Mashreqbank PSC Group

Condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024

Mashreqbank PSC Group

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Mashreqbank PSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated Interim statement of financial position of **Mashreqbank PSC** (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2024 and the related condensed consolidated Interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended. 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.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No.: 872
25 July 2024
Dubai
United Arab Emirates

Condensed consolidated Interim statement of financial position as at 30 June 2024

	Notes	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
ASSETS			
Cash and balances with central banks		**37,571,874**	41,760,286
Loans and advances to banks		**49,142,351**	39,127,032
Financial assets measured at fair value	5	**30,009,495**	26,031,869
Securities measured at amortised cost	6	**9,151,861**	9,951,525
Loans and advances to customers	7	**94,729,787**	93,603,237
Islamic financing and investment products	8	**19,097,454**	16,752,242
Acceptances		**3,245,187**	3,536,930
Reinsurance contract assets		**3,476,387**	2,756,863
Investment in associate		**36,498**	36,498
Investment properties	9	**263,605**	502,047
Property and equipment	10	**1,357,126**	1,381,735
Intangible assets	10	**329,019**	360,611
Other assets		**5,056,709**	4,179,734
Total assets		**253,467,353**	239,980,609
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances due to banks	11	**41,421,189**	37,335,048
Repurchase agreements with banks		**1,109,398**	1,062,992
Customers' deposits	12	**138,083,319**	132,609,671
Islamic customers' deposits	13	**15,880,741**	13,622,484
Acceptances		**3,245,187**	3,536,930
Medium-term loans	14	**2,772,671**	5,158,701
Subordinated debt	29	**1,831,027**	1,831,027
Insurance and Investment contract liabilities		**6,240,571**	5,334,957
Other liabilities		**9,628,676**	8,171,009
Total liabilities		**220,212,779**	208,662,819
EQUITY			
Capital and reserves			
Issued and paid up capital	15	**2,006,098**	2,006,098
Tier 1 capital notes	28	**2,938,400**	1,101,900
Other reserve	15	**393,373**	567,248
Retained earnings		**26,913,890**	26,658,113
Equity attributable to owners of the Parent including noteholders of the Group		**32,251,761**	30,333,359
Non-controlling interests	16	**1,002,813**	984,431
Total equity		**33,254,574**	31,317,790
Total liabilities and equity		**253,467,353**	239,980,609

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

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

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

Condensed consolidated Interim statement of profit or loss for the period from 1 January 2024 to 30 June 2024

	Notes	For the three month period ended 30 June 2024 (Unaudited) AED '000	2023 (Unaudited) AED '000	For the six month period ended 30 June 2024 (Unaudited) AED '000	2023 (Unaudited) AED '000
Interest income		**3,626,670**	2,861,488	**7,245,051**	5,445,490
Income from Islamic financing and investment products		**409,492**	276,615	**789,898**	543,323
Total interest income and income from Islamic financing and investment products		**4,036,162**	3,138,103	**8,034,949**	5,988,813
Interest expense		**(1,790,438)**	(1,142,139)	**(3,492,462)**	(2,127,280)
Distribution to depositors - Islamic products		**(163,998)**	(126,375)	**(316,643)**	(245,693)
Net interest income and income from Islamic products net of distribution to depositors		**2,081,726**	1,869,589	**4,225,844**	3,615,840
Fee and commission income		**1,105,321**	1,003,187	**2,461,017**	2,191,805
Fee and commission expense		**(769,511)**	(709,825)	**(1,576,966)**	(1,315,172)
Net fee and commission income		**335,810**	293,362	**884,051**	876,633
Net investment income		**69,620**	(14,716)	**136,815**	3,728
Other income, net		**498,914**	458,499	**880,744**	630,358
Operating income		**2,986,070**	2,606,734	**6,127,454**	5,126,559
General and administrative expenses	17	**(834,490)**	(690,164)	**(1,673,151)**	(1,450,894)
Operating profit before impairment		**2,151,580**	1,916,570	**4,454,303**	3,675,665
Allowances for impairment, net		**82,719**	42,642	**44,881**	(53,618)
Profit before tax		**2,234,299**	1,959,212	**4,499,184**	3,622,047
Tax expense	**27**	**(222,988)**	(33,833)	**(446,745)**	(62,255)
Profit for the period		**2,011,311**	1,925,379	**4,052,439**	3,559,792
Attributable to:					
Owners of the Parent		**1,995,309**	1,906,226	**4,002,626**	3,516,264
Non-controlling interests		**16,002**	19,153	**49,813**	43,528
		2,011,311	1,925,379	**4,052,439**	3,559,792
Earnings per share	18	**9.94**	9.50	**19.95**	17.53

Condensed consolidated Interim statement of other comprehensive income for the period from 1 January 2024 to 30 June 2024

	For the three month period ended 30 June		For the six month period ended 30 June	
	2024 (Unaudited) AED '000	2023 (Unaudited) AED '000	**2024 (Unaudited) AED '000**	2023 (Unaudited) AED '000
Profit for the period	**2,011,311**	1,925,379	**4,052,439**	3,559,792
Other comprehensive (loss)/income				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**354**	16,107	**24,331**	32,160
Items that may be reclassified subsequently to profit or loss:				
Changes in currency translation reserve	**3,631**	1,818	**(1,735)**	3,705
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	**(59,684)**	29,141	**(180,514)**	(21,237)
Changes in insurance finance income and expenses reserve	**(220)**	-	**529**	-
Total other comprehensive (loss)/income for the period	**(55,919)**	47,066	**(157,389)**	14,628
Total comprehensive income for the period	**1,955,392**	1,972,445	**3,895,050**	3,574,420
Attributable to:				
Owners of the Parent	**1,942,566**	1,945,309	**3,840,378**	3,512,486
Non-controlling interests	**12,826**	27,136	**54,672**	61,934
	1,955,392	1,972,445	**3,895,050**	3,574,420

