

Abu Dhabi Commercial Bank PJSC

Review report and condensed
consolidated interim financial
information for the three month
period ended March 31, 2023



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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 31 March 2023 condensed consolidated interim financial information of Abu Dhabi Commercial Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2023;
- the condensed consolidated interim income statement for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 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 31 March 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: 17 April 2023

Condensed consolidated interim statement of financial position
As at March 31, 2023

	Notes	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Assets			
Cash and balances with central banks, net	4	26,412,740	39,429,308
Deposits and balances due from banks, net	5	38,550,939	35,339,202
Financial assets at fair value through profit or loss	6	8,732,740	4,642,263
Derivative financial instruments	7	13,783,826	15,182,538
Investment securities, net	8	117,956,864	112,010,683
Loans and advances to customers, net	9	263,533,448	258,492,870
Investment in associates		253,360	252,525
Investment properties	11	1,689,562	1,691,890
Other assets, net	12	21,506,598	21,711,189
Property and equipment, net		1,890,993	1,937,503
Intangible assets, net		7,112,371	7,152,194
Total assets		501,423,441	497,842,165
Liabilities			
Due to banks	13	7,835,982	9,719,193
Derivative financial instruments	7	14,271,516	16,225,385
Deposits from customers	14	310,587,188	308,930,699
Euro commercial paper	15	9,136,293	5,994,279
Borrowings	16	70,687,237	69,875,733
Other liabilities	17	27,138,285	25,670,739
Total liabilities		439,656,501	436,416,028
Equity			
Share capital	18	7,319,947	6,957,379
Share premium		17,878,882	17,878,882
Other reserves	19	9,642,362	7,546,743
Retained earnings		20,918,846	23,035,375
Capital notes	20	6,000,000	6,000,000
Equity attributable to equity holders of the Bank		61,760,037	61,418,379
Non-controlling interests		6,903	7,758
Total equity		61,766,940	61,426,137
Total liabilities and equity		501,423,441	497,842,165

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 17, 2023 and signed on its behalf by:



Khaldoon Khalifa Al Mubarak
Chairman



Ala'a Eraiqat
Group Chief Executive Officer



Deepak Khullar
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 three month period ended March 31, 2023

	Notes	3 months ended March 31	
		2023 AED'000	2022 AED'000
Interest income	21	5,387,121	2,228,089
Interest expense	22	(3,064,486)	(542,126)
Net interest income		2,322,635	1,685,963
Income from Islamic financing and investing products		709,575	522,640
Distribution on Islamic deposits and profit paid to sukuk holders		(180,884)	(62,197)
Net income from Islamic financing and investing products		528,691	460,443
Total net interest income and income from Islamic financing and investing products		2,851,326	2,146,406
Net fees and commission income	23	532,595	487,043
Net trading income	24	455,444	116,694
Other operating income	25	72,645	185,533
Operating income		3,912,010	2,935,676
Operating expenses	26	(1,231,187)	(1,117,536)
Operating profit before impairment charge		2,680,823	1,818,140
Impairment charge	27	(747,932)	(294,278)
Profit after impairment charge		1,932,891	1,523,862
Share in profit of associates		835	2,029
Profit before taxation		1,933,726	1,525,891
Overseas income tax charge		(55,397)	(28,738)
Profit for the period from continuing operations		1,878,329	1,497,153
Loss from discontinued operations		-	(13,671)
Profit for the period		1,878,329	1,483,482
Attributable to:			
Equity holders of the Bank		1,878,976	1,483,503
Non-controlling interests		(647)	(21)
Profit for the period		1,878,329	1,483,482
Basic and diluted earnings per share (AED)	28	0.23	0.19

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 three month period ended March 31, 2023

	3 months ended March 31	
	2023 AED'000	2022 AED'000
Profit for the period	1,878,329	1,483,482
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Net movement in foreign currency translation reserve (Note 19)	(77,441)	(121,196)
Net movement in cash flow hedge reserve (Note 19)	103,060	62,536
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 19)	(131,174)	(792,435)
	(105,555)	(851,095)
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)	(13,017)	9,921
Other comprehensive loss for the period	(118,572)	(841,174)
Total comprehensive income for the period	1,759,757	642,308
Attributable to:		
Equity holders of the Bank	1,760,612	642,537
Non-controlling interests	(855)	(229)
Total comprehensive income for the period	1,759,757	642,308

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 three month period ended March 31, 2023

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total equity 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	-	-	-	1,878,976	-	1,878,976	(647)	1,878,329
Other comprehensive loss for the period (Note 19)	-	-	(118,364)	-	-	(118,364)	(208)	(118,572)
Other movements	-	-	2,320	4,490	-	6,810	-	6,810
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	304	-	304	-	304
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 March 31, 2023	7,319,947	17,878,882	9,642,362	20,918,846	6,000,000	61,760,037	6,903	61,766,940
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	-	-	-	1,483,503	-	1,483,503	(21)	1,483,482
Other comprehensive loss for the period (Note 19)	-	-	(840,966)	-	-	(840,966)	(208)	(841,174)
Other movements	-	-	(6,505)	5,264	-	(1,241)	-	(1,241)
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	(1,095)	-	(1,095)	-	(1,095)
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 March 31, 2022	6,957,379	17,878,882	8,436,010	18,069,804	6,000,000	57,342,075	9,685	57,351,760

