banks	**(1,926,182)**	467,143
Increase in customers' deposits	**13,362,429**	10,365,464
Decrease in Islamic customers' deposits	**(390,229)**	(2,513,773)
Increase in deposits and balances due to banks	**2,689,352**	5,720,742
Increase/(decrease) in insurance contract liabilities	**359,506**	(934,189)
Increase in other liabilities	**1,683,972**	1,021,598
Net cash (used in)/generated from operating activities	**(1,946,405)**	4,689,184
Cash flows from investing activities		
Purchase of property and equipment	**(33,506)**	(66,645)
Purchase on intangible assets	**(49,382)**	(41,093)
Proceeds from sale of property and equipment	**5,164**	10,925
Purchase of other financial assets measured at fair value or amortised cost	**(31,222,364)**	(20,237,383)
Proceeds from sale of other financial assets measured at fair value or amortised cost	**26,659,920**	20,772,116
Dividend income from other financial assets measured at FVTOCI	**34,436**	23,793
Net consideration on (acquisition)/disposal of a subsidiary	**(165,309)**	50,183
Proceeds on disposal of Investment property	**18,618**	-
Investment in associate	-	(37,025)
Net cash (used in)/generated from investing activities	**(4,752,423)**	474,871
Cash flows from financing activities		
Dividends paid	**(1,838,446)**	(233,436)
Coupon payment to Tier 1 note holders	**(46,831)**	-
Medium term notes redeemed	**(418,984)**	(711,869)
Medium term notes issued	**341,430**	27,020
Net cash used in financing activities	**(1,962,831)**	(918,285)
Net (decrease)/increase in cash and cash equivalents	**(8,661,659)**	4,245,770
Net foreign exchange difference	**3,705**	(11,731)
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 20)	**29,847,252**	25,536,077

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 30 June 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 30 June 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
Subsidiary			
Oman Insurance Company (PSC)	United Arab Emirates	64.46%	Insurance & reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00%	IT services
Mashreq Securities LLC	United Arab Emirates	100.00%	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00%	Brokerage and asset 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 Global Network *(Formerly Mashreq for Business Process Support (Sole Person Company))*	Egypt	100.00%	Employment services
Mashreq Global Services (SMC Private) Limited	Pakistan	100.00%	Employment services
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00%	Trading
IDFAA Payment Services LLC	United Arab Emirates	100.00%	Payment service provider
Osool – A Finance Company (PJSC)*	United Arab Emirates	100.00%	Finance

**Under liquidation.*

As at 30 June 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
Associate			
Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service
Joint venture			
Noon Digital Pay LLC	United Arab Emirates	51.00%	Digital wallet service

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 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

The Group has adopted IFRS 17 *Insurance Contracts* from 1 January 2023 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.

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 the modified retrospective approach for group of contracts by aggregating only those contracts issued more than one year apart. As of the transition date, the Group did not have supportable information to aggregate all contracts into groups of contracts (except for the ones issued more than one year apart) or to an asset for insurance acquisition cash flows due to factors such as the lack of historical data, use of simplification to the extent reasonable and supportable available information, data & assumptions, etc.

The Group has not performed recoverability assessment before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified.

The Group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date to zero.

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 transitionary 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 six month ended 30 June 2022. 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.

The following table summarises 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**

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 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 six month period ended 30 June 2022.

Condensed consolidated statement of profit or loss for the six month period ended 30 June 2022

	As previously reported AED '000	Effect of restatement AED '000	As restated AED '000
Interest expense	**(816,587)**	**(2,261)**	**(818,848)**
Fee and commission income	**2,078,850**	**(119,860)**	**1,958,990**
Fee and commission expense	**(1,148,639)**	**(77,780)**	**(1,226,419)**
Other income, net	**523,628**	**95,977**	**619,605**
General, administrative and tax expenses	**(1,393,395)**	**93,330**	**(1,300,065)**
Allowances for impairment, net	**(465,610)**	**25,138**	**(440,472)**
Profit for the period	**1,443,121**	**14,544**	**1,457,665**

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 period from 1 January 2023 to 30 June 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 30 June 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.

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'.

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 entirely when determining whether their cash flows are solely payment of principal and interest.

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

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

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.

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.

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.

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.

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.