Condensed consolidated Interim statement of changes in equity for the period from 1 January 2024 to 30 June 2024

	Issued and paid up capital AED'000	Tier 1 capital notes AED'000	Other 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 2023 "as previously reported"	2,006,098	1,101,900	(605,091)	21,038,417	23,541,324	877,315	24,418,639
Changes on initial application of IFRS17	-	-	-	58,172	58,172	32,068	90,240
Balance at 1 January 2023 (Restated)	2,006,098	1,101,900	(605,091)	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)	-	-	(3,778)	-	(3,778)	18,406	14,628
Total comprehensive (loss)/income for the period	-	-	(3,778)	3,516,264	3,512,486	61,934	3,574,420
Payment of dividends (Note 15)	-	-	-	(1,805,488)	(1,805,488)	(32,958)	(1,838,446)
Coupon payment to Tier 1 note holders	-	-	-	(46,831)	(46,831)	-	(46,831)
Transfer from investment revaluation reserve to retained earnings	-	-	(6,964)	6,964	-	-	-
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	13,649	13,649
Balance at 30 June 2023 (Unaudited)	2,006,098	1,101,900	(615,833)	22,767,498	25,259,663	952,008	26,211,671
Balance at 1 January 2024	**2,006,098**	**1,101,900**	**567,248**	**26,658,113**	**30,333,359**	**984,431**	**31,317,790**
Profit for the period	**-**	**-**	**-**	**4,002,626**	**4,002,626**	**49,813**	**4,052,439**
Other comprehensive (loss)/income	**-**	**-**	**(162,248)**	**-**	**(162,248)**	**4,859**	**(157,389)**
Total comprehensive (loss)/income for the period	**-**	**-**	**(162,248)**	**4,002,626**	**3,840,378**	**54,672**	**3,895,050**
Payment of dividends (Note 15)	**-**	**-**	**-**	**(3,711,282)**	**(3,711,282)**	**(32,675)**	**(3,743,957)**
Issuance of Tier 1 Capital	**-**	**1,836,500**	**-**	**-**	**1,836,500**	**-**	**1,836,500**
Coupon payment to Tier 1 note holders	**-**	**-**	**-**	**(46,832)**	**(46,832)**	**-**	**(46,832)**
Transfer from Impairment reserve to retained earnings	**-**	**-**	**(22,000)**	**22,000**	**-**	**-**	**-**
Transfer from investment revaluation reserve to retained earnings	**-**	**-**	**10,373**	**(10,373)**	**-**	**-**	**-**
Transaction with non-controlling interests	**-**	**-**	**-**	**(362)**	**(362)**	**(3,615)**	**(3,977)**
Balance at 30 June 2024 (Unaudited)	**2,006,098**	**2,938,400**	**393,373**	**26,913,890**	**32,251,761**	**1,002,813**	**33,254,574**

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

Condensed consolidated Interim statement of cash flows for the period from 1 January 2024 to 30 June 2024

	For the six month period ended 30 June 2024 (Unaudited) AED '000	2023 (Unaudited) AED'000
Cash flows from operating activities		
Profit before taxation for the period	**4,499,184**	3,622,047
Adjustments for:		
Depreciation and amortisation	**134,103**	122,979
Allowances for impairment, net	**(44,881)**	53,618
Loss/(gain) on disposal of property and equipment	**1,113**	(382)
Unrealised gain on other financial assets held at FVTPL	**(10,887)**	(7,557)
Net realized gain from sale of other financial assets measured at FVTPL	**(57,262)**	(46,949)
Dividend income from other financial assets measured at FVTOCI	**(44,557)**	(34,436)
Net realised (gain)/loss from sale of debt instruments measured at FVTOCI	**(23,943)**	86,085
Unrealised (gain)/loss on derivatives	**(22,873)**	4,540
Loss/(gain) from disposal of investment properties	**33,157**	(506)
Fair value adjustments of investment properties	**(13,073)**	-
Share of loss on investment in associate	**-**	7,135
Operating cash flows before tax paid and changes in operating assets and liabilities	**4,450,081**	3,806,574
Tax paid	**(58,431)**	(62,255)
Changes in operating assets and liabilities		
Increase in deposits with central banks	**(3,696,779)**	(3,596,766)
Increase in loans and advances to banks maturing after three months	**(3,764,392)**	(13,146,483)
Increase in loans and advances to customers	**(1,087,566)**	(4,003,923)
Increase in Islamic financing and investment products measured at amortised cost	**(2,328,277)**	(722,477)
Increase in reinsurance assets	**(719,524)**	(204,824)
(Increase)/decrease in other assets	**(840,081)**	816,406
Decrease/(increase) in financial assets carried at FVTPL	**285,692**	(611,505)
Increase/(decrease) in repurchase agreements with banks	**46,406**	(1,926,182)
Increase in customers' deposits	**5,473,648**	13,362,429
Increase/(decrease) in Islamic customers' deposits	**2,258,257**	(390,229)
Increase in deposits and balances due to banks	**4,086,141**	2,689,352
Increase in insurance contract liabilities	**905,613**	359,506
Increase in other liabilities	**1,091,286**	1,683,972
Net cash generated from/(used in) operating activities	**6,102,074**	(1,946,405)
Cash flows from investing activities		
Purchase of property and equipment	**(67,579)**	(33,506)
Purchase on intangible assets	**(28,720)**	(49,382)
Proceeds from sale of property and equipment	**17,288**	5,164
Purchase of financial assets measured at fair value or amortised cost	**(30,130,919)**	(31,222,364)
Proceeds from sale of financial assets measured at fair value or amortised cost	**26,570,554**	26,659,920
Dividend income from other financial assets measured at FVTOCI	**44,557**	34,436
Net consideration on acquisition of a subsidiary	**-**	(165,309)
Proceeds on disposal of Investment property	**218,358**	18,618
Net cash used in investing activities	**(3,376,461)**	(4,752,423)
Cash flows from financing activities		
Dividends paid	**(3,743,957)**	(1,838,446)
Coupon payment to Tier 1 note holders	**(46,832)**	(46,831)
Medium term notes redeemed	**(3,010,407)**	(418,984)
Medium term notes issued	**624,377**	341,430
Transaction with non-controlling interest	**(3,977)**	-
Issuance of Tier 1 capital notes	**1,836,500**	-
Net cash used in financing activities	**(4,344,296)**	(1,962,831)
Net decrease in cash and cash equivalents	**(1,618,683)**	(8,661,659)
Net foreign exchange difference	**(1,735)**	3,705
Cash and cash equivalents at beginning of the period	**38,106,460**	38,505,206
Cash and cash equivalents at end of the period (Note 19)	**36,486,042**	29,847,252