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 three month period ended March 31, 2023

	3 months ended March 31	
	2023	2022
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	1,933,726	1,512,220
Adjustments for:		
Depreciation on property and equipment (Note 26)	97,456	101,799
Amortisation of intangible assets (Note 26)	23,339	23,923
Impairment charge	889,503	416,738
Share in profit of associates	(835)	(2,029)
Discount unwind	(54,872)	(77,726)
Net gain from disposal of investment securities (Note 25)	(1,683)	(42,805)
(Discount)/premium amortisation on Investment securities	(25,419)	54,784
Dividend income (Note 25)	(9,722)	(6,104)
Amortisation and interest capitalised on borrowings and ECPs	308,565	237,369
Net (gain)/loss from financial assets at fair value through profit or loss (Note 24)	(178,820)	19,612
Ineffective portion of hedges – loss (Note 7)	505	7,258
Employees' incentive plan expense (Note 19)	6,810	3,769
Cash flows from operating activities before changes in operating assets and liabilities	2,988,553	2,248,808
Net movement in due from banks	1,335,708	(160,838)
Net movement in derivative financial instruments	65,667	122,036
Net purchases of financial assets at fair value through profit or loss	(3,915,946)	(679,877)
Net movement in loans and advances to customers	(6,729,855)	(2,454,596)
Net movement in other assets	(481,069)	(549)
Net movement in due to banks	(895,950)	1,227,061
Net movement in deposits from customers	3,769,377	(1,795,600)
Net movement in other liabilities	918,829	394,200
Net cash used in operations	(2,944,686)	(1,099,355)
Overseas income tax paid	(25,120)	(23,462)
Net cash used in operating activities	(2,969,806)	(1,122,817)
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	16,056,821	12,387,030
Net purchases of investment securities	(22,501,280)	(16,037,079)
Dividend received from investment securities (Note 25)	9,722	6,104
Dividend received from associates	-	1,620
Net purchases of property and equipment	(84,847)	(141,012)
Net cash used in investing activities	(6,519,584)	(3,783,337)
FINANCING ACTIVITIES		
Net movement in euro commercial paper	3,071,898	1,469,277
Net proceeds from borrowings	18,761,030	20,958,714
Repayment of borrowings	(19,007,383)	(12,576,987)
Payment of lease liabilities	(25,030)	(28,667)
Dividends paid to equity holders of the Bank	-	(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	2,626,775	7,164,099
Effect of exchange rate changes on cash and cash equivalents	(623,709)	(320,096)
Net (decrease)/increase in cash and cash equivalents	(7,486,324)	1,937,849
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	31,571,790	34,373,549

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 three month period ended March 31, 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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Cash and balances with central banks (Note 4)	26,413,968	39,430,882
Deposits and balances due from banks (excluding loans and advances to banks) (Note 5)	12,512,588	8,903,141
Due to banks (Note 13)	(7,835,982)	(9,719,193)
	31,090,574	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	(5,402,870)	(6,336,752)
Add: Due to banks – with original maturity of more than three months	5,884,086	6,780,036
Total cash and cash equivalents	31,571,790	39,058,114

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

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2023

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 three month period ended March 31, 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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 March 31, 2023:

Name of subsidiary	Ownership interest	Incorporation		Principal activities
		Year	Country	
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.

(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.

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2023

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. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant. The Group shall continue to monitor critical Cabinet Decisions to determine the impact on the condensed consolidated interim financial information, both from current and deferred tax perspective.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

3. IBOR reform Phase 2

IBOR reform 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.

The table below shows the Group's exposure to significant IBOR subject to reform that have yet to transition to RFRs. These exposures will contractually remain outstanding until the IBOR ceases and will therefore transition in future. The table excludes exposures to IBOR that will expire before transition is required.

	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
As at March 31, 2023 (unaudited)				
USD LIBOR 1 month	6,102,446	1,348,217	229,470	2,992,133
USD LIBOR 3 months	33,477,123	7,866,800	52,355,789	150,975,290
USD LIBOR 6 months	3,982,485	202,333	806,933	7,214,898
USD LIBOR 12 months	526,072	-	-	-

4. Cash and balances with central banks, net

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Cash on hand	2,141,889	2,403,467
Balances with central banks(*)	8,878,000	22,058,381
Reserves maintained with central banks	13,530,858	13,604,807
Certificate of deposits with central banks	1,863,221	1,364,227
Gross cash and balances with central banks	26,413,968	39,430,882
Less: Allowance for impairment (Note 10)	(1,228)	(1,574)
Total cash and balances with central banks, net	26,412,740	39,429,308
The geographical concentration is as follows:		
Within the UAE	23,520,640	36,380,076
Outside the UAE	2,893,328	3,050,806
	26,413,968	39,430,882
Less: Allowance for impairment (Note 10)	(1,228)	(1,574)
	26,412,740	39,429,308

(*) includes overnight deposit amounting to AED 7,600,000 thousand placed with CBUAE at 4.90% p.a. (December 31, 2022 - AED 21,200,000 thousand placed with CBUAE at 4.40% p.a.)

