Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial information for the six month period ended June 30, 2023

بنك أبوظبي التجاري
ADCB

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KPMG

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of Abu Dhabi Commercial Bank PJSC

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial information of Abu Dhabi Commercial Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2023;
- the condensed consolidated interim income statement for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2023; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates

Date: 20 JUL 2023

Condensed consolidated interim statement of financial position

As at June 30, 2023

	Notes	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Assets			
Cash and balances with central banks, net	4	35,194,933	39,429,308
Deposits and balances due from banks, net	5	38,258,060	35,339,202
Financial assets at fair value through profit or loss	6	8,505,214	4,642,263
Derivative financial instruments	7	15,914,067	15,182,538
Investment securities, net	8	122,038,415	112,010,683
Loans and advances to customers, net	9	271,959,860	258,492,870
Investment in associates		253,561	252,525
Investment properties	11	1,687,812	1,691,890
Other assets, net	12	18,512,664	21,711,189
Property and equipment, net		1,887,148	1,937,503
Intangible assets, net		7,088,813	7,152,194
Total assets		**521,300,547**	**497,842,165**
Liabilities			
Due to banks	13	13,612,046	9,719,193
Derivative financial instruments	7	15,508,663	16,225,385
Deposits from customers	14	315,907,847	308,930,699
Euro commercial paper	15	7,221,578	5,994,279
Borrowings	16	81,463,579	69,875,733
Other liabilities	17	23,875,194	25,670,739
Total liabilities		**457,588,907**	**436,416,028**
Equity			
Share capital	18	7,319,947	6,957,379
Share premium		17,878,882	17,878,882
Other reserves	19	9,657,392	7,546,743
Retained earnings		22,849,031	23,035,375
Capital notes	20	6,000,000	6,000,000
Equity attributable to equity holders of the Bank		**63,705,252**	**61,418,379**
Non-controlling interests		6,388	7,758
Total equity		**63,711,640**	**61,426,137**
Total liabilities and equity		**521,300,547**	**497,842,165**

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on July 20, 2023 and signed on its behalf by:

Khaldoon Khalifa Al Mubarak	**Ala'a Eraiqat**	**Deepak Khullar**
Chairman	*Group Chief Executive Officer*	*Group Chief Financial Officer*

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim income statement (unaudited)
For the six month period ended June 30, 2023

	Notes	3 months ended June 30 2023 AED'000	3 months ended June 30 2022 AED'000	6 months ended June 30 2023 AED'000	6 months ended June 30 2022 AED'000
Interest income	21	**5,994,257**	2,947,268	**11,381,378**	5,175,357
Interest expense	22	**(3,562,598)**	(857,807)	**(6,627,084)**	(1,399,933)
Net interest income		**2,431,659**	2,089,461	**4,754,294**	3,775,424
Income from Islamic financing and investing products		**720,437**	572,165	**1,430,012**	1,094,805
Distribution on Islamic deposits and profit paid to sukuk holders		**(221,625)**	(90,434)	**(402,509)**	(152,631)
Net income from Islamic financing and investing products		**498,812**	481,731	**1,027,503**	942,174
Total net interest income and income from Islamic financing and investing products		**2,930,471**	2,571,192	**5,781,797**	4,717,598
Net fees and commission income	23	**723,783**	504,772	**1,256,378**	991,815
Net trading income	24	**382,984**	258,958	**838,428**	375,652
Other operating income	25	**22,056**	160,301	**94,701**	345,834
Operating income		**4,059,294**	3,495,223	**7,971,304**	6,430,899
Operating expenses	26	**(1,319,048)**	(1,226,967)	**(2,550,235)**	(2,344,503)
Operating profit before impairment charge		**2,740,246**	2,268,256	**5,421,069**	4,086,396
Impairment charge	27	**(747,669)**	(655,423)	**(1,495,601)**	(949,701)
Profit after impairment charge		**1,992,577**	1,612,833	**3,925,468**	3,136,695
Share in profit/(loss) of associates		**201**	(4,745)	**1,036**	(2,716)
Profit before taxation		**1,992,778**	1,608,088	**3,926,504**	3,133,979
Overseas income tax charge		**(60,438)**	(35,489)	**(115,835)**	(64,227)
Profit for the period from continuing operations		**1,932,340**	1,572,599	**3,810,669**	3,069,752
Gain/(loss) from discontinued operations		**-**	2,548	**-**	(11,123)
Profit for the period		**1,932,340**	1,575,147	**3,810,669**	3,058,629
Attributable to:					
Equity holders of the Bank		**1,932,848**	1,575,217	**3,811,824**	3,058,720
Non-controlling interests		**(508)**	(70)	**(1,155)**	(91)
Profit for the period		**1,932,340**	1,575,147	**3,810,669**	3,058,629
Basic and diluted earnings per share (AED)	28	**0.26**	0.22	**0.50**	0.41

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (unaudited)
For the six month period ended June 30, 2023

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**1,932,340**	1,575,147	**3,810,669**	3,058,629
Items that may be re-classified subsequently to the condensed consolidated interim income statement				
Net movement in foreign currency translation reserve (Note 19)	**(30,647)**	(9,003)	**(108,088)**	(130,199)
Net movement in cash flow hedge reserve (Note 19)	**177,626**	378,853	**280,686**	441,389
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 19)	**(142,929)**	(1,396,267)	**(274,103)**	(2,188,702)
	4,050	(1,026,417)	**(101,505)**	(1,877,512)
Items that may not be re-classified subsequently to the condensed consolidated interim income statement				
Net movement in revaluation reserve of equity instruments designated at FVTOCI (Note 19)	**(866)**	(40,723)	**(13,883)**	(30,802)
Other comprehensive profit/(loss) for the period	**3,184**	(1,067,140)	**(115,388)**	(1,908,314)
Total comprehensive income for the period	**1,935,524**	508,007	**3,695,281**	1,150,315
Attributable to:				
Equity holders of the Bank	**1,936,039**	508,157	**3,696,651**	1,150,694
Non-controlling interests	**(515)**	(150)	**(1,370)**	(379)
Total comprehensive income for the period	**1,935,524**	508,007	**3,695,281**	1,150,315

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity (unaudited)
For the six month period ended June 30, 2023

	Share capital	Share premium	Other reserves	Retained earnings	Capital notes	Equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at January 1, 2023	**6,957,379**	**17,878,882**	**7,546,743**	**23,035,375**	**6,000,000**	**61,418,379**	**7,758**	**61,426,137**
Profit/(loss) for the period	-	-	-	**3,811,824**	-	**3,811,824**	**(1,155)**	**3,810,669**
Other comprehensive loss for the period (Note 19)	-	-	**(115,173)**	-	-	**(115,173)**	**(215)**	**(115,388)**
Other movements	-	-	**14,159**	**4,490**	-	**18,649**	-	**18,649**
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	**(2,359)**	-	**(2,359)**	-	**(2,359)**
Dividends paid to equity holders of the Bank (Note 18)	**362,568**	-	**2,211,663**	**(3,826,559)**	-	**(1,252,328)**	-	**(1,252,328)**
Capital notes coupon paid (Note 28)	-	-	-	**(173,740)**	-	**(173,740)**	-	**(173,740)**
As at June 30, 2023	**7,319,947**	**17,878,882**	**9,657,392**	**22,849,031**	**6,000,000**	**63,705,252**	**6,388**	**63,711,640**
As at January 1, 2022	6,957,379	17,878,882	9,283,381	19,240,158	6,000,000	59,359,800	10,226	59,370,026
Profit/(loss) for the period	-	-	-	3,058,720	-	3,058,720	(91)	3,058,629
Other comprehensive loss for the period (Note 19)	-	-	(1,908,026)	-	-	(1,908,026)	(288)	(1,908,314)
Other movements	-	-	(2,122)	9,994	-	7,872	-	7,872
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	(3,556)	-	(3,556)	-	(3,556)
Adjustment arising from changes in non-controlling interests	-	-	100	173	-	273	(273)	-
Dividends paid to equity holders of the Bank	-	-	-	(2,574,230)	-	(2,574,230)	-	(2,574,230)
Dividends paid to non-controlling equity holders of subsidiary	-	-	-	-	-	-	(39)	(39)
Capital notes coupon paid (Note 28)	-	-	-	(83,969)	-	(83,969)	-	(83,969)
As at June 30, 2022	6,957,379	17,878,882	7,373,333	19,647,290	6,000,000	57,856,884	9,535	57,866,419

Following the Annual General Meeting held on March 20, 2023, the shareholders approved the distribution of proposed cash and stock dividend of AED 3,826,559 thousand for the year 2022, being AED 0.55 dividend per share and representing 55% of the paid up share capital (Note 18) (For the year 2021 – cash dividend of AED 2,574,230 thousand, being AED 0.37 dividend per share and representing 37% of the paid up share capital).