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 (GMM), also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin (CSM).
- The variable fee approach (VFA) 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 fulfilment 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.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

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.

3. Summary of significant accounting policies (continued)

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

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

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

For all contracts measured under the PAA, there is no allowance as the premiums are expected to be received within one year of the coverage period.

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

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

Insurance finance income and expenses

For contracts measured under the PAA, The Group applies the changes in discount rates and other financial changes within OCI. For contracts measured under the GMM and VFA, the Group includes all insurance finance income or expenses for the period in profit or loss.

Disaggregation of risk adjustment

The Group disaggregates changes in the risk adjustment for non financial risk between insurance service result and insurance finance income or expenses.

Discount rates

The Group uses the bottom-up approach for the groups of contracts measured under PAA and GMM and the top-down approach for the groups of contracts measured under VFA to derive the discount rates.

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.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  i. The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  ii. The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

3. Summary of significant accounting policies (continued)

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

Reinsurance contracts held

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss. Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group aggregates contracts for which there is a net gain at initial recognition, if any, contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and remaining contracts in the portfolio, if any.

Modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach in the range of 65th to 75th percentile, adjusted for diversification. That is, the Group has assessed its indifference to uncertainty for all groups of contracts (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent in the range of 65th to 75th percentile confidence level, adjusted for diversification, less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

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”).

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

4. Risk management (continued)

4.1 Credit risk (continued)

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

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

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.

	30 June 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	**(3,004)**	**3,004**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(101)**	**-**	**101**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(83)**	**83**	**-**
Transfer from Stage 3 to Stage 2	**-**	**347**	**(347)**	**-**
Transfer from Stage 2 to Stage 1	**224**	**(224)**	**-**	**-**
New financial assets originated	**40,568**	**-**	**-**	**40,568**
Other movements	**(34,604)**	**(1,128)**	**(71)**	**(35,803)**
Write-offs	**-**	**-**	**(483)**	**(483)**
Gross carrying amount as at 30 June	**90,014**	**7,207**	**2,145**	**99,366**

	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

4. Risk management (continued)

4.1 Credit risk (continued)

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

	30 June 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**
Transfers				
Transfer from Stage 1 to Stage 2	**(130)**	**130**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(45)**	**-**	**45**	**-**
Transfer from Stage 2 to Stage 1	**5**	**(5)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(33)**	**33**	**-**
Transfer from Stage 3 to Stage 2	**-**	**7**	**(7)**	**-**
New financial assets originated	**258**	**-**	**-**	**258**
Changes in PDs/LGDs/EADs	**(62)**	**182**	**(267)**	**(147)**
Write-offs	**-**	**-**	**(483)**	**(483)**
Loss allowance as at 30 June	**607**	**1,780**	**2,023**	**4,410**

	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
Transfers				
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:

	30 June 2023 (Unaudited)			
Due from banks	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in Million)			
Investment-grade	**10,639**	**340**	**-**	**10,979**
BB+ & below	**11,124**	**4,831**	**-**	**15,955**
Unrated	**10,330**	**1,888**	**13**	**12,231**
	32,093	**7,059**	**13**	**39,165**
Loss allowance	**(93)**	**(65)**	**(13)**	**(171)**
	32,000	**6,994**	**-**	**38,994**

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)			
Due from banks	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	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 5,453 million were transferred from stage 1 to 2 during the six month period ended 30 June 2023. There were no other transfers between stages during the period ended 30 June 2023.

Other financial assets measured at amortised cost and FVTOCI (debt securities)	**30 June 2023 (Unaudited)**			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in Million)			
Investment-grade	23,362	-	-	23,362
BB+ & below	4,489	-	-	4,489
Unrated	3	-	-	3
	27,854	-	-	**27,854**
Loss allowance	**(43)**	-	-	**(43)**
	27,811	-	-	**27,811**

Other financial assets measured at amortised cost and FVTOCI (debt securities)	31 December 2022 (Audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	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 period from 1 January 2023 to 30 June 2023 (continued)

4. Risk management (continued)

4.1 Credit risk (continued)

There were no transfers between stages during the period ended 30 June 2023.