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

4. Cash and balances with central banks, net (continued)

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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Nostro balances	1,247,827	1,514,892
Margin deposits	2,997,592	3,212,865
Time deposits	6,368,825	1,726,606
Reverse repo placements	598,855	584,416
Murabaha placements	1,299,489	1,864,362
Loans and advances to banks	26,161,614	26,563,554
Gross deposits and balances due from banks	38,674,202	35,466,695
Less: Allowance for impairment (Note 10)	(123,263)	(127,493)
Total deposits and balances due from banks, net	38,550,939	35,339,202
The geographical concentration is as follows:		
Within the UAE	1,233,254	1,987,621
Outside the UAE	37,440,948	33,479,074
	38,674,202	35,466,695
Less: Allowance for impairment (Note 10)	(123,263)	(127,493)
	38,550,939	35,339,202

As at March 31, 2023, the Group received bonds with fair value of AED 601,275 thousand (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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Debt securities(*)	1,216,622	1,471,930
Structured funding arrangements	7,516,118	3,170,333
Total financial assets at fair value through profit or loss	8,732,740	4,642,263
The geographical concentration is as follows:		
Within the UAE	897,243	733,566
Outside the UAE	7,835,497	3,908,697
	8,732,740	4,642,263

(*) includes Islamic sukuk amounting to AED nil (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 March 31, 2023 amounted to AED 11,025,437 thousand (December 31, 2022 – AED 4,624,495 thousand), of this AED 4,303,465 thousand (December 31, 2022 – AED 433,762 thousand) were posted against Repo borrowings.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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

Further, the Group also received net cash collateral of AED 630,118 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		Notional AED'000
	Assets AED'000	Liabilities AED'000	
As at March 31, 2023 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	887,504	897,193	265,018,506
Interest rate and cross currency swaps	6,796,221	6,274,593	186,242,145
Interest rate and commodity options	893,560	1,106,586	61,974,558
Futures (exchange traded)	6,154	9,256	32,916,824
Commodity and energy swaps	149,491	121,354	7,546,925
Swaptions	581,979	439,435	56,325,479
Total derivatives held or issued for trading	9,314,909	8,848,417	610,024,437
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	3,632,107	5,320,406	124,295,878
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	396,513	85,692	13,191,488
Forward foreign exchange contracts	177,745	17,001	8,351,840
Total derivatives held as cash flow hedges	574,258	102,693	21,543,328
Derivatives held as net investment hedges			
Foreign exchange derivatives	262,552	-	774,992
Total derivative financial instruments	13,783,826	14,271,516	756,638,635
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

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 losses relating to the fair value and cash flow hedges amounting to AED 505 thousand (for the three month period ended March 31, 2022 – net losses of AED 7,258 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2023, the Group received cash collateral of AED 5,074,770 thousand (December 31, 2022 – AED 5,784,492 thousand) and bonds with fair value of AED 1,311,883 thousand (December 31, 2022 – AED 515,415 thousand) against net positive derivative exposure.

As at March 31, 2023, the Group placed cash collateral of AED 2,165,197 thousand (December 31, 2022 – AED 2,404,981 thousand) and bonds with fair value of AED 3,866,595 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 March 31, 2023 (unaudited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	10,284,701	7,198,036	14,995,448	32,478,185
Bonds – Public sector	5,213,172	2,143,925	2,044,945	9,402,042
Bonds – Banks and financial institutions	1,890,548	1,860,138	1,846,589	5,597,275
Bonds – Corporate	1,037,757	341,371	482,945	1,862,073
Equities and funds(**)	600,733	30,418	183,392	814,543
Total quoted	19,026,911	11,573,888	19,553,319	50,154,118
Unquoted:				
Equities and funds	121,607	1,372	22,333	145,312
Total investment securities at fair value through other comprehensive income	19,148,518	11,575,260	19,575,652	50,299,430
At amortised cost				
Quoted:				
Government securities	11,144,288	13,875,374	20,500,768	45,520,430
Bonds – Public sector	6,230,594	1,636,650	3,642,490	11,509,734
Bonds – Banks and financial institutions	1,394,445	1,201,758	4,997,962	7,594,165
Bonds – Corporate	2,451,539	154,268	452,776	3,058,583
Total quoted	21,220,866	16,868,050	29,593,996	67,682,912
Less: Allowance for impairment (Note 10)	(6,204)	(6,453)	(12,821)	(25,478)
Total investment securities at amortised cost	21,214,662	16,861,597	29,581,175	67,657,434
Total investment securities, net	40,363,180	28,436,857	49,156,827	117,956,864

(*) Gulf Cooperation Council

(**) includes investments in perpetual bonds

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
At fair value through other comprehensive income (FVTOCI)		
Sukuk investments	8,331,937	8,597,418
Equities	158,745	159,790
	8,490,682	8,757,208
At amortised cost		
Sukuk investments	4,328,549	4,629,980
Less: Allowance for impairment	(2,144)	(3,509)
	4,326,405	4,626,471
Net Islamic investing assets	12,817,087	13,383,679

As at March 31, 2023, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 59,334 thousand (December 31, 2022 – AED 69,616 thousand) (Note 10) is included in revaluation reserve of investments carried at FVTOCI.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