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (unaudited)
For the six month period ended June 30, 2023

	6 months ended June 30	
	2023	2022
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	**3,926,504**	3,122,856
Adjustments for:		
Depreciation on property and equipment (Note 26)	**192,025**	204,648
Amortisation of intangible assets (Note 26)	**46,679**	47,456
Net loss/(gain) from investment properties	**1,665**	(4,996)
Impairment charge	**1,776,851**	1,213,415
Share in (profit)/loss of associates	**(1,036)**	2,716
Discount unwind	**(126,597)**	(195,196)
Net loss from disposal of investment securities (Note 25)	**3,743**	31,532
(Discount)/premium amortisation on investment securities	**(81,568)**	82,116
Dividend income (Note 25)	**(18,967)**	(12,025)
Gain on sale of property and equipment	**(815)**	(6,424)
Amortisation and interest capitalised on borrowings and ECPs	**650,586**	481,712
Net (gain)/loss from financial assets and liabilities at fair value through profit or loss (Note 24)	**(327,496)**	15,727
Ineffective portion of hedges – loss	**2,690**	8,641
Employees' incentive plan expense (Note 19)	**18,649**	12,882
Cash flows from operating activities before changes in operating assets and liabilities	**6,062,913**	5,005,060
Net movement in due from banks	**2,023,568**	(6,520,616)
Net movement in derivative financial instruments	**153,457**	160,149
Net purchases of financial assets at fair value through profit or loss	**(3,539,290)**	(2,241,970)
Net movement in loans and advances to customers	**(15,932,687)**	(368,031)
Net movement in other assets	**(810,057)**	(392,120)
Net movement in due to banks	**1,782,263**	2,732,401
Net movement in deposits from customers	**9,029,670**	28,828,462
Net movement in other liabilities	**2,191,619**	1,192,595
Net cash from operations	**961,456**	28,395,930
Overseas income tax paid	**(63,693)**	(40,146)
Net cash from operating activities	**897,763**	28,355,784
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	**30,895,173**	23,887,008
Net purchases of investment securities	**(42,747,248)**	(42,592,826)
Dividend received from investment securities (Note 25)	**18,967**	12,025
Dividend received from associates	**-**	1,620
Net purchases of property and equipment	**(160,521)**	(190,988)
Net cash used in investing activities	**(11,993,629)**	(18,883,161)
FINANCING ACTIVITIES		
Net movement in euro commercial paper	**1,066,606**	(586,251)
Net proceeds from borrowings	**46,502,946**	31,418,357
Repayment of borrowings	**(35,759,962)**	(25,043,643)
Payment of lease liabilities	**(40,061)**	(43,926)
Dividends paid to equity holders of the Bank	**(1,252,328)**	(2,574,230)
Dividends paid to non-controlling equity holders of subsidiary	**-**	(39)
Capital notes coupon paid (Note 28)	**(173,740)**	(83,969)
Net cash from financing activities	**10,343,461**	3,086,299
Effect of exchange rate changes on cash and cash equivalents	**(633,083)**	(379,700)
Net (decrease)/increase in cash and cash equivalents	**(1,385,488)**	12,179,222
Cash and cash equivalents at the beginning of the period	**39,058,114**	32,435,700
Cash and cash equivalents at the end of the period	**37,672,626**	44,614,922

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (unaudited) (continued)
For the six month period ended June 30, 2023

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise of following amounts:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Cash and balances with central banks (Note 4)	**35,195,144**	39,430,882
Deposits and balances due from banks (excluding loans and advances to banks) (Note 5)	**11,827,914**	8,903,141
Due to banks (Note 13)	**(13,612,046)**	(9,719,193)
	33,411,012	38,614,830
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than three months	**(4,300,685)**	(6,336,752)
Add: Due to banks – with original maturity of more than three months	**8,562,299**	6,780,036
Total cash and cash equivalents	**37,672,626**	39,058,114

The accompanying notes 1 to 34 form an integral part of this condensed consolidated interim financial information.

1. General information

Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). The Bank and its subsidiaries (together referred to as the "Group") is principally engaged in the business of retail, commercial and Islamic banking and provision of other financial services.

The Group's Islamic banking activities are conducted in accordance with principles of Islamic Shari'ah as interpreted by Internal Shari'ah Supervision Committee ("ISSC") as well as the standards and resolutions issued by the higher Shari'ah authority of UAE Central Bank.

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: ADCB).

The registered head office of ADCB is at Abu Dhabi Commercial Bank PJSC Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, UAE.

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRSs"), International Financial Reporting Interpretation Committee (IFRIC) Interpretations and requirements of applicable laws.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group's consolidated financial statements for the year ended December 31, 2022.

Certain disclosure notes/numbers have been reclassified and rearranged from the Group's prior period condensed consolidated interim financial information to conform to the current period's presentation.

The results for the six month period ended June 30, 2023 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2023.

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirham (AED), which is the Group's functional and presentation currency and is rounded off to the nearest thousand unless otherwise indicated.

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

The main areas of judgements, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements of the Group for the year ended December 31, 2022.

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2023

In the current period, the Group has applied the amendments to IAS 1, IFRS 17, IFRS 9, IAS 12 and IAS 8. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2023.

2.2.2 Standards and Interpretations in issue but not yet effective

The Group has not early adopted any new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	**Effective for annual periods beginning on or after**
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - 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.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures').	Effective date deferred indefinitely, available for early adoption.

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by management.

2.3 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

The following is the list of subsidiaries of the Bank as at June 30, 2023:

		Incorporation		
Name of subsidiary	**Ownership interest**	**Year**	**Country**	**Principal activities**
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Abu Dhabi Commercial Properties LLC	100%	2005	UAE	Real estate property management and advisory services.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC (1)	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities.
ACB LTIP (IOM) Limited	Controlling Interest	2008	Isle of Man	Trust activities.
Abu Dhabi Commercial Bank (UK Representative Office) Limited (2)	100%	2008	United Kingdom	UK representative office and process service agent.
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back office support for the Group.
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back office support for the Group.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Al Wifaq Investment Properties PrJSC	90.08%	2006	UAE	Investment in real estate properties and earning rental income.
Abu Dhabi Commercial Bank – Egypt SAE (formerly known as Union National bank – Egypt SAE)	99.90%	1981	Egypt	Commercial banking services.
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities.
Al Hilal Islamic Bank JSC	100%	2010	Kazakhstan	Islamic banking activities.
Al Hilal Leasing LLP	100%	2011	Kazakhstan	Shari'ah compliant leasing operations.
AHB Sukuk Company Limited	Controlling Interest	2011	Cayman Islands	Treasury financing activities.
Al Hur 1 Holding Limited	100%	2022	UAE	Real estate investment activities.
Al Hur 2 Holding Limited	100%	2022	UAE	Real estate investment activities.
ADCB Sukuk Company Limited	Controlling Interest	2023	Cayman Islands	Treasury financing activities.
Meedaf Investment - Sole Proprietorship LLC	100%	2023	UAE	Commercial enterprises investment, institution and management.

(1) dormant
(2) under liquidation

The Group does not have any subsidiary with material non-controlling interests.

Funds under management

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the condensed consolidated interim financial information except when the Bank controls the entity, as mentioned above.

Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in condensed consolidated interim income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value when control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Transactions eliminated on consolidation

All intragroup balances, income, expenses and cash flows resulting from intragroup transactions are eliminated on consolidation.

Investment in associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The condensed consolidated interim financial information includes the Group's share of the profit or loss and other comprehensive income of investment in associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

2.4 Taxation

On December 9, 2022 the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after June 1, 2023. For the Group, CT will apply on and from January 1, 2024. A rate of 9% will apply to taxable income exceeding AED 375,000. A rate of 0% will apply to taxable income not exceeding this threshold. The Ministry of Finance has released a significant number of decisions in relation to the Law. Therefore, for the six month period ending June 30, 2023, the CT regime will apply to the ADCB Group for the purposes of IAS 12 'Income Taxes', especially in relation to the recognition of deferred tax balances. As at June 30, 2023, the Group has undertaken an assessment of the application of the CT Law and has taken the position that no material deferred tax balances should be recognised pursuant to IAS 12 'Income Taxes' and the Group will continue to assess the impact on the financial statements, including any decisions or elections that can apply under the CT Law.

3. IBOR reform Phase 2

Interest Rate Benchmark Reform (IBOR) Phase 2, the amendments to IFRSs issued in August 2020, represents the second phase of the IASB's project on the effects of interest rate benchmark reform. The amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships.

Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform, do not result in the de-recognition or a change in the carrying amount of the financial instrument. Instead they require the effective interest rate to be updated to reflect the change in the interest rate benchmark.

In addition, IBOR Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The Group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Group reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Group is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

For the cessation of the publication of US dollar LIBOR from June 30, 2023, we have implemented the majority of required processes, technology and RFR product capabilities throughout the Group in preparation for upcoming market events. The Group has been proactively transitioning outstanding legacy lending facilities onto alternative RFRs and will continue to do so post June 30, 2023 when all remaining USD LIBOR rates cease to be published. Further, derivatives that are cleared through central counter party clearing house (CCP) were transitioned, those contracts that fall under ISDA protocol will be transitioned immediately after cessation date and the transition of our remaining derivatives portfolio is progressing well with most clients reliant on industry mechanisms to transition to RFRs. For the limited number of bilateral derivatives trades where an alternative transition path is required, client engagement is continuing. For certain products and contracts, including bonds and syndicated loans, we remain reliant on the continued support of agents and third parties, but we continue to progress those contracts requiring transition. Additionally, following the Financial Conduct Authority's consultation in November 2022 proposing that US dollar LIBOR is to be published using a 'synthetic' methodology for a defined period to allow smoother transition from LIBOR onto alternative RFRs, the Group continues to work with clients to support them through the transition and apply appropriate fall back rates, including synthetic LIBOR, where applicable if transition is not completed by June 30, 2023.

LIBOR exposures that have so far transitioned to alternative RFRs were predominantly on economically equivalent terms which did not require de-recognition or a change in the carrying amount of the financial instruments that are not carried at fair value through profit or loss and the effective interest rates were updated to reflect the change in the interest rate benchmark.

3. IBOR reform phase 2 (continued)

The table below shows the Group's exposure to significant IBOR subject to reform that have yet to transition to alternative RFRs.