	30 June 2023 (Unaudited)			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED (in Million)			
Acceptances	**5,360**	**185**	**-**	**5,545**
Loss allowance	**(12)**	**(1)**	**-**	**(13)**

	31 December 2022 (Audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in Million)			
Acceptances	9,073	238	-	9,311
Loss allowance	(11)	(1)	-	(12)

Exposures of AED 128 million were transferred from stage 1 to 2 and exposures of AED Nil million were transferred from stage 2 to 1 during the six month period ended 30 June 2023. There were no other transfers between stages during the period ended 30 June 2023.

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

	30 June 2023 (Unaudited)			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 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	**(2,027)**	**2,027**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(20)**	**20**	**-**
Transfer from Stage 3 to Stage 2	**-**	**84**	**(84)**	**-**
Transfer from Stage 2 to Stage 1	**212**	**(212)**	**-**	**-**
New contracts originated	**15,062**	**-**	**-**	**15,062**
Other movements	**(21,485)**	**(2,808)**	**(57)**	**(24,350)**
As at 30 June	**43,659**	**3,420**	**994**	**48,073**

	31 December 2022 (Audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED (in Million)			
As at 1 January	50,120	6,081	1,241	57,442
Transfers				
Transfer from Stage 1 to Stage 2	(3,875)	3,875	-	-
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

4. Risk management (continued)

4.1 Credit risk (continued)

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

	30 June 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	**(5)**	**5**	**-**	**-**
Transfer from Stage 2 to Stage 1	**5**	**(5)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(2)**	**2**	**-**
Transfer from Stage 3 to Stage 2	**-**	**34**	**(34)**	**-**
New contracts originated	**60**	**-**	**-**	**60**
Changes in PDs/LGDs/EADs	**(43)**	**(70)**	**(34)**	**(147)**
As at 30 June	**102**	**38**	**644**	**784**

	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.

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 it's 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 17 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 was 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 30 June 2023:

	30 June 2023 AED (in million)
Non-derivative financial assets	**7,447**
Non-derivative financial liabilities	**567**
Derivatives	**15,263**

As at 30 June 2023, the Group did not hold any off-balance sheet commitments and financial guarantees linked LIBOR.

Hedge accounting

The Group did not enter into any LIBOR-linked hedging instruments since January 2022.

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.

Onerous groups

The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

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.

Time value of money

The Group adjusts the carrying amount of the insurance contracts liabilities and reinsurance contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts.

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

Areas of significant judgements (continued)

Time value of money (continued)

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 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 yield curve.

The 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.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group’s past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims. The Group also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

6. Deposits and balances due from banks

	30 June 2023 (Unaudited) AED’000	31 December 2022 (Audited) AED’000
Demand	**2,460,530**	1,787,939
Time	**36,703,981**	27,179,445
	39,164,511	28,967,384
Less: Allowance for impairment	**(170,874)**	(120,936)
	38,993,637	28,846,448

7. 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):

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	**1,917,733**	1,348,137
Equities		
Quoted	**28,205**	16,667
Unquoted	**849**	707
Funds	**1,371,478**	1,286,743
	3,318,265	2,652,254

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	**17,229,275**	6,934,735
Equities		
Quoted	**733,494**	699,587
Unquoted	**71,494**	63,117
Funds	**81,559**	80,072
	18,115,822	7,777,511
Total other financial assets measured at fair value (A)	**21,434,087**	10,429,765

iii) Other financial assets measured at amortised cost:

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Debt securities	**10,618,119**	16,451,362
Less: Allowance for impairment	**(37,852)**	(28,415)
Total other financial assets measured at amortised cost (B)	**10,580,267**	16,422,947
Total other financial assets [(A) + (B)]	**32,014,354**	26,852,712

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

7. Other financial assets (continued)

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Within the UAE	**17,740,417**	12,568,304
Outside the UAE	**14,311,789**	14,312,823
	32,052,206	26,881,127
Less: Allowance for impairment	**(37,852)**	(28,415)
	32,014,354	26,852,712

c) During the period from 1 January 2023 to 30 June 2023, dividends received from financial assets measured at FVTOCI amounting to AED 34 million (period ended 30 June 2022: AED 24 million) were recognised as net investment income in the condensed consolidated statement of profit or loss.

d) During the period, the Group has sold certain financial assets measured at fair value through other comprehensive income, resulting in a loss of AED 86 million (period ended 30 June 2022: gain of AED 3 million) on the sale.

e) At 31 December 2022 certain financial assets measured at amortised cost, financial assets measured at fair value included debt securities with an aggregate 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 1,305 million. There were no repurchase agreements with banks outstanding as of 30 June 2023.