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 2024 to 30 June 2024

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, Pakistan, 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 2024 and 31 December 2023, 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			
Sukoon Insurance (PJSC)	United Arab Emirates	64.76%	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%	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	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
Mashreq Bank Pakistan Limited	Pakistan	100.00%	Banking
Mashreq Neo venture	United Arab Emirates	100.00%	Corporate venture capital company

** Under liquidation.*

As at 30 June 2024 and 31 December 2023, 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

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 2024, have been adopted in this interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Amendments to IFRS 16 Leases relating to Lease Liability in a Sale and Leaseback

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.

Amendments to IAS 1 Presentation of Financial Statements relating to Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
The amendments also defer the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements relating to Non-current Liabilities with Covenants

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures relating to Supplier Finance Arrangements

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

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***
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments.	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

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

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

New and revised IFRS	***Effective for annual periods beginning on or after***
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) The amendments relate to the treatment of the sale or contribution of assets from an investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of Group in the period of initial application.

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 2023 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 2023. In addition, results for the period from 1 January 2024 to 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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.

3.2 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.

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

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’.

- 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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Classification of financial assets (continued)

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.

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

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

3. Summary of significant accounting policies (continued)

3.3 Financial assets (continued)

Amortised cost and effective interest method (continued)

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.

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial guarantee contracts and loan commitments

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

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

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

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

3.6 Foreign exchange gains and losses

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

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

3.7 Islamic financing and investment products

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

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

i) Accounting policy

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

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

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

3. Summary of significant accounting policies (continued)

3.7 Islamic financing and investment products (continued)

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.

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.

3. Summary of significant accounting policies (continued)

3.9 Leasing (continued)

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

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

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

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

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

3.10 Cash and cash equivalents

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

4. Risk management

4.1 Credit risk

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

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

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

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

4. Risk management (continued)

4.1 Credit risk (continued)

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

i) The following tables explain the changes in gross carrying amount for loans and advances to customers (including Islamic financing and investment products):

	30 June 2024 (Unaudited)			
	Stage 1 12-month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
	AED'000			
Gross carrying amount as at 1 January	**105,445,340**	**5,926,382**	**1,957,532**	**113,329,254**
Transfers				
Transfer from Stage 1 to Stage 2	**(2,570,070)**	**2,570,070**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(124,197)**	**-**	**124,197**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(86,425)**	**86,425**	**-**
Transfer from Stage 3 to Stage 2	**-**	**344,983**	**(344,983)**	**-**
Transfer from Stage 2 to Stage 1	**328,991**	**(328,991)**	**-**	**-**
New financial assets, net of repayments and others	**5,432,509**	**(2,253,520)**	**267,821**	**3,446,810**
Write-offs	**-**	**-**	**(53,209)**	**(53,209)**
Gross carrying amount as at 30 June	**108,512,573**	**6,172,499**	**2,037,783**	**116,722,855**

	31 December 2023 (Audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
	AED'000			
Gross carrying amount as at 1 January	86,932,058	5,290,528	2,862,487	95,085,073
Transfers				
Transfer from Stage 1 to Stage 2	(3,242,949)	3,242,949	-	-
Transfer from Stage 1 to Stage 3	(140,826)	-	140,826	-
Transfer from Stage 2 to Stage 3	-	(370,642)	370,642	-
Transfer from Stage 3 to Stage 2	-	251,065	(251,065)	-
Transfer from Stage 2 to Stage 1	381,852	(381,852)	-	-
New financial assets, net of repayments and others	21,515,205	(2,105,666)	(603,865)	18,805,674
Write-offs	-	-	(561,493)	(561,493)
Gross carrying amount as at 31 December	105,445,340	5,926,382	1,957,532	113,329,254

4. Risk management (continued)

4.1 Credit risk (continued)

i) The following tables explain the changes in the loss allowance for loans and advances to customers (including Islamic financing and investment products):