As at June 30, 2023 (unaudited)	Non-derivative financial assets Carrying value AED'000	Non-derivative financial liabilities Carrying value AED'000	Hedging derivatives Nominal amount AED'000	Other derivatives Nominal amount AED'000
USD LIBOR 1 month	4,002,465	-	216,022	1,872,702
USD LIBOR 3 months	27,504,382	-	28,627,024	93,069,376
USD LIBOR 6 months	3,634,044	-	751,870	5,569,290
USD LIBOR 12 months	1,249,644	-	-	-

4. Cash and balances with central banks, net

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Cash on hand	3,315,403	2,403,467
Balances with central banks(*)	11,246,311	22,058,381
Reserves maintained with central banks	19,125,192	13,604,807
Certificate of deposits with central banks	1,508,238	1,364,227
Gross cash and balances with central banks	35,195,144	39,430,882
Less: Allowance for impairment (Note 10)	(211)	(1,574)
Total cash and balances with central banks, net	35,194,933	39,429,308
The geographical concentration is as follows:		
Within the UAE	32,507,010	36,380,076
Outside the UAE	2,688,134	3,050,806
	35,195,144	39,430,882
Less: Allowance for impairment (Note 10)	(211)	(1,574)
	35,194,933	39,429,308

(*) includes overnight deposit amounting to AED 11,000,000 thousand placed with CBUAE at 5.15% p.a. (December 31, 2022 – AED 21,200,000 thousand placed with CBUAE at 4.40% p.a.)

Reserves maintained with central banks represent deposits with the central banks at stipulated percentages of its demand, savings, time and other deposits. As per CBUAE regulations, subject to meeting reserve requirements over 14 days period, the Bank is allowed to draw their balances held in reserve account maintained with CBUAE. These reserves are available for day-to-day operations only under certain specified conditions.

5. Deposits and balances due from banks, net

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Nostro balances	**4,508,363**	1,514,892
Margin deposits	**3,106,960**	3,212,865
Time deposits	**3,578,952**	1,726,606
Reverse repo placements	**-**	584,416
Murabaha placements	**633,639**	1,864,362
Loans and advances to banks	**26,575,935**	26,563,554
Gross deposits and balances due from banks	**38,403,849**	35,466,695
Less: Allowance for impairment (Note 10)	**(145,789)**	(127,493)
Total deposits and balances due from banks, net	**38,258,060**	35,339,202
The geographical concentration is as follows:		
Within the UAE	**690,761**	1,987,621
Outside the UAE	**37,713,088**	33,479,074
	38,403,849	35,466,695
Less: Allowance for impairment (Note 10)	**(145,789)**	(127,493)
	38,258,060	35,339,202

As at June 30, 2023, the Group received bonds with fair value of AED nil (December 31, 2022 – AED 585,236 thousand) under the reverse repurchase agreement. The risk and rewards relating to these bonds remain with the counterparty. The bonds received as collateral are governed under Global Master Repurchase Agreements (GMRA).

6. Financial assets at fair value through profit or loss

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Debt securities(*)	**1,202,506**	1,471,930
Structured funding arrangements	**7,302,708**	3,170,333
Total financial assets at fair value through profit or loss	**8,505,214**	4,642,263
The geographical concentration is as follows:		
Within the UAE	**812,704**	733,566
Outside the UAE	**7,692,510**	3,908,697
	8,505,214	4,642,263

(*) includes Islamic sukuk amounting to AED 113,971 thousand (December 31, 2022 – AED 9,060 thousand)

The Group entered into structured funding arrangements where the funding was provided against certain reference assets received under the arrangement and held by the Group. The risk and rewards relating to these reference assets remain with the counterparty. The fair value of these reference assets as at June 30, 2023 amounted to AED 11,445,750 thousand (December 31, 2022 – AED 4,624,495 thousand), of this AED 6,074,755 thousand (December 31, 2022 – AED 433,762 thousand) were posted against Repo borrowings.

6. Financial assets at fair value through profit or loss (continued)

Further, the Group also received net cash collateral of AED 732,176 thousand (December 31, 2022 – AED 232,053 thousand) against these structuring arrangement. The structuring arrangement and reference assets received are governed under International Swaps and Derivatives Association (ISDA) agreements.

Refer note 9 for loans and advances at fair value through profit or loss.

7. Derivative financial instruments

The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

	Fair values		
	Assets AED'000	Liabilities AED'000	Notional AED'000
As at June 30, 2023 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	**846,786**	**819,831**	**256,107,770**
Interest rate and cross currency swaps	**7,736,002**	**7,084,869**	**201,293,838**
Interest rate and commodity options	**982,131**	**1,302,447**	**57,200,185**
Futures (exchange traded)	**4,976**	**9,700**	**710,751**
Commodity and energy swaps	**113,520**	**76,829**	**9,462,590**
Swaptions	**554,649**	**352,657**	**56,253,355**
Total derivatives held or issued for trading	**10,238,064**	**9,646,333**	**581,028,489**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**4,746,697**	**5,748,973**	**134,775,642**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**764,159**	**20,420**	**11,264,111**
Forward foreign exchange contracts	**101,377**	**68,809**	**7,766,624**
Total derivatives held as cash flow hedges	**865,536**	**89,229**	**19,030,735**
Derivatives held as net investment hedges			
Foreign exchange derivatives	**63,770**	**24,128**	**599,016**
Total derivative financial instruments	**15,914,067**	**15,508,663**	**735,433,882**
As at December 31, 2022 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	972,852	1,006,404	299,249,313
Interest rate and cross currency swaps	7,626,322	7,170,296	184,666,357
Interest rate and commodity options	918,653	1,180,299	63,603,819
Futures (exchange traded)	10,525	9,510	7,212,196
Commodity and energy swaps	50,280	48,897	521,513
Swaptions	662,102	431,202	75,828,229
Total derivatives held or issued for trading	10,240,734	9,846,608	631,081,427
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	4,111,504	6,188,272	120,122,804
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	446,858	133,401	14,403,967
Forward foreign exchange contracts	176,028	57,104	6,596,404
Total derivatives held as cash flow hedges	622,886	190,505	21,000,371
Derivatives held as net investment hedges			
Foreign exchange derivatives	207,414	-	969,650
Total derivative financial instruments	15,182,538	16,225,385	773,174,252

7. Derivative financial instruments (continued)

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk. The net hedge ineffectiveness gains relating to the fair value and cash flow hedges amounting to AED 2,030 thousand (for the six month period ended June 30, 2022 – net losses of AED 8,641 thousand) has been recognised in the condensed consolidated interim income statement.

As at June 30, 2023, the Group received cash collateral of AED 6,983,113 thousand (December 31, 2022 – AED 5,784,492 thousand) and bonds with fair value of AED 1,389,437 thousand (December 31, 2022 – AED 515,415 thousand) against net positive derivative exposure.

As at June 30, 2023, the Group placed cash collateral of AED 2,370,196 thousand (December 31, 2022 – AED 2,404,981 thousand) and bonds with fair value of AED 4,460,934 thousand (December 31, 2022 – AED 3,020,297 thousand) against net negative derivative exposure. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

8. Investment securities, net

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at June 30, 2023 (unaudited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	10,131,528	7,106,782	12,907,117	30,145,427
Bonds – Public sector	4,290,488	2,052,684	1,715,511	8,058,683
Bonds – Banks and financial institutions	1,683,386	1,171,326	947,976	3,802,688
Bonds – Corporate	843,389	339,160	467,885	1,650,434
Equities and funds(**)	616,661	31,031	150,839	798,531
Total quoted	17,565,452	10,700,983	16,189,328	44,455,763
Unquoted:				
Equities and funds	97,182	1,355	22,597	121,134
Total investment securities at fair value through other comprehensive income	17,662,634	10,702,338	16,211,925	44,576,897
At amortised cost				
Quoted:				
Government securities	11,886,543	13,735,902	25,006,539	50,628,984
Bonds – Public sector	7,287,121	1,648,363	4,746,400	13,681,884
Bonds – Banks and financial institutions	1,398,176	1,248,684	6,243,185	8,890,045
Bonds – Corporate	2,640,370	208,019	1,437,358	4,285,747
Total quoted	23,212,210	16,840,968	37,433,482	77,486,660
Less: Allowance for impairment (Note 10)	(6,403)	(6,083)	(12,656)	(25,142)
Total investment securities at amortised cost	23,205,807	16,834,885	37,420,826	77,461,518
Total investment securities, net	40,868,441	27,537,223	53,632,751	122,038,415

(*) Gulf Cooperation Council
(**) includes investments in perpetual bonds

8. Investment securities, net (continued)

	UAE AED'000	Other GCC countries AED'000	Rest of the world AED'000	Total AED'000
As at December 31, 2022 (audited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	10,935,448	8,121,358	16,946,221	36,003,027
Bonds – Public sector	5,644,936	2,127,066	2,176,692	9,948,694
Bonds – Banks and financial institutions	3,003,459	1,851,398	1,831,374	6,686,231
Bonds – Corporate	749,353	339,052	592,622	1,681,027
Equities and funds(*)	608,947	30,026	190,701	829,674
Total quoted	20,942,143	12,468,900	21,737,610	55,148,653
Unquoted:				
Bonds – Banks and financial institutions	-	548,532	-	548,532
Equities and funds	129,792	1,382	22,910	154,084
Total unquoted	129,792	549,914	22,910	702,616
Total investment securities at fair value through other comprehensive income	21,071,935	13,018,814	21,760,520	55,851,269
At amortised cost				
Quoted:				
Government securities	10,423,119	10,971,714	17,675,051	39,069,884
Bonds – Public sector	5,698,746	1,497,216	3,385,656	10,581,618
Bonds – Banks and financial institutions	1,291,260	425,132	1,783,731	3,500,123
Bonds – Corporate	2,759,047	61,501	214,109	3,034,657
Total quoted	20,172,172	12,955,563	23,058,547	56,186,282
Less: Allowance for impairment (Note 10)	(6,728)	(5,919)	(14,221)	(26,868)
Total investment securities at amortised cost	20,165,444	12,949,644	23,044,326	56,159,414
Total investment securities, net	41,237,379	25,968,458	44,804,846	112,010,683

(*) includes investments in perpetual bonds

Islamic investing assets included in the above table are as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
At fair value through other comprehensive income (FVTOCI)		
Sukuk investments	**7,448,567**	8,597,418
Equities	**157,330**	159,790
	7,605,897	8,757,208
At amortised cost		
Sukuk investments	**4,935,884**	4,629,980
Less: Allowance for impairment	**(2,282)**	(3,509)
	4,933,602	4,626,471
Net Islamic investing assets	**12,539,499**	13,383,679

As at June 30, 2023, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 55,037 thousand (December 31, 2022 – AED 69,616 thousand) (Note 10) is included in revaluation reserve of investments carried at FVTOCI.