8. Loans and advances measured at amortised cost

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Loans	**75,527,515**	72,164,096
Overdrafts	**4,648,377**	4,655,624
Credit cards	**2,441,582**	2,277,205
Others	**901,836**	845,785
Total	**83,519,310**	79,942,710
Less: Allowance for impairment	**(4,027,036)**	(4,312,366)
	79,492,274	75,630,344

8. 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:

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Manufacturing	**16,742,388**	15,924,645
Construction	**6,732,958**	5,735,961
Trade	**15,566,575**	15,529,649
Transport and communication	**2,430,688**	2,729,762
Services	**10,118,103**	9,906,957
Financial institutions	**3,770,909**	3,092,482
Personal	**8,512,856**	8,462,730
Residential mortgage	**9,597,200**	8,805,210
Government and related enterprises	**10,047,633**	9,755,314
	83,519,310	79,942,710
Less: Allowance for impairment	**(4,027,036)**	(4,312,366)
	79,492,274	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:

	30 June 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	**118,510**	298,051
Interest in suspense	**63,398**	211,319
Exchange rate and other adjustments	**15,794**	(49,525)
Written off during the period/year	**(483,032)**	(2,241,556)
At end of the period/year	**4,027,036**	4,312,366

d) The allowance for impairment includes a specific provision of AED 1,716 million for stage 3 loans of the Group as at 30 June 2023 (31 December 2022: AED 2,263 million).

e) At 31 December 2022, certain loans and advances measured at amortised cost with an aggregate 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 497 million). There were no repurchase agreements with banks outstanding as of 30 June 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

9. Islamic financing and investment products measured at amortised cost

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Financing		
Murabaha	**13,873,408**	12,970,564
Ijarah	**4,087,218**	4,380,730
	17,960,626	17,351,294
Investment		
Wakalah	**591,973**	372,294
Total	**18,552,599**	17,723,588
Less: Unearned income	**(2,705,856)**	(2,581,225)
Allowance for impairment	**(382,829)**	(469,466)
	15,463,914	14,672,897

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Manufacturing	**1,556,328**	1,231,306
Construction	**1,753,039**	1,103,908
Trade	**779,310**	849,986
Transport and communication	**89,612**	121,458
Services	**3,330,760**	2,683,957
Financial institutions	**718,670**	957,899
Personal	**6,772,110**	6,840,636
Residential mortgage	**1,294,661**	1,386,627
Government and related enterprises	**2,258,109**	2,547,811
Total	**18,552,599**	17,723,588
Less: Unearned income	**(2,705,856)**	(2,581,225)
Allowance for impairment	**(382,829)**	(469,466)
	15,463,914	14,672,897

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

9. 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:

	30 June 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	**(65,961)**	(71,452)
(Reversal of)/profit in suspense	**(20,761)**	23,102
Exchange and other adjustment	**85**	71,014
Written off during the period/year	**-**	(180,161)
At end of the period/year	**382,829**	469,466

d) The allowance for impairment includes a specific provision of AED 307 million for stage 3 Islamic financing and investment exposure of the Group as at 30 June 2023 (31 December 2022: AED 439 million).

10. Investment properties

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
At fair value		
At beginning of the period/year	**464,840**	462,829
Additions (Note 31)	**132,665**	-
Change in fair value during the period/year	**-**	2,011
Disposal during the year	**(18,112)**	-
At end of the period/year	**579,393**	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 30 June 2023.

11. Property and equipment

During the period, the Group purchased AED 83 million (period ended 30 June 2022: AED 107 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 30 June 2022: AED 13 million).