	30 June 2024 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	AED'000			
Loss allowance as at 1 January	**576,945**	**485,391**	**1,911,439**	**2,973,775**
Transfers				
Transfer from Stage 1 to Stage 2	**(107,345)**	**107,345**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(63,601)**	**-**	**63,601**	**-**
Transfer from Stage 2 to Stage 1	**5,270**	**(5,270)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(37,582)**	**37,582**	**-**
Transfer from Stage 3 to Stage 2	**-**	**4,758**	**(4,758)**	**-**
New financial assets originated	**241,385**	**-**	**-**	**241,385**
Changes in PDs/LGDs/EADs	**(45,132)**	**(156,094)**	**(65,111)**	**(266,337)**
Write-offs	**-**	**-**	**(53,209)**	**(53,209)**
Loss allowance as at 30 June	**607,522**	**398,548**	**1,889,544**	**2,895,614**

	31 December 2023 (Audited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED'000			
Loss allowance as at 1 January	581,059	1,498,642	2,702,131	4,781,832
Transfers				
Transfer from Stage 1 to Stage 2	(115,037)	115,037	-	-
Transfer from Stage 1 to Stage 3	(34,999)	-	34,999	-
Transfer from Stage 2 to Stage 1	9,290	(9,290)	-	-
Transfer from Stage 2 to Stage 3	-	(34,999)	34,999	-
Transfer from Stage 3 to Stage 1	9	-	(9)	-
Transfer from Stage 3 to Stage 2	-	79,981	(79,981)	-
New financial assets originated	335,921	-	-	335,921
Changes in PDs/LGDs/EADs	(199,298)	(1,163,980)	(219,207)	(1,582,485)
Write-offs	-	-	(561,493)	(561,493)
Loss allowance as at 31 December	576,945	485,391	1,911,439	2,973,775

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

4. Risk management (continued)

4.1 Credit risk (continued)

ii) 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 2024 (Unaudited)			
Loans and advances to banks	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
		AED'000		
Investment-grade	**22,224,961**	**362,096**	**-**	**22,587,057**
BB+ & below	**11,741,178**	**4,405,032**	**-**	**16,146,210**
Unrated	**6,907,584**	**3,648,356**	**6,390**	**10,562,330**
	40,873,723	**8,415,484**	**6,390**	**49,295,597**
Loss allowance	**(88,133)**	**(58,723)**	**(6,390)**	**(153,246)**
	40,785,590	**8,356,761**	**-**	**49,142,351**

	31 December 2023 (Audited)			
Loans and advances to banks	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
		AED'000		
Investment-grade	14,912,035	343,226	-	15,255,261
BB+ & below	11,196,684	5,424,443	-	16,621,127
Unrated	5,776,792	1,603,514	9,737	7,390,043
	31,885,511	7,371,183	9,737	39,266,431
Loss allowance	(66,007)	(63,655)	(9,737)	(139,399)
	31,819,504	7,307,528	-	39,127,032

Exposures of AED 5,765 million were transferred from stage 1 to 2 and exposure of AED 471 million were transferred from stage 2 to 1 during the six month period ended 30 June 2024 (31 December 2023: Exposures of AED 7,813 million were transferred from stage 1 to 2 and exposure of AED 22 million were transferred from stage 2 to 1). There were no other transfers between stages during the period ended 30 June 2024:

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

4. Risk management (continued)

4.1 Credit risk (continued)

	30 June 2024 (Unaudited)			
Securities measured at amortised cost	**Stage 1 12-month**	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
		AED'000		
Investment-grade	**5,931,697**	**-**	**-**	**5,931,697**
BB+ & below	**3,282,283**	**-**	**-**	**3,282,283**
Unrated	**-**	**-**	**-**	**-**
	9,213,980	**-**	**-**	**9,213,980**
Loss allowance	**(62,119)**	**-**	**-**	**(62,119)**
	9,151,861	**-**	**-**	**9,151,861**
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	**25,692,226**	**-**	**-**	**25,692,226**
BB+ & below	**699,696**	**-**	**-**	**699,696**
Unrated	**5,655**	**-**	**-**	**5,655**
	26,397,577	**-**	**-**	**26,397,577**
Loss allowance	**(11,575)**	**-**	**-**	**(11,575)**
Carrying amount	**26,386,002**	**-**	**-**	**26,386,002**

Securities measured at amortised cost	31 December 2023 (Audited)			
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total
		AED'000		
Investment-grade	6,058,428	-	-	6,058,428
BB+ & below	3,938,232	-	-	3,938,232
Unrated	-	-	-	-
	9,996,660	-	-	9,996,660
Loss allowance	(45,135)	-	-	(45,135)
Carrying amount	9,951,525	-	-	9,951,525
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	21,659,736	-	-	21,659,736
BB+ & below	689,419	-	-	689,419
Unrated	3,370	-	-	3,370
	22,352,525	-	-	22,352,525
Loss allowance	(9,018)	-	-	(9,018)
Carrying amount	22,343,507	-	-	22,343,507

4. Risk management (continued)

4.1 Credit risk (continued)

There were no transfer between stages during the period ended 30 June 2024.

The loss allowance as at 30 June 2024 on off balance sheet and acceptances amounted to AED 97 million on Stage 1, AED 38 million on Stage 2, and AED 633 million on Stage 3 (as at Dec 2023: AED 103 million on Stage 1, AED 46 million on Stage 2, and AED 642 million on Stage 3).

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.

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.

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.

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 30 June 2024.

From a sensitivity analysis point of view, if the pessimistic scenario was changed by +10% / -10%, ECL would change by +/- AED 18 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 2023.