8. Investment securities, net (continued)

The Group hedges certain fixed and floating rate investments securities amounting to AED 84,206,593 thousand (December 31, 2022 – AED 64,910,149 thousand) for interest rate and foreign currency risks through interest rate and currency swaps and designates these as fair value and cash flow hedges. The net positive fair value of these swaps as at June 30, 2023 was AED 5,191,652 thousand (December 31, 2022 – net positive fair value AED 4,173,486 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at June 30, 2023 (unaudited)		As at December 31, 2022 (audited)	
	Carrying value of pledged securities(*) AED'000	**Carrying value of associated liabilities AED'000**	Carrying value of pledged securities(*) AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	**40,215,460**	**36,297,983**	26,510,903	24,624,954

(*) includes securities of AED 6,074,755 thousand (December 31, 2022 - AED 433,762 thousand) received as collateral by the Group (Note 6)

Further, the Group pledged investment securities with fair value amounting to AED 4,982,928 thousand (December 31, 2022 – AED 3,965,022 thousand) as collateral against margin calls. The risks and rewards on these pledged investments securities remains with the Group.

9. Loans and advances to customers, net

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Overdrafts (retail and corporate)	**16,609,586**	17,533,430
Retail loans – mortgages	**14,367,243**	12,738,042
Retail loans – others	**35,011,790**	32,405,769
Corporate loans	**190,422,100**	180,064,566
Credit cards	**4,723,359**	4,401,955
Other facilities	**20,775,272**	20,003,037
Gross loans and advances to customers at amortised cost	**281,909,350**	267,146,799
Less: Allowance for impairment (Note 10)	**(13,054,345)**	(11,758,002)
Total loans and advances to customers at amortised cost, net	**268,855,005**	255,388,797
Loans and advances to customers at fair value through profit or loss	**3,104,855**	3,104,073
Total loans and advances to customers, net	**271,959,860**	258,492,870

9. Loans and advances to customers, net (continued)

Islamic financing assets included in the above table are as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Murabaha	**24,382,664**	24,103,675
Ijara financing	**13,843,603**	14,622,375
Salam	**515,733**	681,721
Others	**529,805**	379,650
Gross Islamic financing assets	**39,271,805**	39,787,421
Less: Allowance for impairment	**(1,898,984)**	(1,777,870)
Net Islamic financing assets	**37,372,821**	38,009,551

The Group hedges certain fixed and floating rate loans and advances amounting to AED 216,022 thousand (December 31, 2022 – AED 242,798 thousand) for interest rate risk using interest rate swaps and designates these swaps as fair value and cash flow hedges, respectively. The net positive fair value of these swaps as at June 30, 2023 was AED 10,959 thousand (December 31, 2022 – net positive fair value of AED 11,732 thousand).

The economic activity sector composition of the loans and advances to customers is as follows:

	As at June 30, 2023 (unaudited)			As at December 31, 2022 (audited)		
	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	**131,605**	**140,832**	**272,437**	161,730	170,156	331,886
Energy	**802,706**	**15,239,585**	**16,042,291**	1,226,669	13,605,745	14,832,414
Trading	**8,826,883**	**7,276,369**	**16,103,252**	7,222,359	6,141,184	13,363,543
Real estate investment	**56,231,957**	**1,979,815**	**58,211,772**	58,107,673	2,042,155	60,149,828
Hospitality	**8,613,066**	**472,750**	**9,085,816**	9,096,528	497,788	9,594,316
Transport and communication	**1,719,257**	**1,136,139**	**2,855,396**	1,541,809	1,428,122	2,969,931
Personal	**58,618,671**	**1,067,220**	**59,685,891**	54,369,336	1,354,235	55,723,571
Government and public sector entities	**61,944,765**	**4,261,393**	**66,206,158**	55,465,449	6,018,575	61,484,024
Financial institutions(*)	**12,332,400**	**9,937,582**	**22,269,982**	13,706,939	7,457,918	21,164,857
Manufacturing	**5,342,393**	**5,189,914**	**10,532,307**	4,551,598	5,052,793	9,604,391
Services(**)	**5,913,052**	**271,974**	**6,185,026**	5,538,091	261,836	5,799,927
Others	**14,651,440**	**2,912,437**	**17,563,877**	12,869,966	2,362,218	15,232,184
Gross loans and advances to customers	**235,128,195**	**49,886,010**	**285,014,205**	223,858,147	46,392,725	270,250,872
Less: Allowance for impairment (Note 10)			**(13,054,345)**			(11,758,002)
Total loans and advances to customers, net			**271,959,860**			258,492,870

(*) includes investment companies
(**) includes loans and advances to customers at fair value through profit or loss

9. Loans and advances to customers, net (continued)

Stage wise loans and advances to customers at amortised cost and associated impairment allowance is as follows:

	As at June 30, 2023 (unaudited)		As at December 31, 2022 (audited)	
	Gross loans and advances to customers AED'000	**Allowance for impairment AED'000**	Gross loans and advances to customers AED'000	Allowance for impairment AED'000
Stage 1	**251,015,383**	**1,318,319**	235,550,671	1,283,509
Stage 2	**16,304,406**	**3,964,405**	16,688,102	3,444,757
Stage 3	**12,794,082**	**7,330,802**	12,481,812	6,592,820
Purchased or originated credit-impaired	**1,795,479**	**440,819**	2,426,214	436,916
Total	**281,909,350**	**13,054,345**	267,146,799	11,758,002

The Group entered into structured financing agreements whereby certain loans and advances to customers were transferred and held by counterparties. The risks and rewards relating to the loans transferred remains with the Group. The structured financing and loans transferred are governed under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at June 30, 2023 (unaudited)		As at December 31, 2022 (audited)	
	Nominal value of pledged loans AED'000	**Carrying value of associated liabilities AED'000**	Nominal value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	**986,201**	**690,340**	1,026,640	718,647

As at June 30, 2023, the Group posted cash collateral against margin call of AED 2,277 thousand (December 31, 2022 – AED 1,947 thousand)

10. Impairment allowances

The movement in impairment allowances is as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Opening balance	**12,423,116**	11,522,456
Charge for the period/year	**1,783,807**	3,264,394
Recoveries/modifications during the period/year	**(288,206)**	(485,481)
Net charge for the period/year	**1,495,601**	2,778,913
Adjustments to gross carrying value for the period/year	**8,718**	346,269
Net amounts written-off during the period/year	**(134,748)**	(2,113,171)
Impact of currency translation	**(38,149)**	(111,351)
Total impairment allowances	**13,754,538**	12,423,116

10. Impairment allowances (continued)

Allocation of impairment allowances is as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Balances with central banks (Note 4)	**211**	1,574
Deposits and balances due from banks (Note 5)	**145,789**	127,493
Investment securities at amortised cost (Note 8)	**25,142**	26,868
Investment securities designated at FVTOCI (Note 8)(*)	**55,037**	69,616
Loans and advances to customers (Note 9)	**13,054,345**	11,758,002
Other assets (Note 12)	**17,664**	15,621
Letters of credit, guarantees and other commitments (Note 17)	**456,350**	423,942
Total impairment allowances	**13,754,538**	12,423,116

(*) recognised under "Revaluation reserve of investments designated at FVTOCI"

11. Investment properties

	AED'000
As at January 1, 2022	1,674,954
Additions during the year	6,105
Disposals during the year	(2,763)
Revaluation of investment properties	19,479
Impact of currency translation	(5,885)
As at December 31, 2022 (audited)	1,691,890
Revaluation of investment properties	**(1,665)**
Impact of currency translation	**(2,413)**
As at June 30, 2023 (unaudited)	**1,687,812**

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- Direct comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

Investment properties of the Group are primarily located within the UAE.

12. Other assets, net

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Interest receivable	**4,294,124**	3,341,919
Prepayments	**217,983**	124,628
Acceptances (Note 17)	**13,140,194**	17,131,510
Others	**878,027**	1,128,753
Gross other assets	**18,530,328**	21,726,810
Less: Allowance for impairment (Note 10)	**(17,664)**	(15,621)
Total other assets, net	**18,512,664**	21,711,189

13. Due to banks

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Vostro balances	**5,048,749**	2,939,157
Margin deposits	**7,744,924**	5,917,002
Time deposits	**818,373**	863,034
Total due to banks	**13,612,046**	9,719,193

14. Deposits from customers

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Time deposits	**165,254,324**	155,624,985
Current account deposits	**121,167,086**	122,426,026
Savings deposits	**27,261,613**	28,368,562
Long term government deposits	**280,417**	287,653
Margin deposits	**1,944,407**	2,223,473
Total deposits from customers	**315,907,847**	308,930,699

14. Deposits from customers (continued)

Islamic deposits included in the above table are as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Current account deposits	**14,109,482**	12,742,453
Margin deposits	**196,727**	202,030
Mudaraba savings deposits(*)	**17,156,569**	16,923,718
Mudaraba term deposits	**933,088**	1,038,049
Murabaha term deposits	**1,148,055**	1,270,585
Wakala deposits	**14,934,844**	13,664,516
Total Islamic deposits	**48,478,765**	45,841,351

(*) includes AED 16,943 thousand pertaining to investment risk reserve (December 31, 2022 – AED 20,081 thousand)

The Group hedges customer deposits amounting to AED 30,049,059 thousand (December 31, 2022 – AED 31,261,041 thousand) for foreign currency and interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net negative fair value of these swaps as at June 30, 2023 was AED 99,370 thousand (December 31, 2022 – net negative fair value of AED 157,067 thousand).