12. Deposits and balances due to banks

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Time	**16,791,790**	16,559,285
Demand	**9,982,527**	8,805,301
Overnight	**4,314,491**	3,034,870
	31,088,808	28,399,456

13. Customers' deposits

The analysis of customers' deposits is as follows:

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Current and other accounts	**70,319,101**	62,482,606
Saving accounts	**7,071,098**	5,786,550
Time deposits	**34,799,552**	30,558,166
	112,189,751	98,827,322

14. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Current and other accounts	**4,786,214**	3,876,915
Saving accounts	**209,003**	232,925
Time deposits	**9,593,495**	10,869,101
	14,588,712	14,978,941

15. Medium-term loans

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Medium term notes	**5,146,011**	5,223,565

15. Medium-term loans (continued)

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Year		
2023	**84,455**	424,148
2024	**3,904,491**	3,944,001
2025	**717,136**	752,951
2027	**62,320**	64,800
2028	**341,589**	-
2029	**36,020**	37,665
	5,146,011	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 six-month period ended 30 June 2023, medium-term notes of AED 419 million were redeemed.

16. Issued and paid up capital

As at 30 June 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).

17. Non-controlling interests

	30 June 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	**43,528**	92,595
Share of other comprehensive income for the period/year	**18,406**	38,842
Dividend paid	**(32,958)**	(32,826)
Transaction with NCI	**-**	(3,320)
Non-controlling interests arising on acquisition of a subsidiary (Note 31)	**13,649**	-
At end of the period/year	**952,008**	909,383

18. General and administrative expenses

General and administrative expenses include senior management remuneration and director fees of AED 37 million for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: AED 25 million).

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

19. 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.

	30 June 2023 (Unaudited) AED'000	30 June 2022 (Unaudited) *(Restated)* AED'000
Profit for the period (AED'000) (Attributed to owners of the Parent)	**3,516,264**	1,408,577
Weighted average number of shares in issue	**200,609,830**	200,609,830
Basic earnings per share (AED)	**17.53**	7.02

There were no potentially dilutive shares as of 30 June 2023 and 30 June 2022.

20. Cash and cash equivalents

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000	30 June 2022 (Unaudited) AED'000
Cash on hand	**1,963,529**	1,249,478	1,052,821
Current accounts and other balances with central banks	**18,087,408**	24,413,114	11,522,420
Certificates of deposit maturing within 3 months	**550,000**	550,000	2,600,000
Deposits and balances due from banks maturing within 3 months	**9,246,315**	12,292,614	10,360,836
	29,847,252	38,505,206	25,536,077

21. Contingent liabilities and commitments

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Guarantees	**26,800,602**	31,075,131
Letters of credit	**10,999,523**	15,698,423
Irrevocable undrawn credit facilities commitments	**10,272,720**	10,587,500
	48,072,845	57,361,054

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

22. Derivative financial instruments

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
30 June 2023 (Unaudited)			
Held for trading			
Forward foreign exchange contract	**281,107**	**275,565**	**80,100,101**
Foreign exchange options (bought)	**414**	**447**	**226,256**
Foreign exchange options (sold)	**-**	**-**	**58,866**
Interest rate swaps	**1,719,316**	**1,057,422**	**32,410,314**
Futures contracts purchased (Customer)	**4,119**	**31,423**	**2,073,648**
Futures contracts sold (Customer)	**28,512**	**238**	**1,347,556**
Futures contracts purchased (Bank)	**31,423**	**4,138**	**2,104,600**
Futures contracts sold (Bank)	**641**	**28,512**	**1,428,042**
Total	**2,065,532**	**1,397,745**	**119,749,383**
Held as fair value/ cash flow hedge			
Cross-currency swap	**29,782**	**112,698**	**1,728,038**
Total	**2,095,314**	**1,510,443**	**121,477,421**

30 June 2023 (Unaudited):

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other assets				
Positive fair value of derivatives	**-**	**2,095,314**	**-**	**2,095,314**
Other liabilities				
Negative fair value of derivatives	**-**	**1,510,443**	**-**	**1,510,443**

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
31 December 2022 (Audited)			
Held for trading			
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
Held as fair value/cash flow hedge			
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 period from 1 January 2023 to 30 June 2023 (continued)

22. Derivative financial instruments (continued)

31 December 2022 (Audited):

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Other assets				
Positive fair value of derivatives	-	2,623,722	-	2,623,722
Other liabilities				
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.

23. Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim financial information for the six-month periods ended 30 June 2023 and 2022, respectively.