LIBOR transition

The Group has completed transition to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which included representatives from Risk, Finance, Technology, Legal, Marketing and relevant business units. In line with the disclosures in the financial statements for the period ended 30 June 2024, the Group's transition program to robust Risk-Free Reference Rates has been completed, with legacy cases migrated sequentially as repricing opportunities arose.

Notes to the condensed consolidated interim financial information
for the period from 1 January 2024 to 30 June 2024 (continued)

4. Risk management (continued)

4.2 Risk management in the current economic scenario (continued)

As at 30 June 2024, the Group did not hold any exposure linked to LIBOR.

Hedge accounting

The Group did not enter into any LIBOR-linked hedging instruments since January 2023.

4.3 Compliance risk

Compliance risk is the risk of an activity not being conducted in line with the applicable laws and regulations leading to reputational and/or financial losses. The Group manages compliance risk through a compliance function which is responsible for monitoring compliance of laws and regulations across the various jurisdictions in which the Group operates.

The Bank previously became aware that certain historical US dollar payment processing activities may have potentially breached US sanction laws in effect at the time. Accordingly, the Bank proactively cooperated with the UAE and the US regulators and appointed external legal advisors to assist in the review of these transactions, 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 2023.

4.4 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 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

5. Financial assets measured at fair value

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Debt securities	**1,219,611**	1,500,907
Equities		
Quoted	**28,148**	22,530
Unquoted	**728**	1,132
Funds	**1,369,256**	1,310,716
	2,617,743	2,835,285

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Debt securities	**26,386,002**	22,343,507
Equities		
Quoted	**735,715**	705,698
Unquoted	**94,307**	56,049
Funds	**175,728**	91,330
	27,391,752	23,196,584
Total financial assets measured at fair value	**30,009,495**	26,031,869

a) At 30 June 2024, debt securities held at FVTOCI includes the allowance for expected credit loss amounting to AED 12 million (31 December 2023: AED 9 million) and is recorded as stage 1.

b) During the period from 1 January 2024 to 30 June 2024, dividends received from financial assets measured at FVTOCI amounting to AED 45 million (period ended 30 June 2023: AED 34 million) were recognised as net investment income in the condensed consolidated interim statement of profit or loss.

c) During the period, the Group has sold certain financial assets measured at fair value through other comprehensive income, resulting in a gain of AED 24 million (period ended 30 June 2023: loss of AED 86 million) on the sale.

d) At 30 June 2024, certain financial assets measured at financial assets measured at fair value included debt securities with an aggregate carrying value of AED 497 million(31 December 2023: carrying value of AED 481 million) which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 431 million (31 December 2023: AED 404 million).

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

6. Securities measured at amortised cost

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Debt securities	**9,213,980**	9,996,660
Less: Allowance for impairment	**(62,119)**	(45,135)
Total securities measured at amortised cost	**9,151,861**	9,951,525

a) At 30 June 2024, certain securities measured at amortised cost with an aggregate carrying value of AED 383 million (fair value of AED 423 million) [31 December 2023: Carrying value of AED 383 million (fair value of AED 410 million)] which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 362 million (31 December 2023: AED 347 million).

7. Loans and advances to customers

a) The analysis of the Group's Loans and advances to customers is as follows:

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Loans	**87,570,117**	88,030,519
Overdrafts	**5,423,959**	4,384,895
Credit cards	**3,328,801**	2,899,433
Others	**956,985**	913,077
Total	**97,279,862**	96,227,924
Less: Allowance for impairment	**(2,550,075)**	(2,624,687)
	94,729,787	93,603,237

b) The analysis of Loans and advances to customers by industry sector is as follows:

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Manufacturing	**16,774,365**	17,899,380
Construction	**7,201,009**	7,030,366
Trade	**20,806,679**	22,015,486
Transport and communication	**2,967,131**	2,247,645
Services	**11,301,064**	9,765,307
Financial institutions	**3,729,911**	3,410,506
Personal	**9,844,323**	9,535,850
Residential mortgage	**11,154,887**	10,640,029
Government and related enterprises	**13,500,493**	13,683,355
	97,279,862	96,227,924
Less: Allowance for impairment	**(2,550,075)**	(2,624,687)
	94,729,787	93,603,237

7. Loans and advances to customers (continued)

c) The movements in the allowance for impairment and suspended interest on Loans and advances to customers are as follows:

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
At beginning of the period/year	**2,624,687**	4,312,366
Reversal of allowance for the period/year	**(70,117)**	(1,238,374)
Interest in suspense	**44,459**	93,195
Exchange rate and other adjustments	**4,255**	18,993
Written off during the period/year	**(53,209)**	(561,493)
At end of the period/year	**2,550,075**	2,624,687

d) The allowance for impairment includes a specific provision of AED 1,595 million for stage 3 loans of the Group as at 30 June 2024 (31 December 2023: AED 1,612 million).