8. Investment securities, net (continued)

The Group hedges certain fixed and floating rate investments securities amounting to AED 75,700,576 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 March 31, 2023 was AED 3,683,740 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 March 31, 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	35,639,018	32,319,423	26,510,903	24,624,954
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(*) includes securities of AED 4,303,465 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 4,445,969 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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Overdrafts (retail and corporate)	16,626,600	17,533,430
Retail loans – mortgages	13,493,752	12,738,042
Retail loans – others	33,351,503	32,405,769
Corporate loans	183,579,137	180,064,566
Credit cards	4,488,624	4,401,955
Other facilities	21,339,287	20,003,037
Gross loans and advances to customers at amortised cost	272,878,903	267,146,799
Less: Allowance for impairment (Note 10)	(12,450,310)	(11,758,002)
Total loans and advances to customers at amortised cost, net	260,428,593	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	263,533,448	258,492,870

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2023

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

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

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Murabaha	23,306,337	24,103,675
Ijara financing	13,465,742	14,622,375
Salam	599,901	681,721
Others	507,319	379,650
Gross Islamic financing assets	37,879,299	39,787,421
Less: Allowance for impairment	(1,828,969)	(1,777,870)
Net Islamic financing assets	36,050,330	38,009,551

The Group hedges certain fixed and floating rate loans and advances amounting to AED 229,470 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 March 31, 2023 was AED 9,679 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 March 31, 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	164,529	144,830	309,359	161,730	170,156	331,886
Energy	1,123,570	13,558,307	14,681,877	1,226,669	13,605,745	14,832,414
Trading	8,332,062	7,336,784	15,668,846	7,222,359	6,141,184	13,363,543
Real estate investment	57,643,371	1,879,305	59,522,676	58,107,673	2,042,155	60,149,828
Hospitality	8,804,786	486,769	9,291,555	9,096,528	497,788	9,594,316
Transport and communication	1,625,109	1,328,612	2,953,721	1,541,809	1,428,122	2,969,931
Personal	56,524,166	1,105,239	57,629,405	54,369,336	1,354,235	55,723,571
Government and public sector entities	55,404,250	4,637,634	60,041,884	55,465,449	6,018,575	61,484,024
Financial institutions(*)	13,459,665	9,317,739	22,777,404	13,706,939	7,457,918	21,164,857
Manufacturing	4,913,092	5,249,826	10,162,918	4,551,598	5,052,793	9,604,391
Services(**)	5,347,120	182,834	5,529,954	5,538,091	261,836	5,799,927
Others	14,501,755	2,912,404	17,414,159	12,869,966	2,362,218	15,232,184
Gross loans and advances to customers	227,843,475	48,140,283	275,983,758	223,858,147	46,392,725	270,250,872
Less: Allowance for impairment (Note 10)			(12,450,310)			(11,758,002)
Total loans and advances to customers, net			263,533,448			258,492,870

(*) includes investment companies

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

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2023

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 March 31, 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	241,668,016	1,297,980	235,550,671	1,283,509
Stage 2	16,007,009	3,720,074	16,688,102	3,444,757
Stage 3	13,263,411	6,987,390	12,481,812	6,592,820
Purchased or originated credit-impaired	1,940,467	444,866	2,426,214	436,916
Total	272,878,903	12,450,310	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 March 31, 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	1,026,640	718,647	1,026,640	718,647

As at March 31, 2023, the Group posted cash collateral against margin call of AED 5,620 thousand (December 31, 2022 – AED 1,947 thousand)

10. Impairment allowances

The movement in impairment allowances is as follows:

	As at March 31 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	896,459	3,264,394
Recoveries/modifications during the period/year	(148,527)	(485,481)
Net charge for the period/year	747,932	2,778,913
Adjustments to gross carrying value for the period/year	4,767	346,269
Net amounts written-off during the period/year	(29,749)	(2,113,171)
Impact of currency translation	(36,785)	(111,351)
Total impairment allowances	13,109,281	12,423,116

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2023

10. Impairment allowances (continued)

Allocation of impairment allowances is as follows:

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Balances with central banks (Note 4)	1,228	1,574
Deposits and balances due from banks (Note 5)	123,263	127,493
Investment securities at amortised cost (Note 8)	25,478	26,868
Investment securities designated at FVTOCI (Note 8)(*)	59,334	69,616
Loans and advances to customers (Note 9)	12,450,310	11,758,002
Other assets (Note 12)	14,225	15,621
Letters of credit, guarantees and other commitments (Note 17)	435,443	423,942
Total impairment allowances	13,109,281	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
Impact of currency translation	(2,328)
As at March 31, 2023 (unaudited)	1,689,562

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.