24. Related party transactions

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

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

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Balances with major shareholders		
Loans and advances	**2,650,348**	3,216,692
Deposits/financial instruments under lien	**991,794**	1,198,230
Letter of credit and guarantees	**1,454,797**	1,449,059
Balances with directors and key management personnel		
Loans and advances	**118,865**	135,248
Deposits/financial instruments under lien	**410,161**	364,835
Letter of credit and guarantees	**251**	251
Balances with associates and joint venture		
Deposits/financial instruments under lien	**87,690**	99,372
Letter of credit and guarantees	**25,000**	25,000

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

24. Related party transactions (continued)

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

	Period from 1 January 2023 to 30 June 2023 (Unaudited)	Period from 1 January 2022 30 June 2022 (Unaudited)
	AED'000	AED'000
Transactions with major shareholders		
Interest income	**73,707**	32,874
Interest expense	**3,388**	649
Other income	**15,889**	19,785
Transactions with directors and key management personnel		
Interest income	**2,208**	1,337
Interest expense	**509**	46
Other income	**6**	212
Transactions with associates and joint venture		
Interest income	**-**	381
Other income	**-**	715

25. 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:

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

25. Segmental information (continued)

	Period from 1 January 2023 to 30 June 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	**1,653,689**	**1,280,438**	**242,386**	**45,005**	**394,322**	**3,615,840**
Other income, net	**623,987**	**654,960**	**87,039**	**146,125**	**(1,392)**	**1,510,719**
Operating income	**2,277,676**	**1,935,398**	**329,425**	**191,130**	**392,930**	**5,126,559**
General and administrative expenses	**(515,273)**	**(772,109)**	**(67,883)**	**(67,054)**	**(28,575)**	**(1,450,894)**
Operating profit before impairment						**3,675,665**
Allowances for impairment, net						**(53,618)**
Profit before taxes						**3,622,047**
Tax expense						**(62,255)**
Profit for the period						**3,559,792**
Attributed to:						
Owners of the Parent						**3,516,264**
Non-controlling interests						**43,528**
						3,559,792
	30 June 2023 (Unaudited)					
Segment Assets	**106,135,635**	**26,033,471**	**51,946,247**	**8,444,409**	**18,403,932**	**210,963,694**
Segment Liabilities	**97,435,857**	**57,826,785**	**15,297,173**	**5,739,583**	**8,452,625**	**184,752,023**

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

25. Segmental information (continued)

Period from 1 January 2022 to 30 June 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	916,672	679,512	95,182	37,962	112,502	1,841,830
Other income, net	556,223	559,360	100,621	141,752	(1,584)	1,356,372
Operating income	1,472,895	1,238,872	195,803	179,714	110,918	3,198,202
General and administrative expenses	(444,554)	(661,208)	(62,791)	(57,324)	(13,172)	(1,239,049)
Operating profit before impairment						1,959,153
Allowances for impairment, net						(440,472)
Profit before taxes						1,518,681
Tax expense						(61,016)
Profit for the period						1,457,665
Attributed to:						
Owners of the Parent						1,408,577
Non-controlling interests						49,088
						1,457,665

31 December 2022 (Audited) (restated)

	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance AED'000	Other AED'000	Total AED'000
Segment Assets	95,593,672	25,718,464	48,696,901	7,595,481	19,640,882	197,245,400
Segment Liabilities	84,194,570	52,527,388	18,153,742	5,063,512	12,797,309	172,736,521

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

26. 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 30 June 2023 (continued)

26. 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:

Other financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2023 (Unaudited) AED'000	31 December 2022 (audited) AED'000				
Other financial assets measured at FVTPL						
Quoted debt investments	**405,305**	202,752	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted equity investments	**28,205**	16,667	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted debt investments	**1,512,428**	1,145,385	Level 2	Based on the recent similar transactions in the market	None	Not applicable
Funds	**1,371,478**	1,286,743	Level 2	Quoted prices in secondary market.	None	Not applicable
Unquoted equity investments	**849**	707	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/ historical financial information.	Net assets value	Higher the net assets value of the investees, higher the fair value.
	3,318,265	2,652,254				

Notes to the condensed consolidated interim financial information for the period from 1 January 2023 to 30 June 2023 (continued)