8. Islamic financing and investment products measured at amortised cost

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Financing		
Murabaha	**16,323,880**	13,776,759
Ijarah	**3,643,700**	4,291,091
	19,967,580	18,067,850
Investment		
Wakalah	**1,793,831**	1,583,931
Total	**21,761,411**	19,651,781
Less: Unearned income	**(2,318,418)**	(2,550,451)
Allowance for impairment	**(345,539)**	(349,088)
	19,097,454	16,752,242

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

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Manufacturing	**3,159,545**	1,382,668
Construction	**2,472,025**	2,220,566
Trade	**1,586,743**	1,917,377
Transport and communication	**112,621**	114,991
Services	**3,001,948**	2,639,136
Financial institutions	**1,101,794**	1,011,679
Personal	**6,558,580**	6,597,675
Residential mortgage	**1,146,235**	1,209,607
Government and related enterprises	**2,621,920**	2,558,082
Total	**21,761,411**	19,651,781
Less: Unearned income	**(2,318,418)**	(2,550,451)
Allowance for impairment	**(345,539)**	(349,088)
	19,097,454	16,752,242

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
At beginning of the period/year	**349,088**	469,466
Reversal of impairment allowance for the period/year	**(14,068)**	(96,973)
Reversal of profit in suspense	**(121)**	(23,489)
Exchange and other adjustment	**10,640**	84
At end of the period/year	**345,539**	349,088

d) The allowance for impairment includes a specific provision of AED 295 million for stage 3 Islamic financing and investment exposure of the Group as at 30 June 2024 (31 December 2023: AED 300 million).

9. Investment properties

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
At fair value		
At beginning of the period/year	**502,047**	464,840
Purchases	**-**	143,873
Change in fair value during the period/year	**13,073**	13,005
Sale of investment property	**(251,515)**	(119,671)
At end of the period/year	**263,605**	502,047

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

9. Investment properties (continued)

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 30 June 2024 and 31 December 2023 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 2024.

10. Property and equipment & Intangible assets

During the period, the Group purchased various types of property, equipment and intangible assets totaling AED 96 million (period ended 30 June 2023: AED 83 million) and disposed of various types of these assets' net book value of AED 18 million (period ended 30 June 2023: AED 5 million).

11. Deposits and balances due to banks

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Time	**24,671,625**	23,646,123
Demand	**10,703,556**	8,473,770
Overnight	**6,046,008**	5,215,155
	41,421,189	37,335,048

12. Customers' deposits

The analysis of customers' deposits is as follows:

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Current and other accounts	**78,342,053**	76,292,432
Saving accounts	**9,616,503**	6,650,330
Time deposits	**50,124,763**	49,666,909
	138,083,319	132,609,671

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

13. Islamic customers' deposits

The analysis of Islamic customers' deposits is as follows:

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Current and other accounts	**7,548,119**	5,292,200
Saving accounts	**286,857**	225,748
Time deposits	**8,045,765**	8,104,536
	15,880,741	13,622,484

The amount under time deposits include AED 15 million relating to Investment risk reserve (31 December 2023: AED 14 million).

14. Medium-term loans

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Medium term notes	**2,772,671**	5,158,701

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Year		
2024	**937,343**	3,916,957
2025	**700,568**	727,299
2026	**73,460**	-
2027	**59,570**	62,800
2028	**415,049**	415,049
2029	**586,681**	36,596
	2,772,671	5,158,701

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 2024, medium-term notes of AED 3,010 million were redeemed (31 December 2023: 546 million).

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

15. Issued and paid up capital and other reserves

Issued and paid up capital

As at 30 June 2024 and 31 December 2023, 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 7 March 2024, the shareholders approved a cash dividend of 185% for the year ended 31 December 2023 (31 December 2022: Cash dividend of 90%) of issued and paid up capital amounting to AED 3.7 billion (31 December 2022: AED 1.8 billion).

Other reserves

The movement in these reserves is as follows:

	Statutory and legal reserve AED'000	General reserve AED'000	Insurance finance income and expenses reserve AED'000	Impairment reserve - General* AED'000	Currency translation reserve AED'000	Investment revaluation reserve AED'000	Total AED'000
2023							
As at 1 January (Restated)	1,027,494	312,000	7,380	-	(130,804)	(1,821,161)	(605,091)
Other comprehensive income/(loss)	-	-	-	-	3,705	(7,483)	(3,778)
Transfer from OCI reserve to retained earnings	-	-	-	-	-	-	-
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	(6,964)	(6,964)
As at 30 June	1,027,494	312,000	7,380	-	(127,099)	(1,835,608)	(615,833)
2024							
As at 1 January	**1,027,494**	**312,000**	**8,454**	**1,130,000**	**(134,315)**	**(1,776,385)**	**567,248**
Other comprehensive income/(loss)	**-**	**-**	**343**	**-**	**(1,735)**	**(160,856)**	**(162,248)**
Transfer from impairment reserve - General to retained earning	**-**	**-**	**-**	**(22,000)**	**-**	**-**	**(22,000)**
Transfer from OCI reserve to retained earnings	**-**	**-**	**-**	**-**	**-**	**10,373**	**10,373**
Transfer from investment revaluation reserve to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 30 June	**1,027,494**	**312,000**	**8,797**	**1,108,000**	**(136,050)**	**(1,926,868)**	**393,373**

**Impairment reserve – General*

Impairment reserve – General is a non-distributable reserve held to meet provision requirement under Central Bank of UAE (CBUAE) circular 28/2010.

As per Guidance Note to Banks for the Implementation of IFRS 9 issued by CBUAE, in case where provision for impairment required under CBUAE circular 28/2010 exceed expected credit loss under IFRS 9, the excess amount is required to be transferred to a non-distributable impairment reserve.