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2023

12. Other assets, net

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Interest receivable	3,792,910	3,341,919
Prepayments	223,492	124,628
Acceptances (Note 17)	16,459,552	17,131,510
Others	1,044,869	1,128,753
Gross other assets	21,520,823	21,726,810
Less: Allowance for impairment (Note 10)	(14,225)	(15,621)
Total other assets, net	21,506,598	21,711,189

13. Due to banks

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Vostro balances	1,953,479	2,939,157
Margin deposits	5,608,611	5,917,002
Time deposits	273,892	863,034
Total due to banks	7,835,982	9,719,193

14. Deposits from customers

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Time deposits	152,625,327	155,624,985
Current account deposits	127,605,479	122,426,026
Savings deposits	27,998,871	28,368,562
Long term government deposits	280,417	287,653
Margin deposits	2,077,094	2,223,473
Total deposits from customers	310,587,188	308,930,699

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2023

14. Deposits from customers (continued)

Islamic deposits included in the above table are as follows:

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Current account deposits	14,610,224	12,742,453
Margin deposits	228,971	202,030
Mudaraba savings deposits(*)	17,151,888	16,923,718
Mudaraba term deposits	990,624	1,038,049
Murabaha term deposits	1,519,127	1,270,585
Wakala deposits	13,162,303	13,664,516
Total Islamic deposits	47,663,137	45,841,351

(*) includes AED 17,320 thousand pertaining to investment risk reserve (December 31, 2022 – AED 20,081 thousand)

The Group hedges customer deposits amounting to AED 30,816,922 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 March 31, 2023 was AED 95,718 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 March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Currency		
US dollar (USD)	3,694,932	2,510,067
Euro (EUR)	1,771,999	1,230,731
Great Britain pound (GBP)	3,669,362	2,253,481
Total euro commercial paper	9,136,293	5,994,279

The Group hedges euro commercial paper amounting to AED 5,441,361 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 March 31, 2023 was AED 111,394 thousand (December 31, 2022 – net positive fair value of AED 72,885 thousand).

The effective interest rate on zero coupon ECPs ranges between positive 2.31% p.a. to 5.29% p.a. (December 31, 2022 – between positive 1.19% p.a. to 5.29% p.a.).

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

16. Borrowings

The details of borrowings as at March 31, 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)	-	-	857,687	138,273	995,960
	Chinese renminbi (CNH)	106,578	121,423	497,773	-	725,774
	Euro (EUR)	-	77,319	-	-	77,319
	Swiss franc (CHF)	392,604	999,088	-	-	1,391,692
	Hong Kong dollar (HKD)	105,833	138,879	-	-	244,712
	US dollar (USD)	495,837	3,398,306	5,611,817	17,865,309	27,371,269
	Great Britain pound (GBP)	-	172,308	-	-	172,308
	Indonesian rupiah (IDR)	-	-	-	477,921	477,921
		1,100,852	4,907,323	6,967,277	18,481,503	31,456,955
Islamic sukuk notes	US dollar (USD)	1,842,148	-	-	-	1,842,148
Bilateral loans	US dollar (USD)	631,459	1,348,217	1,818,275	-	3,797,951
	Kazakhstan tenge (KZT)	-	-	84,348	-	84,348
Certificate of deposits issued	Great Britain pound (GBP)	358,036	-	-	-	358,036
	US dollar (USD)	109,729	-	-	-	109,729
Borrowings through repurchase agreements	US dollar (USD)	23,256,599	9,574,239	202,333	-	33,033,171
	Egyptian pound (EGP)	239	-	-	4,660	4,899
Total borrowings		27,299,062	15,829,779	9,072,233	18,486,163	70,687,237

The Group hedges borrowings amounting to AED 32,214,462 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 March 31, 2023 was AED 4,925,827 thousand.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

16. Borrowings (continued)

Interest is payable in arrears and the contractual coupon rates or internal rate of return on zero coupon issuances as at March 31, 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 between 90 to 94 basis points over bank bill swap rate.	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 of 2.84% p.a.	Fixed rate between 1.34% p.a. to 2.87% p.a.	-	-
	USD	Quarterly coupons between 110 to 155 basis points over LIBOR.	Quarterly coupons between 129 to 146 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., zero coupon with an internal rate of return between 3.271% p.a. to 5.785% p.a. and quarterly coupons of 140 basis points over LIBOR(*).
	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.	Monthly coupons between 95 to 100 basis points over LIBOR.	Monthly coupons between 32.5 to 68 basis points over SOFR.	-
	KZT	-	-	Fixed rate between 8.50% p.a. 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 of 4.89% p.a.	-	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 4.57% p.a. to 5.30% p.a., SOFR plus spread between 33 to 65 basis points and quarterly coupons of 40 basis points over LIBOR.	Quarterly coupons between 43 to 50 basis points over Libor and quarterly coupons between 44 to 65 basis points over SOFR.	Semi-annual coupons between negative 20 to negative 18 basis points over LIBOR	-
	EGP	Fixed rate of 3.00% p.a.	-	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) includes AED 17,293,505 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 1,089,804 thousand (December 31, 2022 - AED 1,072,321 thousand) against margin calls.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

17. Other liabilities

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Interest payable	2,375,068	1,841,733
Recognised liability for defined benefit obligation	516,858	511,909
Deferred income	852,844	842,135
Acceptances (Note 12)	16,459,552	17,131,510
Impairment allowance on letters of credit, guarantees and other commitments (Note 10)	435,443	423,942
Others(*)	6,498,520	4,919,510
Total other liabilities	27,138,285	25,670,739

(*) includes AED 189,352 thousand (December 31, 2022 – AED 225,595 thousand) pertaining to finance lease liability and AED 1,252,328 thousand (December 31, 2022 – AED nil) pertaining to cash dividend payable for the year 2022.