26. 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**
Other financial assets	**30 June 2023 (Unaudited) AED'000**	31 December 2022 (audited) AED'000				
Other financial assets measured at FVTOCI						
Quoted debt investments	**17,229,275**	6,934,735	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted equity investments	**733,494**	699,587	Level 1	Quoted bid prices in an active market	None	Not applicable
Funds	**81,559**	80,072	Level 2	Quoted prices in secondary market.	None	Not applicable
Unquoted equity investments	**71,494**	63,117	Level 3	Comparable sales transactions with appropriate haircut, Discounted cash flows (DCF) and for very insignificant assets, net assets as per financial statements.	1. Hair cut for comparable transactions. 2. Interest rate	1. Changes in hair cut for comparable sales transactions will directly impact fair value. 2. Interest rate changes in DCF will directly impact the fair valuation calculation.
	18,115,822	7,777,511				
	21,434,087	10,429,765				

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

26. Fair value of financial instruments (continued)

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

	30 June 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:

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Balance at the beginning of the period/year	**63,117**	613,519
Purchases	**10,490**	12,856
Disposals/matured	**(1,916)**	(573,611)
Change in fair value	**(197)**	10,353
Balance at the end of the period/year	**71,494**	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'.

27. Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 30 June 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 30 June 2023 (continued)

27. 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.

	30 June 2023 (Unaudited) AED'000	31 December 2022 (Audited) AED'000
Capital base		
Common Equity Tier 1 capital	**23,934,203**	20,419,571
Additional tier 1 capital (AT1)	**1,101,900**	1,101,900
Tier 2 capital	**3,654,186**	3,631,439
Total capital base (A)	**28,690,289**	25,152,910
Risk-weighted assets		
Credit risk	**145,852,679**	144,032,961
Market risk	**3,239,406**	2,655,216
Operational risk	**10,319,049**	10,319,049
Total risk-weighted assets (B)	**159,411,134**	157,007,226
Capital adequacy ratio (%) [(A)/(B) x 100]	**18.00%**	16.02%

28. Corporate tax

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax (the "CIT")") on business profits, it is effected on 1 June 2023 and applied from such date. The CIT is applied 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.

29. 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.

30. 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.

31. Insurance subsidiary of the Group

Acquisition of a subsidiary:

On 19 December 2022, Sukoon had signed a sale and purchase agreement to acquire a majority stake in Arabian Scandinavian Insurance Company (PLC) – Takaful – Ascana Insurance ("ASCANA") from the key shareholders of ASCANA who represent this stake. On 18 May 2023 ("the acquisition date"), the Group acquired a 93.0432% of the share capital and voting interests of ASCANA for a cash consideration of AED 186,089 thousand towards identifiable net assets of AED 196,197 thousands obtaining control of ASCANA. This acquisition is in line with Sukoon's strategy to diversify its sources of business and consolidate its presence in the UAE and GCC, while allowing it to enter the growing takaful insurance market. This acquisition will not only strengthen Sukoon's ability to meet a wider range of customer needs with Shariah-compliant products, but it will also allow ASCANA to leverage Sukoon's strong heritage, market positioning and specialized underwriting capabilities.

31. Insurance subsidiary of the Group (continued)

Acquisition of a subsidiary: (continued)

The exercise of allocating the purchase consideration towards the assets acquired and liabilities assumed is currently at the initial stage.

The Group has a window of twelve months available from the date of business combination to modify the fair value of assets acquired and liabilities assumed, as more information is obtained about the fair value of assets acquired and liabilities assumed. This may result in different values being attributed to the assets and liabilities acquired, and hence, the accounting for acquisition presented is provisional.

Goodwill arising from the acquisition is recognised as follows:

	(Unaudited) AED'000
Cash consideration paid	**186,089**
Non-controlling interest on proportionate basis	**13,649**
Fair value of identifiable net assets	**(196,197)**
	3,541

Outflow of cash to acquire subsidiary, net of cash acquired:

	(Unaudited) AED'000
Cash consideration paid	**186,089**
Less: Cash and cash equivalent balances acquired	**(20,780)**
Net cash outflow - investing activities	**165,309**

32. Comparative information

Certain comparative amounts in consolidated statement of financial position and notes to the consolidated financial statements have been adjusted to conform to the current presentation.

33. 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 six-month period ended 30 June 2023.

34. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information for the six-months period ended 30 June 2023 were approved by the Board of Directors on 26 July 2023.