Notes to the condensed consolidated interim financial information
for the period from 1 January 2024 to 30 June 2024 (continued)

15. Issued and paid up capital and other reserves (continued)

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Regulatory general provision - under CBUAE circular 28/2010	**2,389,897**	2,382,553
Aggregate expected credit loss for stage 1 and 2	**1,361,579**	1,395,215
Impairment reserve - General	**1,108,000**	1,130,000
At end of the period/year	**2,469,579**	2,525,215

16. Non-controlling interests

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
At beginning of the period/year	**984,431**	909,383
Share of profit for the period/year	**49,813**	87,060
Share of other comprehensive income for the period/year	**4,859**	13,671
Dividend paid	**(32,675)**	(32,955)
Transaction with NCI	**(3,615)**	(8,250)
Non-controlling interests of a subsidiary	**-**	15,522
At end of the period/year	**1,002,813**	984,431

17. General and administrative expenses

General and administrative expenses include senior management remuneration and director fees of AED 39 million for the six-month period ended 30 June 2024 (six-month period ended 30 June 2023: AED 37 million).

18. Earnings per share

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

	30 June 2024 (Unaudited) AED'000	30 June 2023 (Unaudited) AED'000
Profit for the period (AED'000) (Attributed to owners of the Parent)	**4,002,626**	3,516,264
Weighted average number of shares in issue	**200,609,830**	200,609,830
Basic earnings per share (AED)	**19.95**	17.53

There were no potentially dilutive shares as of 30 June 2024 and 30 June 2023.

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

19. Cash and cash equivalents

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000	30 June 2023 (Unaudited) AED'000
Cash on hand	**1,457,942**	1,677,242	1,963,529
Current accounts and other balances with central banks	**21,781,558**	29,747,449	18,087,408
Certificates of deposit maturing within 3 months	**400,000**	100,000	550,000
Loans and advances to banks with original maturity of less than 3 months	**12,846,542**	6,581,769	9,246,315
	36,486,042	38,106,460	29,847,252

20. Contingent liabilities and commitments

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Guarantees	**25,538,523**	26,275,568
Letters of credit	**13,674,350**	13,286,749
Irrevocable undrawn credit facilities commitments	**14,508,478**	11,962,043
	53,721,351	51,524,360

21. Derivative financial instruments

These derivative financial instruments are based on observable market inputs- i.e. Level 2:

	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**
30 June 2024 (Unaudited)			
Held for trading			
Forward foreign exchange contract	**243,463**	**448,274**	**131,888,148**
Foreign exchange options (bought)	**18,792**	**18,782**	**2,395,388**
Foreign exchange options (sold)	**-**	**-**	**1,415,583**
Interest rate swaps	**1,825,280**	**1,047,901**	**33,661,895**
Credit default swaps	**-**	**3,432**	**73,460**
Futures contracts purchased (Customer)	**13,372**	**3,214**	**729,321**
Futures contracts sold (Customer)	**5,230**	**1,515**	**705,003**
Futures contracts purchased (Bank)	**3,674**	**13,376**	**824,732**
Futures contracts sold (Bank)	**1,633**	**5,335**	**747,056**
Currency Swap	**-**	**-**	**807,666**
Total	**2,111,444**	**1,541,829**	**173,248,252**

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

21. Derivative financial instruments (continued)

These derivative financial instruments are based on observable market inputs- i.e. Level 2 (continued):

	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**
30 June 2024 (Unaudited)			
Held as fair value/cash flow hedge			
Interest rate swaps	**12,717**	**154,428**	**1,549,511**
Total	**2,124,161**	**1,696,257**	**174,797,763**

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
31 December 2023 (Audited)			
Held for trading			
Forward foreign exchange contract	260,010	231,590	65,196,411
Foreign exchange options (bought)	1,825	1,825	2,155,314
Foreign exchange options (sold)	-	-	1,195,570
Interest rate swaps	1,711,800	1,039,475	32,173,976
Credit default swaps	-	3,001	55,095
Futures contracts purchased (Customer)	2,561	12,451	1,092,242
Futures contracts sold (Customer)	592	1,319	115,030
Futures contracts purchased (Bank)	12,488	2,561	1,106,127
Futures contracts sold (Bank)	1,318	592	115,030
Total	1,990,594	1,292,814	103,204,795
Held as fair value/cash flow hedge			
Cross-currency swap	21,297	106,282	1,735,231
Total	2,011,891	1,399,096	104,940,026

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

There were no transfers between levels during the period.

22. Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated interim financial information for the six-month periods ended 30 June 2024 and 2023, respectively.

23. Related party transactions

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

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	AED'000	AED'000
Balances with major shareholders		
Loans and advances	**2,842,696**	2,841,401
Deposits/financial instruments under lien	**1,579,463**	791,963
Letter of credit and guarantees	**1,541,260**	1,383,801
Balances with directors and key management personnel		
Loans and advances	**125,062**	123,089
Deposits/financial instruments under lien	**433,353**	391,189
Letter of credit and guarantees	**3,111**	251
Balances with associates and joint venture		
Deposits/financial instruments under lien	**48,296**	76,625
Letter of credit and guarantees	**25,000**	25,000

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

	Period from 1 January 2024 to 30 June 2024 (Unaudited)	Period from 1 January 2023 30 June 2023 (Unaudited)
	AED'000	AED'000
Transactions with major shareholders		
Interest income	**84,578**	73,707
Interest expense	**19,236**	3,388
Other income	**13,269**	15,889
Transactions with directors and key management personnel		
Interest income	**3,022**	2,208
Interest expense	**1,431**	509
Other income	**1**	6
Transactions with associates and joint venture		
Other income	**2**	-

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

24. Segmental information

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

Reportable segments

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

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

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) Insurance & Others consist of the insurance subsidiary, Sukoon Insurance Group whose product offerings include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance. It also consists of Head office and certain investments and assets held centrally due to theirstrategic significance to the Group.