15. Euro commercial paper

The details of euro commercial paper ("ECP") issuances under the Bank's ECP programme are as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Currency		
US dollar (USD)	**2,791,411**	2,510,067
Euro (EUR)	**1,575,288**	1,230,731
Great Britain pound (GBP)	**2,854,879**	2,253,481
Total euro commercial paper	**7,221,578**	5,994,279

The Group hedges euro commercial paper amounting to AED 4,430,167 thousand (December 31, 2022 – AED 3,484,212 thousand) for foreign currency using foreign exchange swaps and designates these swaps as cash flow hedges. The net positive fair value of these hedge contracts as at June 30, 2023 was AED 61,012 thousand (December 31, 2022 – net positive fair value of AED 72,885 thousand).

The effective interest rate on zero coupon ECPs ranges between positive 3.18% p.a. to 5.745% p.a. (December 31, 2022 – between positive 1.19% p.a. to 5.29% p.a.).

16. Borrowings

The details of borrowings as at June 30, 2023 (unaudited) are as follows:

Instrument	Currency (CCY)	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	839,183	132,949	972,132
	Chinese renminbi (CNH)	100,981	115,292	485,668	-	701,941
	Euro (EUR)	-	77,505	-	-	77,505
	Swiss franc (CHF)	403,347	1,027,089	-	-	1,430,436
	Hong Kong dollar (HKD)	177,352	67,749	-	-	245,101
	US dollar (USD)	1,901,793	1,992,259	5,529,177	17,712,406	27,135,635
	Great Britain pound (GBP)	-	175,909	-	-	175,909
	Indonesian rupiah (IDR)	-	-	-	493,929	493,929
		2,583,473	3,455,803	6,854,028	18,339,284	31,232,588
Islamic sukuk notes	US dollar (USD)	1,839,397	-	-	-	1,839,397
Bilateral loans	US dollar (USD)	7,227,214	732,871	1,817,110	-	9,777,195
	Kazakhstan tenge (KZT)	-	-	83,351	-	83,351
Certificate of deposits issued	Great Britain pound (GBP)	371,003	-	-	-	371,003
	US dollar (USD)	1,171,722	-	-	-	1,171,722
Borrowings through repurchase agreements	US dollar (USD)	27,207,181	9,776,572	-	-	36,983,753
	Egyptian pound (EGP)	-	-	-	4,570	4,570
Total borrowings		40,399,990	13,965,246	8,754,489	18,343,854	81,463,579

The Group hedges borrowings amounting to AED 32,356,186 thousand for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at June 30, 2023 was AED 5,390,224 thousand.

16. Borrowings (continued)

The details of borrowings as at December 31, 2022 (audited) are as follows:

Instrument	Currency (CCY)	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	860,600	134,025	994,625
	Chinese renminbi (CNH)	-	226,806	509,186	-	735,992
	Euro (EUR)	-	75,952	-	-	75,952
	Swiss franc (CHF)	695,947	1,382,678	-	-	2,078,625
	Hong Kong dollar (HKD)	105,133	137,019	-	-	242,152
	US dollar (USD)	4,580,451	3,894,245	5,545,598	16,890,626	30,910,920
	Great Britain pound (GBP)	-	165,889	-	-	165,889
	Indonesian rupiah (IDR)	-	-	-	454,570	454,570
		5,381,531	5,882,589	6,915,384	17,479,221	35,658,725
Islamic sukuk notes	US dollar (USD)	1,844,944	-	-	-	1,844,944
Bilateral loans	US dollar (USD)	631,137	3,175,949	-	-	3,807,086
	Kazakhstan tenge (KZT)	-	-	81,198	-	81,198
Certificate of deposits issued	Great Britain pound (GBP)	110,228	-	-	-	110,228
	US dollar (USD)	286,325	-	-	-	286,325
Subordinated notes – fixed rate	US dollar (USD)	2,743,626	-	-	-	2,743,626
Borrowings through repurchase agreements	US dollar (USD)	18,115,040	7,019,742	202,333	-	25,337,115
	Egyptian pound (EGP)	594	-	-	5,892	6,486
Total borrowings		29,113,425	16,078,280	7,198,915	17,485,113	69,875,733

The Group hedges borrowings amounting to AED 37,677,496 thousand for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2022 was AED 5,745,422 thousand.

16. Borrowings (continued)

Interest is payable in arrears and the contractual coupon rates or internal rate of return on zero coupon issuances as at June 30, 2023 (unaudited) are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	-	-	Fixed rate between 3.10% p.a. to 4.50% p.a. and quarterly coupons with 90 to 94 basis points over bank bill swap rate (BBSW)	Fixed rate between 2.696% p.a. to 2.80% p.a.
	CNH	Fixed rate of 4.60% p.a.	Fixed rate of 3.33% p.a.	Fixed rate between 3.20% p.a. to 3.415% p.a.	-
	EUR	-	Fixed rate of 0.75% p.a.	-	-
	CHF	Fixed rate of 0.735% p.a.	Fixed rate between 0.05% p.a. to 0.51% p.a.	-	-
	HKD	Fixed rate between 2.84% p.a. to 2.87% p.a.	Fixed rate of 1.34% p.a.	-	-
	USD	Quarterly coupons between 110 to 155 basis points over LIBOR/SOFR and quarterly coupons between 139 to 146 basis points over SOFR	Quarterly coupons between 129 to 141 basis points over SOFR	Fixed rate between 1.63% p.a. to 5.10% p.a. and quarterly coupons of 88 basis points over SOFR	Fixed rate between 4.65% p.a. to 5.00% p.a, quarterly coupons of 140 basis points over LIBOR/SOFR and zero coupon with an internal rate of return between 3.271% p.a. to 5.785% p.a.(*)
	GBP	-	Fixed rate of 0.95% p.a.	-	-
	IDR	-	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.
Islamic Sukuk notes	USD	Fixed rate of 4.375% p.a.	-	-	-
Bilateral loans	USD	Monthly coupons of 95 basis points over LIBOR/SOFR and monthly coupons between 50 to 60 basis points over SOFR	Monthly coupon of 100 basis points over LIBOR/SOFR	Monthly coupon of 68 basis points over SOFR	-
	KZT	-	-	Fixed rate between 8.50% to 9.50% p.a.	-
Certificate of deposits issued	GBP	Zero coupon with an internal rate of return of 4.41% p.a.	-	-	-
	USD	Zero coupon with an internal rate of return between 5.42% p.a. to 5.755% p.a.	-	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 3.00% p.a. to 5.30% p.a. and SOFR plus spread between 29 to 66 basis points	Semi annual coupons between negative 20 to negative 18 basis points over LIBOR/SOFR and quarterly coupons between 43 to 65 basis points over SOFR	-	-
	EGP	-	-	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) includes AED 17,153,199 thousand accreting notes for maturities ranging from 30 years to 40 years with internal rate of return ranging between 3.271% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th or 10th year from issue date.

Refer note 8 and note 9 for details of bonds and loans pledged as collateral against borrowings through repurchase agreements. Further, the Group placed cash collateral of AED 1,083,387 thousand (December 31, 2022 - AED 1,072,321 thousand) against margin calls.

17. Other liabilities

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Interest payable	**3,130,035**	1,841,733
Recognised liability for defined benefit obligation	**519,752**	511,909
Deferred income	**912,805**	842,135
Acceptances (Note 12)	**13,140,194**	17,131,510
Impairment allowance on letters of credit, guarantees and other commitments (Note 10)	**456,350**	423,942
Others(*)	**5,716,058**	4,919,510
Total other liabilities	**23,875,194**	25,670,739

(*) includes AED 189,499 thousand (December 31, 2022 – AED 225,595 thousand) pertaining to finance lease liability

18. Share capital

	Authorised	**Issued and fully paid**	
		As at June 30 2023 unaudited	As at December 31 2022 audited
	AED'000	**AED'000**	AED'000
Ordinary shares of AED 1 each	**10,000,000**	**7,319,947**	6,957,379

In the Annual General Meeting held on March 20, 2023, the shareholders of the Bank approved cash dividend of AED 1,252,328 thousand and stock dividend of AED 2,574,231 thousand resulting in issuance of 362,568 thousand shares as shown below:

	AED'000
Ordinary share capital issued	**362,568**
Legal reserve(*)	**2,211,663**
Total stock dividend	**2,574,231**

(*) as per Securities and Commodities Authority regulations

As at June 30, 2023, Mubadala Investment Company holds 60.20% (December 31, 2022 – 60.20%) of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC.