18. Share capital

	Authorised AED'000	Issued and fully paid	
		As at March 31 2023 unaudited AED'000	As at December 31 2022 audited 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 March 31, 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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

19. Other reserves (unaudited)

Reserves movement for the three month period ended March 31, 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	-	-	-	-	-	(206,546)	-	-	(206,546)	(190)	(206,736)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	129,295	-	-	129,295	-	129,295
Net fair value changes on cash flow hedges	-	-	-	-	-	-	74,670	-	74,670	-	74,670
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	28,390	-	28,390	-	28,390
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(107,902)	(107,902)	(18)	(107,920)
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	(10,282)	(10,282)	-	(10,282)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(12,972)	(12,972)	-	(12,972)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(12,713)	(12,713)	-	(12,713)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(304)	(304)	-	(304)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(77,251)	103,060	(144,173)	(118,364)	(208)	(118,572)
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	6,810	-	-	-	-	-	-	-	6,810	-	6,810
As at March 31, 2023	(66,504)	3,478,690	5,690,353	2,000,000	150,000	(261,700)	200,236	(1,548,713)	9,642,362	(689)	9,641,673

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

19. Other reserves (unaudited) (continued)

Reserves movement for the three month period ended March 31, 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	-	-	-	-	-	(235,750)	-	-	(235,750)	(204)	(235,954)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	114,758	-	-	114,758	-	114,758
Net fair value changes on cash flow hedges	-	-	-	-	-	-	50,649	-	50,649	-	50,649
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	11,887	-	11,887	-	11,887
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(783,492)	(783,492)	(4)	(783,496)
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	16,541	16,541	-	16,541
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(25,480)	(25,480)	-	(25,480)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	8,826	8,826	-	8,826
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	1,095	1,095	-	1,095
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(120,992)	62,536	(782,510)	(840,966)	(208)	(841,174)
Acquisition of shares	(5,010)	-	-	-	-	-	-	-	(5,010)	-	(5,010)
Adjustment arising from changes in non-controlling interests	-	-	-	-	-	61	-	39	100	(100)	-
Fair value adjustments	(5,264)	-	-	-	-	-	-	-	(5,264)	-	(5,264)
Shares – vested portion	3,769	-	-	-	-	-	-	-	3,769	-	3,769
As at March 31, 2022	(83,217)	3,478,690	3,478,690	2,000,000	150,000	(189,604)	(5,376)	(393,173)	8,436,010	(114)	8,435,896

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 March 31	
	2023 AED'000	2022 AED'000
Loans and advances to banks	593,757	121,153
Loans and advances to customers	3,630,992	1,706,647
Investment securities	1,162,372	400,289
Total interest income	5,387,121	2,228,089

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For the three month period ended March 31, 2023

22. Interest expense (unaudited)

	3 months ended March 31	
	2023 AED'000	2022 AED'000
Deposits from banks	73,936	6,127
Deposits from customers	1,911,668	317,950
Euro commercial paper	84,500	6,993
Borrowings(*)	994,382	211,056
Total interest expense	3,064,486	542,126

(*) includes AED 1,592 thousand (for the three month period ended March 31, 2022 - AED 5,558 thousand) for interest expense on lease liabilities

23. Net fees and commission income (unaudited)

	3 months ended March 31	
	2023 AED'000	2022 AED'000
Fees and commission income		
Card related fees	294,206	269,783
Loan processing fees	172,734	160,439
Accounts related fees	59,012	46,390
Trade finance commission	148,336	134,459
Insurance commission	4,173	3,279
Asset management and investment services	28,229	21,153
Brokerage fees	2,152	3,746
Other fees	178,682	151,487
Total fees and commission income	887,524	790,736
Fees and commission expense	(354,929)	(303,693)
Net fees and commission income	532,595	487,043

24. Net trading income (unaudited)

	3 months ended March 31	
	2023 AED'000	2022 AED'000
Net gain from dealing in derivatives	89,404	20,582
Net gain from dealing in foreign currencies	187,220	115,724
Net gain/(loss) from financial assets at fair value through profit or loss	178,820	(19,612)
Net trading income	455,444	116,694

25. Other operating income (unaudited)

	3 months ended March 31	
	2023 AED'000	2022 AED'000
Property management income	40,530	37,914
Rental income	20,409	19,949
Net gain from disposal of investment securities	1,683	42,805
Net (loss)/gain from hedging derivatives	(10,758)	63,845
Dividend income	9,722	6,104
Others	11,059	14,916
Total other operating income	72,645	185,533

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

26. Operating expenses (unaudited)

	3 months ended March 31	
	2023	2022
	AED'000	AED'000
Staff expenses	683,300	628,299
General administrative expenses	427,092	363,515
Depreciation on property and equipment	97,456	101,799
Amortisation of intangible assets	23,339	23,923
Total operating expenses	1,231,187	1,117,536

27. Impairment charge (unaudited)

	3 months ended March 31	
	2023	2022
	AED'000	AED'000
Financial instruments carried at amortised cost – net charge(*)	895,235	374,517
Debt instruments designated at FVTOCI – net (release)/charge	(10,728)	19,590
Commitment and contingent liabilities – net charge	11,952	22,631
Less: Recoveries/modifications during the period	(148,527)	(122,460)
Total impairment charge (Note 10)	747,932	294,278