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

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

24. Segmental information (continued)

	Period from 1 January 2024 to 30 June 2024 (Unaudited)				
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	1,751,107	1,439,203	387,309	648,225	4,225,844
Fee and commission, net investment and other income	789,346	694,311	246,641	171,312	1,901,610
Operating income	2,540,453	2,133,514	633,950	819,537	6,127,454
General and administrative expenses	(570,426)	(909,533)	(76,501)	(116,691)	(1,673,151)
Operating profit before impairment					4,454,303
Allowances for impairment, net					44,881
Profit before taxes					4,499,184
Tax expense					(446,745)
Profit for the period					4,052,439
Attributed to:					
Owners of the Parent					4,002,626
Non-controlling interests					49,813
					4,052,439
	30 June 2024 (Unaudited)				
Segment Assets	130,790,358	31,128,589	61,653,074	29,895,332	253,467,353
Segment Liabilities	116,472,539	69,706,677	20,212,028	13,821,535	220,212,779

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

24. 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 & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	1,653,689	1,280,438	242,386	439,327	3,615,840
Fee and commission, net investment and other income	623,987	654,960	87,039	144,733	1,510,719
Operating income	2,277,676	1,935,398	329,425	584,060	5,126,559
General and administrative expenses	(515,273)	(772,109)	(67,883)	(95,629)	(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
	31 December 2023 (Audited)				
Segment Assets	126,500,499	28,896,099	59,412,605	25,171,406	239,980,609
Segment Liabilities	113,844,776	63,595,569	18,706,914	12,515,560	208,662,819

Notes to the condensed consolidated interim financial information for the period from 1 January 2024 to 30 June 2024 (continued)

25. Fair value of financial instruments

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The group measures investments in the category using various valuations techniques. These include the net assets valuation method where there is unavailability of market and comparable financial information comparable sales transactions after applying an appropriate hair cut and discounted cash flow models where appropriate.

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 2023.

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

	Fair value as at		Fair value hierarchy
	30 June 2024 (Unaudited) AED'000	31 December 2023 (audited) AED'000	
Financial assets measured at FVTPL			
Quoted debt investments	**341,610**	152,750	Level 1
Quoted equity investments	**28,148**	22,530	Level 1
Unquoted debt investments	**878,001**	1,348,157	Level 2
Funds	**1,369,256**	1,310,716	Level 2
Unquoted equity investments	**728**	1,132	Level 3
	2,617,743	2,835,285	

	Fair value as at		Fair value hierarchy
	30 June 2024 (Unaudited) AED'000	31 December 2023 (audited) AED'000	
Financial assets measured at FVTOCI			
Quoted debt investments	**26,386,002**	22,343,507	Level 1
Quoted equity investments	**735,715**	705,698	Level 1
Funds	**175,728**	91,330	Level 2
Unquoted equity investments	**94,307**	56,049	Level 3
	27,391,752	23,196,584	
	30,009,495	26,031,869	

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

25. Fair value of financial instruments (continued)

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Balance at the beginning of the period/year	**1,132**	707
Change in fair value	**(404)**	425
Balance at the end of the period/year	**728**	1,132

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Balance at the beginning of the period/year	**56,049**	63,117
Purchases	**34,697**	8,945
Disposals/matured	**(1,102)**	(12,429)
Change in fair value	**4,663**	(3,584)
Balance at the end of the period/year	**94,307**	56,049

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

26. Capital adequacy ratio

As per the Central bank regulation for Basel III, the Bank is required to comply with the following minimum capital 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) and Countercyclical Buffer (CCYB), calculated based on geographic composition of the bank's portfolio of credit exposures, in the form of CET 1.

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Capital base		
Common Equity Tier 1 capital	**27,906,952**	24,067,800
Additional tier 1 capital (AT1)	**2,938,400**	1,101,900
Tier 2 capital	**3,822,608**	3,816,488
Total capital base (A)	**34,667,960**	28,986,188

26. Capital adequacy ratio (continued)

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

	30 June 2024 (Unaudited) AED'000	31 December 2023 (Audited) AED'000
Risk-weighted assets		
Credit risk	**159,326,453**	158,836,848
Market risk	**2,937,434**	2,881,726
Operational risk	**15,965,548**	13,813,001
Total risk-weighted assets (B)	**178,229,435**	175,531,575
Capital adequacy ratio (%) [(A)/(B) x 100]	**19.45%**	16.51%

27. Corporate tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new Corporate Tax (CT) regime in the UAE. The new CT regime became effective for accounting periods beginning on or after 1 June 2023. As the Group's accounting year ends on 31 December, the first tax period will be the period from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. It is not currently foreseen that the Group's UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion and Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and the enactment of Pillar Two rules by the UAE MoF.

The tax expense for the period ended 30 June 2024 is AED 446.74 million (30 June 2023: AED 62.25 million), representing an Effective Tax Rate ("ETR") of 9.93% (30 June 2023: 1.72%). The increase in the ETR year-on-year is primarily due to the introduction of the UAE Corporate Tax. The ETR reflects the weighted average tax rates of the UAE and other international jurisdictions where the Group operates.

28. Additional Tier 1 capital securities

In July 2022, the Bank issued US$ 300 million (AED 1,101.9 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 8.5% p.a.The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in 2027 subject to Central bank approval.

In June 2024, the Bank issued US$ 500 million (AED 1,836.5 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 7.125% p.a. The Bank can elect not to pay a coupon at its own discretion and has the option to call back the securities in 2029 subject to Central bank approval.

29. Subordinated debt

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

30. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the six-month period ended 30 June 2024.

31. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information for the six-months period ended 30 June 2024 were approved by the Board of Directors on 25 July 2024.