19. **Other reserves** (unaudited)

Reserves movement for the six month period ended June 30, 2023:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2023	(68,824)	3,478,690	3,478,690	2,000,000	150,000	(184,449)	97,176	(1,404,540)	7,546,743	(481)	7,546,262
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(207,602)	-	-	(207,602)	(194)	(207,796)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	99,708	-	-	99,708	-	99,708
Net fair value changes on cash flow hedges	-	-	-	-	-	-	224,003	-	224,003	-	224,003
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	56,683	-	56,683	-	56,683
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(247,761)	(247,761)	(21)	(247,782)
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	(14,579)	(14,579)	-	(14,579)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(11,742)	(11,742)	-	(11,742)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(16,242)	(16,242)	-	(16,242)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	2,359	2,359	-	2,359
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(107,894)	280,686	(287,965)	(115,173)	(215)	(115,388)
Dividends paid to equity holders of the Bank (Note 18)	-	-	2,211,663	-	-	-	-	-	2,211,663	-	2,211,663
Fair value adjustments	(4,490)	-	-	-	-	-	-	-	(4,490)	-	(4,490)
Shares – vested portion	18,649	-	-	-	-	-	-	-	18,649	-	18,649
As at June 30, 2023	(54,665)	3,478,690	5,690,353	2,000,000	150,000	(292,343)	377,862	(1,692,505)	9,657,392	(696)	9,656,696

19. Other reserves (unaudited) (continued)

Reserves movement for the six month period ended June 30, 2022:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2022	(76,712)	3,478,690	3,478,690	2,000,000	150,000	(68,673)	(67,912)	389,298	9,283,381	194	9,283,575
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(283,070)	-	-	(283,070)	(241)	(283,311)
Net gain on hedges of net investment in foreign operations	-	-	-	-	-	153,112	-	-	153,112	-	153,112
Net fair value changes on cash flow hedges	-	-	-	-	-	-	415,844	-	415,844	-	415,844
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	25,545	-	25,545	-	25,545
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(2,191,043)	(2,191,043)	(45)	(2,191,088)
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	(42,264)	(42,264)	(2)	(42,266)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	44,652	44,652	-	44,652
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(34,358)	(34,358)	-	(34,358)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	3,556	3,556	-	3,556
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(129,958)	441,389	(2,219,457)	(1,908,026)	(288)	(1,908,314)
Acquisition of shares	(5,010)	-	-	-	-	-	-	-	(5,010)	-	(5,010)
Adjustment arising from changes in non-controlling interests	-	-	-	-	-	61	-	39	100	(100)	-
Fair value adjustments	(9,994)	-	-	-	-	-	-	-	(9,994)	-	(9,994)
Shares – vested portion	12,882	-	-	-	-	-	-	-	12,882	-	12,882
As at June 30, 2022	(78,834)	3,478,690	3,478,690	2,000,000	150,000	(198,570)	373,477	(1,830,120)	7,373,333	(194)	7,373,139

20. Capital notes

In February 2009, the Department of Finance, Government of Abu Dhabi subscribed to ADCB's Tier I regulatory capital notes with a principal amount of AED 4,000,000 thousand (the "ADCB Notes"). Further, pursuant to the merger with UNB, the Bank assumed erstwhile UNB's Tier I regulatory capital notes with a principal amount of AED 2,000,000 thousand (together with the ADCB Notes, the "Notes"). Further, via written resolutions of the Department of Finance, Government of Abu Dhabi dated December 15, 2021, the Notes were amended to comply with the Standards and Guidance for Capital Adequacy of Banks in the UAE issued by the Central Bank of UAE under Notice No. 4980/2020 (November, 2020), which included the introduction of a "write-down at the point of non-viability (PONV)" clause.

The PONV clause introduced into the terms and conditions can be triggered by the CBUAE. If the CBUAE notifies the Bank that it is, or will become, non-viable without (i) a write-down; or (ii) a public sector injection of capital, the Note holders' rights under the Notes shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the write-down amount determined by the CBUAE. This could result in the Notes being written down to zero and the Notes being cancelled.

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. With the consent of the CBUAE, the Notes may be called by the Bank in February 2027 or on any interest payment date thereafter. The holders of the Notes have no right to call for redemption. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari-passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bore interest at the rate of 6% per annum from their issue date to the first reset date (which was in February 2014), and currently bear a floating interest rate of 6 month-Eibor plus 2.3% per annum thereafter. However, the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari-passu with or junior to the Notes except securities, the term of which stipulates a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

21. Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Loans and advances to banks	**666,782**	211,154	**1,260,539**	332,307
Loans and advances to customers	**3,953,610**	2,176,965	**7,584,602**	3,883,612
Investment securities	**1,373,865**	559,149	**2,536,237**	959,438
Total interest income	**5,994,257**	2,947,268	**11,381,378**	5,175,357

22. Interest expense (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Deposits from banks	**84,221**	19,384	**158,157**	25,511
Deposits from customers	**2,201,619**	498,186	**4,113,287**	816,136
Euro commercial paper	**105,478**	11,774	**189,978**	18,767
Borrowings(*)	**1,171,280**	328,463	**2,165,662**	539,519
Total interest expense	**3,562,598**	857,807	**6,627,084**	1,399,933

(*) includes AED 5,036 thousand (for the six month period ended June 30, 2022: AED 10,388 thousand) for interest expense on lease liabilities

23. Net fees and commission income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Fees and commission income				
Card related fees	**447,884**	295,843	**742,090**	565,626
Loan processing fees	**213,849**	182,174	**386,583**	342,613
Accounts related fees	**63,179**	50,062	**122,191**	96,452
Trade finance commission	**148,283**	130,900	**296,619**	265,359
Insurance commission	**4,892**	3,976	**9,065**	7,255
Asset management and investment services	**29,636**	13,139	**57,865**	34,292
Brokerage fees	**3,069**	3,448	**5,221**	7,194
Other fees	**172,806**	144,150	**351,488**	295,637
Total fees and commission income	**1,083,598**	823,692	**1,971,122**	1,614,428
Fees and commission expense	**(359,815)**	(318,920)	**(714,744)**	(622,613)
Net fees and commission income	**723,783**	504,772	**1,256,378**	991,815

24. Net trading income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Net gain from dealing in derivatives	**78,328**	75,934	**167,732**	96,516
Net gain from dealing in foreign currencies	**155,980**	179,139	**343,200**	294,863
Net gain/(loss) from financial assets at fair value through profit or loss	**148,676**	3,885	**327,496**	(15,727)
Net trading income	**382,984**	258,958	**838,428**	375,652

25. Other operating income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Property management income	**39,085**	37,163	**79,615**	75,077
Rental income	**20,496**	20,338	**40,905**	40,287
Net loss from disposal of investment securities	**(5,426)**	(74,337)	**(3,743)**	(31,532)
Net (loss)/gain from hedging derivatives	**(9,872)**	121,019	**(20,630)**	184,864
Dividend income	**9,245**	5,921	**18,967**	12,025
Others	**(31,472)**	50,197	**(20,413)**	65,113
Total other operating income	**22,056**	160,301	**94,701**	345,834

26. Operating expenses (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Staff expenses	**750,463**	701,436	**1,433,763**	1,329,735
General administrative expenses	**450,676**	399,149	**877,768**	762,664
Depreciation on property and equipment	**94,569**	102,849	**192,025**	204,648
Amoritsation of intangible assets	**23,340**	23,533	**46,679**	47,456
Total operating expenses	**1,319,048**	1,226,967	**2,550,235**	2,344,503

27. Impairment charge (unaudited)

	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Financial instruments carried at amortised cost – net charge(*)	**870,644**	844,381	**1,765,879**	1,218,898
Debt instruments designated at FVTOCI – net (release)/charge	**(4,196)**	(5,500)	**(14,924)**	14,090
Commitment and contingent liabilities – net charge/(release)	**20,900**	(50,150)	**32,852**	(27,519)
Less: Recoveries/modifications during the period	**(139,679)**	(133,308)	**(288,206)**	(255,768)
Total impairment charge (Note 10)	**747,669**	655,423	**1,495,601**	949,701

(*) includes net release of AED 1,173 thousand (for the six month period ended June 30, 2022: net charge of AED 6,240 thousand) on investment securities at amortised cost

28. Earnings per share (unaudited)

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	3 months ended June 30		6 months ended June 30	
	2023 AED'000	2022 AED'000	**2023 AED'000**	2022 AED'000
Profit for the period attributable to the equity holders of the Bank	**1,932,848**	1,575,217	**3,811,824**	3,058,720
Less: Coupons paid on capital notes (Note 20)	**-**	-	**(173,740)**	(83,969)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	**1,932,848**	1,575,217	**3,638,084**	2,974,751
	Number of shares in thousand		Number of shares in thousand	
Weighted average number of shares in issue throughout the period	**7,319,947**	6,957,379	**6,957,379**	6,957,379
Add: Number of shares issued on stock dividend during the period	**-**	362,568	**362,568**	362,568
Less: Weighted average number of shares resulting from employees' incentive plan shares	**(10,088)**	(12,212)	**(10,088)**	(12,155)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	**7,309,859**	7,307,735	**7,309,859**	7,307,792
Add: Weighted average number of shares resulting from employees' incentive plan shares	**10,088**	12,212	**10,088**	12,155
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	**7,319,947**	7,319,947	**7,319,947**	7,319,947
Basic earnings per share (AED) (a)/(b)	**0.26**	0.22	**0.50**	0.41
Diluted earnings per share (AED) (a)/(c)	**0.26**	0.22	**0.50**	0.41

29. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Letters of credit	**8,078,310**	9,908,377
Guarantees	**62,553,638**	53,409,932
Commitments to extend credit – revocable(*)	**17,767,851**	15,652,151
Commitments to extend credit – irrevocable	**35,031,028**	31,037,374
Total commitments on behalf of customers	**123,430,827**	110,007,834
Commitments for future capital expenditure and others	**634,623**	664,876
Commitments to invest in investment securities	**6,693**	9,160
Total commitments and contingent liabilities	**124,072,143**	110,681,870

(*) includes AED 8,868,487 thousand (December 31, 2022 – AED 8,131,188 thousand) for undrawn credit card limits

30. Operating segments

The Group has five reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM"), is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

The following summary describes the operations in each of the Group's reportable segments:

Retail banking - comprises of retail products, wealth management, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with retail customers.

Private banking - comprises of high net worth customers, asset management, brokerage, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with corporate and private accounts of high net worth individuals and fund management activities.