(*) includes net release of AED 838 thousand (for the three month period ended March 31, 2022 – net charge of AED 5,689 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 March 31	
	2023	2022
	AED'000	AED'000
Profit for the period attributable to the equity holders of the Bank	1,878,976	1,483,503
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)	1,705,236	1,399,534
	<u>Number of shares in thousand</u>	
Weighted average number of shares in issue throughout the period	6,957,379	6,957,379
Add: Number of shares issued on stock dividend during the period	362,568	362,568
Less: Weighted average number of shares resulting from employees' incentive plan shares	(10,088)	(12,097)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	7,309,859	7,307,850
Add: Weighted average number of shares resulting from employees' incentive plan shares	10,088	12,097
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	7,319,947	7,319,947
Basic earnings per share (AED) (a)/(b)	0.23	0.19
Diluted earnings per share (AED) (a)/(c)	0.23	0.19

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

29. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Letters of credit	9,347,055	9,908,377
Guarantees	60,936,925	53,409,932
Commitments to extend credit – revocable(*)	16,113,642	15,652,151
Commitments to extend credit – irrevocable	29,209,281	31,037,374
Total commitments on behalf of customers	115,606,903	110,007,834
Commitments for future capital expenditure and others	624,838	664,876
Commitments to invest in investment securities	133,280	9,160
Total commitments and contingent liabilities	116,365,021	110,681,870

(*) includes AED 8,547,981 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.

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For the three month period ended March 31, 2023

30. Operating segments (continued)

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 three month period ended March 31, 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	579,935	275,870	796,222	665,922	4,686	2,322,635
Net income from Islamic financing and investing products	281,818	12,054	84,195	150,624	-	528,691
Total net interest income and income from Islamic financing and investing products	861,753	287,924	880,417	816,546	4,686	2,851,326
Non-interest income	246,423	31,373	529,693	186,549	66,646	1,060,684
Operating income	1,108,176	319,297	1,410,110	1,003,095	71,332	3,912,010
Operating expenses	(707,693)	(59,324)	(364,993)	(54,988)	(44,189)	(1,231,187)
Operating profit before impairment charge	400,483	259,973	1,045,117	948,107	27,143	2,680,823
Impairment (charge)/release	(94,915)	(263,713)	(401,613)	12,309	-	(747,932)
Profit/(loss) after impairment charge	305,568	(3,740)	643,504	960,416	27,143	1,932,891
Share in profit/(loss) of associates	929	(94)	-	-	-	835
Profit/(loss) before taxation	306,497	(3,834)	643,504	960,416	27,143	1,933,726
Overseas income tax provision release / (charge)	2,875	-	(19,320)	(38,952)	-	(55,397)
Profit/(loss) for the period	309,372	(3,834)	624,184	921,464	27,143	1,878,329
As at March 31, 2023 (unaudited)						
Total assets	56,598,984	54,462,768	214,469,000	174,098,124	1,794,565	501,423,441
Total liabilities	76,552,481	46,189,604	154,998,890	160,575,773	1,339,753	439,656,501

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 March 31, 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	530,019	194,118	528,800	427,376	5,650	1,685,963
Net income from Islamic financing and investing products	239,117	12,675	77,725	130,926	-	460,443
Total net interest income and income from Islamic financing and investing products	769,136	206,793	606,525	558,302	5,650	2,146,406
Non-interest income	228,632	28,615	336,509	126,376	69,138	789,270
Operating income	997,768	235,408	943,034	684,678	74,788	2,935,676
Operating expenses	(655,201)	(56,892)	(312,517)	(48,711)	(44,215)	(1,117,536)
Operating profit before impairment charge	342,567	178,516	630,517	635,967	30,573	1,818,140
Impairment (charge)/release	(92,993)	1,040	(208,977)	6,652	-	(294,278)
Profit after impairment charge	249,574	179,556	421,540	642,619	30,573	1,523,862
Share in profit of associates	1,598	431	-	-	-	2,029
Profit before taxation	251,172	179,987	421,540	642,619	30,573	1,525,891
Overseas income tax charge	(5,427)	-	(11,126)	(12,185)	-	(28,738)
Loss from discontinued operations	(233)	-	(13,438)	-	-	(13,671)
Profit for the period	245,512	179,987	396,976	630,434	30,573	1,483,482
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

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)	
	3 months ended March 31 2023 AED'000	2022 AED'000	3 months ended March 31 2023 AED'000	2022 AED'000
Retail banking	918,811	916,474	189,365	81,294
Private banking	541,112	417,704	(221,815)	(182,296)
Corporate and investment banking	2,442,762	1,134,391	(1,032,652)	(191,357)
Investments and treasury	(54,368)	397,960	1,057,463	286,718
Property management	63,693	69,147	7,639	5,641
Total operating income	3,912,010	2,935,676	-	-

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:

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

30. Operating segments (continued)

	Domestic (unaudited)		International (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Income				
Net interest income and income from Islamic financing and investing products	2,717,124	2,021,243	134,202	125,163
Non-interest income	1,040,429	728,709	20,255	60,561
	Domestic		International	
	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000	As at March 31 2023 unaudited AED'000	As at December 31 2022 audited AED'000
Non-current assets				
Investment in associates	253,360	252,525	-	-
Investment properties	1,673,983	1,673,983	15,579	17,907
Property and equipment, net	1,706,696	1,713,634	184,297	223,869
Intangible assets, net	7,044,868	7,068,207	67,503	83,987

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

31. Capital adequacy ratio

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

	As at March 31 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)	11,057,343	8,922,931
Retained earnings	20,746,307	22,884,994
Regulatory deductions and adjustments		
Intangible assets, net	(7,112,371)	(7,152,194)
Cash flow hedge reserve (Note 19)	109,951	80,900
Employee's incentive plan shares, net (Note 19)	(66,504)	(68,824)
Revaluation reserve of investments designated at FVTOCI (Note 19)	(1,548,713)	(1,404,540)
Other deduction	(415,065)	(416,056)
Less: Proposed cash dividend	-	(1,252,328)
Total CET1 capital	47,969,777	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	53,969,777	52,431,144
Tier 2 capital		
Eligible general provision	4,144,439	4,034,067
Subordinated notes	-	39,224
Total tier 2 capital	4,144,439	4,073,291
Total regulatory capital	58,114,216	56,504,435
Risk-weighted assets		
Credit risk	331,555,100	322,725,321
Market risk	16,978,536	13,983,513
Operational risk	22,334,610	21,529,955
Total risk-weighted assets	370,868,246	358,238,789
CET1 ratio	12.93%	12.96%
AT1 ratio	1.62%	1.68%
Tier 1 ratio	14.55%	14.64%
Tier 2 ratio	1.12%	1.13%
Capital adequacy ratio	15.67%	15.77%

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

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 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 three month ended March 31, 2022, refer note 32 in the condensed consolidated interim financial information for the period ended March 31, 2022. The related party balances as at March 31, 2023 and transactions for the three 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	Key management personnel AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at March 31, 2023 (unaudited)					
Deposits and balances due from banks	40,707	-	-	-	40,707
Financial assets at fair value through profit or loss	503,358	-	-	-	503,358
Derivative financial instruments – assets	821,567	107,059	-	-	928,626
Investment securities	24,477,717	-	-	207,743	24,685,460
Loans and advances to customers	46,253,457	4,286,335	32,553	3,677,230	54,249,575
Other assets	870,987	10,237	62	3,223	884,509
Due to banks	320,873	-	-	-	320,873
Derivative financial instruments – liabilities	1,623,176	53,543	-	-	1,676,719
Deposits from customers	93,486,915	520,674	80,278	608,685	94,696,552
Other liabilities(*)	1,248,479	1,292	16,995	640	1,267,406
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	25,213,735	6,213	4,038	4,172	25,228,158
(*) excludes cash dividend payable for the year 2022 (Note 17)					
Transactions for the three month period ended March 31, 2023 (unaudited)					
Interest income, Islamic financing income, fees and other income	945,627	66,223	269	30,012	1,042,131
Interest expense and Islamic profit distribution	811,266	1,009	224	853	813,352
Net gain/(loss) from dealing in derivatives	138,847	(17,645)	-	-	121,202
Impairment charge	1,308	-	-	-	1,308
Share in profit of associates	-	-	-	835	835
Coupons paid on capital notes	173,740	-	-	-	173,740

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

32. Related party transactions (continued)

Remuneration of key management employees and Board of Directors fees and expenses for the three month period ended March 31, 2023 (unaudited) are as follows:

	AED'000
Short term benefits	17,235
Post-employment benefits	703
Variable pay benefits	26,498
Total remuneration	44,436
Board of Directors fees and expenses	10,739

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.

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2023

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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

33. Fair value hierarchy (continued)

	Notes	Level 1	Level 2	Level 3	Total fair value AED'000	Carrying value AED'000
		Quoted market prices AED'000	Observable inputs AED'000	Significant unobservable inputs AED'000		
As at March 31, 2023 (unaudited)						
Assets at fair value						
Financial assets at fair value through profit or loss	6	897,243	7,835,497	-	8,732,740	8,732,740
Derivative financial instruments	7	6,154	13,777,672	-	13,783,826	13,783,826
Investment securities, net	8					
- At fair value through other comprehensive income		46,365,652	3,788,466	145,312	50,299,430	50,299,430
- At amortised cost		64,654,982	171,929	-	64,826,911	67,657,434
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	-	-	1,689,562	1,689,562	1,689,562
Total		111,924,031	25,573,564	4,939,729	142,437,324	145,267,847
Liabilities at fair value						
Derivative financial instruments	7	9,256	14,262,260	-	14,271,516	14,271,516
Liabilities at amortised cost						
Euro commercial paper	15	-	9,136,735	-	9,136,735	9,136,293
Borrowings	16	11,017,041	56,940,151	-	67,957,192	70,687,237
Total		11,026,297	80,339,146	-	91,365,443	94,095,046
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.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2023

33. Fair value hierarchy (continued)

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

	As at March 31 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	10,445	2,748
Closing balance	145,312	154,084

Net gain of AED 304 thousand (for the three month period ended March 31, 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.