Corporate and investment banking (formerly known as wholesale banking) - comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Islamic financing, infrastructure and asset finance, government and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers. During the period, in line with Group's business strategy, financial market solutions (FMS) division has been transferred from Investment and treasury segment to Corporate and investment banking segment. Accordingly, financial performance and results of FMS division have been reported under Corporate and investment banking segment for the current and prior period.

Investments and treasury - comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertakes the Group's funding and centralised financial risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Property management - comprises of real estate management, engineering service operations of subsidiaries and rental income earned from properties of the Group.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within these industries.

The following is an analysis of the Group's revenue and results by operating segments for the six month period ended June 30, 2023 (unaudited):

30. Operating segments (continued)

	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	**1,149,508**	**569,007**	**1,503,223**	**1,521,339**	**11,217**	**4,754,294**
Net income from Islamic financing and investing products	**579,891**	**20,913**	**176,083**	**250,616**	**-**	**1,027,503**
Total net interest income and income from Islamic financing and investing products	**1,729,399**	**589,920**	**1,679,306**	**1,771,955**	**11,217**	**5,781,797**
Non-interest income	**664,161**	**62,782**	**1,069,220**	**259,966**	**133,378**	**2,189,507**
Operating income	**2,393,560**	**652,702**	**2,748,526**	**2,031,921**	**144,595**	**7,971,304**
Operating expenses	**(1,458,409)**	**(122,826)**	**(759,899)**	**(122,922)**	**(86,179)**	**(2,550,235)**
Operating profit before impairment charge	**935,151**	**529,876**	**1,988,627**	**1,908,999**	**58,416**	**5,421,069**
Impairment (charge)/release	**(209,047)**	**(447,851)**	**(856,027)**	**17,324**	**-**	**(1,495,601)**
Profit after impairment charge	**726,104**	**82,025**	**1,132,600**	**1,926,323**	**58,416**	**3,925,468**
Share in profit/(loss) of associates	**1,335**	**(299)**	**-**	**-**	**-**	**1,036**
Profit before taxation	**727,439**	**81,726**	**1,132,600**	**1,926,323**	**58,416**	**3,926,504**
Overseas income tax provision release /(charge)	**1,201**	**-**	**(37,398)**	**(79,638)**	**-**	**(115,835)**
Profit for the period	**728,640**	**81,726**	**1,095,202**	**1,846,685**	**58,416**	**3,810,669**
As at June 30, 2023 (unaudited)						
Total assets	**59,796,710**	**52,968,886**	**219,164,519**	**187,590,129**	**1,780,303**	**521,300,547**
Total liabilities	**78,598,716**	**49,598,327**	**145,916,406**	**182,775,290**	**700,168**	**457,588,907**

The following is an analysis of the Group's revenue and results by operating segments for the six month period ended June 30, 2022 (unaudited):

	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	1,062,463	516,457	1,163,731	1,022,114	10,659	3,775,424
Net income from Islamic financing and investing products	483,907	21,149	181,849	255,269	-	942,174
Total net interest income and income from Islamic financing and investing products	1,546,370	537,606	1,345,580	1,277,383	10,659	4,717,598
Non-interest income	466,742	73,467	782,938	255,100	135,054	1,713,301
Operating income	2,013,112	611,073	2,128,518	1,532,483	145,713	6,430,899
Operating expenses	(1,360,991)	(124,282)	(656,654)	(110,816)	(91,760)	(2,344,503)
Operating profit before impairment charge	652,121	486,791	1,471,864	1,421,667	53,953	4,086,396
Impairment (charge)/release	(191,712)	(118,420)	(663,169)	23,600	-	(949,701)
Profit after impairment charge	460,409	368,371	808,695	1,445,267	53,953	3,136,695
Share in loss of associates	(2,395)	(321)	-	-	-	(2,716)
Profit before taxation	458,014	368,050	808,695	1,445,267	53,953	3,133,979
Overseas income tax charge	(11,484)	-	(27,385)	(25,358)	-	(64,227)
Loss from discontinued operations	(459)	-	(10,664)	-	-	(11,123)
Profit for the period	446,071	368,050	770,646	1,419,909	53,953	3,058,629
As at December 31, 2022 (audited)						
Total assets	55,248,810	53,338,075	209,723,198	177,762,035	1,770,047	497,842,165
Total liabilities	71,750,920	43,153,857	162,908,351	157,653,645	949,255	436,416,028

30. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended June 30, 2023 (unaudited):

	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	**569,573**	**293,137**	**707,001**	**855,417**	**6,531**	**2,431,659**
Net income from Islamic financing and investing products	**298,073**	**8,859**	**91,888**	**99,992**	**-**	**498,812**
Total net interest income and income from Islamic financing and investing products	**867,646**	**301,996**	**798,889**	**955,409**	**6,531**	**2,930,471**
Non-interest income	**417,738**	**31,409**	**539,527**	**73,417**	**66,732**	**1,128,823**
Operating income	**1,285,384**	**333,405**	**1,338,416**	**1,028,826**	**73,263**	**4,059,294**
Operating expenses	**(750,716)**	**(63,502)**	**(394,906)**	**(67,934)**	**(41,990)**	**(1,319,048)**
Operating profit before impairment charge	**534,668**	**269,903**	**943,510**	**960,892**	**31,273**	**2,740,246**
Impairment (charge)/release	**(114,132)**	**(184,138)**	**(454,414)**	**5,015**	**-**	**(747,669)**
Profit after impairment charge	**420,536**	**85,765**	**489,096**	**965,907**	**31,273**	**1,992,577**
Share in profit/(loss) of associates	**406**	**(205)**	**-**	**-**	**-**	**201**
Profit before taxation	**420,942**	**85,560**	**489,096**	**965,907**	**31,273**	**1,992,778**
Overseas income tax charge	**(1,674)**	**-**	**(18,078)**	**(40,686)**	**-**	**(60,438)**
Profit for the period	**419,268**	**85,560**	**471,018**	**925,221**	**31,273**	**1,932,340**

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended June 30, 2022 (unaudited):

	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	532,444	322,339	634,931	594,738	5,009	2,089,461
Net income from Islamic financing and investing products	244,790	8,474	104,124	124,343	-	481,731
Total net interest income and income from Islamic financing and investing products	777,234	330,813	739,055	719,081	5,009	2,571,192
Non-interest income	238,110	44,852	446,429	128,724	65,916	924,031
Operating income	1,015,344	375,665	1,185,484	847,805	70,925	3,495,223
Operating expenses	(705,790)	(67,390)	(344,137)	(62,105)	(47,545)	(1,226,967)
Operating profit before impairment charge	309,554	308,275	841,347	785,700	23,380	2,268,256
Impairment (charge)/release	(98,719)	(119,460)	(454,192)	16,948	-	(655,423)
Profit after impairment charge	210,835	188,815	387,155	802,648	23,380	1,612,833
Share in loss of associates	(3,993)	(752)	-	-	-	(4,745)
Profit before taxation	206,842	188,063	387,155	802,648	23,380	1,608,088
Overseas income tax charge	(6,057)	-	(16,259)	(13,173)	-	(35,489)
(Loss)/gain from discontinued operations	(226)	-	2,774	-	-	2,548
Profit for the period	200,559	188,063	373,670	789,475	23,380	1,575,147

30. Operating segments (continued)

Other disclosures

The following is an analysis of the total operating income of each segment between income from external parties and inter-segment.

	External (unaudited)		**Inter-segment** (unaudited)	
	6 months ended June 30		**6 months ended June 30**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Retail banking	**1,999,123**	1,852,764	**394,437**	160,348
Private banking	**1,062,450**	1,024,361	**(409,748)**	(413,288)
Corporate and investment banking	**5,116,078**	2,608,340	**(2,367,552)**	(479,822)
Investments and treasury	**(333,108)**	810,799	**2,365,029**	721,684
Property management	**126,761**	134,635	**17,834**	11,078
Total operating income	**7,971,304**	6,430,899	**-**	-

	External (unaudited)		**Inter-segment** (unaudited)	
	3 months ended June 30		**3 months ended June 30**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Retail banking	**1,080,312**	936,289	**205,072**	79,055
Private banking	**521,338**	606,658	**(187,933)**	(230,993)
Corporate and investment banking	**2,673,316**	1,473,949	**(1,334,900)**	(288,465)
Investments and treasury	**(278,740)**	412,839	**1,307,566**	434,966
Property management	**63,068**	65,488	**10,195**	5,437
Total operating income	**4,059,294**	3,495,223	**-**	-

Geographical information

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the UAE branches and subsidiaries. International area represents the operations of the Group that originates from its subsidiaries outside UAE. The information regarding the Group's revenue from continuing operations and non-current assets by geographical location are detailed as follows:

	Domestic (unaudited)		**International** (unaudited)	
	6 months ended June 30		**6 months ended June 30**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Income				
Net interest income and income from Islamic financing and investing products	**5,508,511**	4,453,157	**273,286**	264,441
Non-interest income	**2,095,331**	1,619,087	**94,176**	94,214

	Domestic (unaudited)		**International** (unaudited)	
	3 months ended June 30		**3 months ended June 30**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Income				
Net interest income and income from Islamic financing and investing products	**2,791,387**	2,431,914	**139,084**	139,278
Non-interest income	**1,054,902**	890,378	**73,921**	33,653

30. Operating segments (continued)

	Domestic		International	
	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000	**As at June 30 2023 unaudited AED'000**	As at December 31 2022 audited AED'000
Non-current assets				
Investment in associates	**253,561**	252,525	**-**	-
Investment properties	**1,673,983**	1,673,983	**13,829**	17,907
Property and equipment, net	**1,681,019**	1,713,634	**206,129**	223,869
Intangible assets, net	**7,021,529**	7,068,207	**67,284**	83,987

31. Capital adequacy ratio

The Bank's capital adequacy ratio calculated in accordance with guidelines issued by the CBUAE is as below:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 18)	**7,319,947**	6,957,379
Share premium	**17,878,882**	17,878,882
Other reserves (Note 19)	**11,026,700**	8,922,931
Retained earnings	**22,721,424**	22,884,994
Regulatory deductions and adjustments		
Intangible assets, net	**(7,088,813)**	(7,152,194)
Cash flow hedge reserve (Note 19)	**193,398**	80,900
Employee's incentive plan shares, net (Note 19)	**(54,665)**	(68,824)
Revaluation reserve of investments designated at FVTOCI (Note 19)	**(1,692,505)**	(1,404,540)
Other deduction	**(425,307)**	(416,056)
Less: Proposed cash dividend	**-**	(1,252,328)
Total CET1 capital	**49,879,061**	46,431,144
Additional tier 1 (AT1) capital		
Capital notes (Note 20)	**6,000,000**	6,000,000
Total AT1 capital	**6,000,000**	6,000,000
Total tier 1 capital	**55,879,061**	52,431,144
Tier 2 capital		
Eligible general provision	**4,155,377**	4,034,067
Subordinated notes	**-**	39,224
Total tier 2 capital	**4,155,377**	4,073,291
Total regulatory capital	**60,034,438**	56,504,435
Risk-weighted assets		
Credit risk	**332,430,150**	322,725,321
Market risk	**17,773,510**	13,983,513
Operational risk	**22,334,610**	21,529,955
Total risk-weighted assets	**372,538,270**	358,238,789
CET1 ratio	**13.39%**	12.96%
AT1 ratio	**1.61%**	1.68%
Tier 1 ratio	**15.00%**	14.64%
Tier 2 ratio	**1.11%**	1.13%
Capital adequacy ratio	**16.11%**	15.77%

32. Related party transactions

The Group enters into transactions with the parent and its related entities, associates, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities) in the ordinary course of business at agreed upon rates.

Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the directors, chief executive officer and his direct reports.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Parent and ultimate controlling party

Mubadala Investment Company holds 60.20% (December 31, 2022 – 60.20%) of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC (Note 18). The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

For details of related party balances as at December 31, 2022, refer note 37 in the consolidated financial statements for the year ended December 31, 2022. For related party transactions for the six month ended June 30, 2022, refer note 32 in the condensed consolidated interim financial information for the period ended June 30, 2022. The related party balances as at June 30, 2023 and transactions for the six month period ended on that date are similar in nature and magnitude.

Related party balances and transactions of the Group included in the condensed consolidated interim statement of financial position and condensed consolidated interim income statement are as follows:

	Ultimate controlling party and its related parties AED'000	Directors and their related parties AED'000	KMP and their related parties AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at June 30, 2023 (unaudited)					
Deposits and balances due from banks	32,660	-	-	-	32,660
Financial assets at fair value through profit or loss	567,940	-	-	-	567,940
Derivative financial instruments – assets	858,178	102,106	-		960,284
Investment securities	27,819,254	-	-	221,988	28,041,242
Loans and advances to customers	50,058,184	4,270,404	37,578	3,667,698	58,033,864
Other assets	713,179	5,956	66	3,918	723,119
Due to banks	389,669	-	-	-	389,669
Derivative financial instruments – liabilities	1,719,663	61,893	-	-	1,781,556
Deposits from customers	94,177,428	523,215	76,260	495,725	95,272,628
Other liabilities	1,562,457	1,248	17,425	44	1,581,174
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	27,035,600	7,283	2,813	14,282	27,059,978
Transactions for the six month period ended June 30, 2023 (unaudited)					
Interest income, Islamic financing income, fees and other income	1,971,413	139,634	821	48,725	2,160,593
Interest expense and Islamic profit distribution	1,743,440	2,334	528	2,109	1,748,411
Net loss from dealing in derivatives	113,762	30,928	-	-	144,690
Impairment charge	3,328	-	-	-	3,328
Share in profit of associates	-	-	-	1,036	1,036
Coupons paid on capital notes	173,740	-	-	-	173,740

32. Related party transactions (continued)

Remuneration of key management employees and Board of Directors fees and expenses for the six month period ended June 30, 2023 (unaudited) are as follows:

	AED'000
Short term benefits	**26,306**
Post-employment benefits	**1,423**
Variable pay benefits	**26,498**
Total remuneration	**54,227**
Board of Directors fees and expenses	**18,681**

In addition to the above, the key management personnel were granted deferred compensation including share based payments of AED 22,268 thousand.

33. Fair value hierarchy

Fair value measurements recognised in the condensed consolidated interim financial information

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as over the counter (OTC) derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities, financial assets at FVTPL, euro commercial paper and borrowings. Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk and funding costs. Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. Credit valuation adjustment is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure at the time of default.

33. Fair value hierarchy (continued)

Valuation techniques using observable inputs – Level 2 (continued)

Collateral and netting arrangements are taken into account where applicable. The Group applies credit value adjustments to all relevant (not collateralised) OTC positions with the exception of positions settled through central clearing houses.

Funding value adjustment (FVA) reflects the impact of funding associated with uncollateralised and partly collateralised OTC positions. The Group calculates the FVA by applying estimated future funding costs to the expected future exposure that the Group will be required to fund as a result of the uncollateralised component of the OTC portfolio (i.e. the uncollateralised component of a collateralised portfolio and the entire uncollateralised portfolio).

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Financial instruments under this category mainly include private equity instruments, funds and loans and advances to customers measured at FVTPL. The carrying values of these investments are adjusted as follows:

a) Private equity instruments – using the latest available net book value;
b) Funds – based on the net asset value provided by the fund manager; and
c) Loans and advances to customers measured at FVTPL – multiplying relevant market multiples to actual earnings before interest, tax, depreciation and amortisation (EBITDA).

The fair value of loans and advances measured at FVTPL would change with change in EBITDA and market multiple.

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The significant unobservable inputs used in the fair value measurement of the Group's investment properties are rental income and capitalisation rates. Significant decrease in rental income, or increase in capitalisation rates, in isolation would result in a significant lower fair value measurement. Generally, a change in the assumption used for rental income should be accompanied by a change in the assumption for capitalisation rates in the same direction as increase in rental income raises the expectations of the seller to earn from the investment property. Therefore, the effects of these changes partially offset each other. Refer note 11 in respect of valuation methodology used for investment properties.

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial information do not materially differ from their fair values.

33. Fair value hierarchy (continued)

	Notes	Level 1 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at June 30, 2023 (unaudited)						
Assets at fair value						
Financial assets at fair value through profit or loss	**6**	**878,361**	**7,626,853**	**-**	**8,505,214**	**8,505,214**
Derivative financial instruments	**7**	**4,976**	**15,909,091**	**-**	**15,914,067**	**15,914,067**
Investment securities, net	**8**					
- At fair value through other comprehensive income		**42,382,901**	**2,072,862**	**121,134**	**44,576,897**	**44,576,897**
- At amortised cost		**74,491,885**	**132,822**	**-**	**74,624,707**	**77,461,518**
Loans and advances to customers at fair value through profit or loss	**9**	**-**	**-**	**3,104,855**	**3,104,855**	**3,104,855**
Investment properties	**11**	**-**	**-**	**1,687,812**	**1,687,812**	**1,687,812**
Total		**117,758,123**	**25,741,628**	**4,913,801**	**148,413,552**	**151,250,363**
Liabilities at fair value						
Derivative financial instruments	**7**	**9,700**	**15,498,963**	**-**	**15,508,663**	**15,508,663**
Liabilities at amortised cost						
Euro commercial paper	**15**	**-**	**7,221,084**	**-**	**7,221,084**	**7,221,578**
Borrowings	**16**	**11,555,867**	**67,501,628**	**-**	**79,057,495**	**81,463,579**
Total		**11,565,567**	**90,221,675**	**-**	**101,787,242**	**104,193,820**
As at December 31, 2022 (audited)						
Assets at fair value						
Financial assets at fair value through profit or loss	6	751,911	3,890,352	-	4,642,263	4,642,263
Derivative financial instruments	7	10,525	15,172,013	-	15,182,538	15,182,538
Investment securities, net	8					
- At fair value through other comprehensive income		47,561,877	8,135,308	154,084	55,851,269	55,851,269
- At amortised cost		52,896,175	185,885	-	53,082,060	56,159,414
Loans and advances to customers at fair value through profit or loss	9	-	-	3,104,073	3,104,073	3,104,073
Investment properties	11	-	-	1,691,890	1,691,890	1,691,890
Total		101,220,488	27,383,558	4,950,047	133,554,093	136,631,447
Liabilities at fair value						
Derivative financial instruments	7	9,510	16,215,875	-	16,225,385	16,225,385
Liabilities at amortised cost						
Euro commercial paper	15	-	5,997,173	-	5,997,173	5,994,279
Borrowings	16	17,522,401	50,719,629	-	68,242,030	69,875,733
Total		17,531,911	72,932,677	-	90,464,588	92,095,397

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

33. Fair value hierarchy (continued)

Reconciliation showing the movement in fair values of Level 3 investments designated at FVTOCI is as follows:

	As at June 30 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Opening balance	**154,084**	164,469
Purchases, net during the period/year	**-**	6,693
Disposals including capital refunds during the period/year	**(19,217)**	(19,826)
Adjustment through other comprehensive income during the period/year	**(13,733)**	2,748
Closing balance	**121,134**	154,084

Net gain of AED 304 thousand (for the six month period ended June 30, 2022 – net loss of AED 337 thousand) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

34. Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's condensed consolidated interim financial information if disposed unfavourably.