

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



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Review report on condensed consolidated interim financial information to the Board of Directors of First Abu Dhabi Bank PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of First Abu Dhabi Bank PJSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at 31 March 2023 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). 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 the 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers
26 April 2023

A handwritten signature in blue ink, appearing to be 'Rami Sarhan', written over a horizontal line.

Rami Sarhan
Registered Auditor Number: 1152
Place: Abu Dhabi, United Arab Emirates

PricewaterhouseCoopers (Abu Dhabi Branch), License no. 1001301
Al Khateem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

Jacques Fakhoury, Murad Alnsour, Douglas O'Mahony, Wassim El Afchal and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Condensed consolidated interim statement of financial position

As at

Assets	Note	(unaudited)	(audited)
		31 Mar 2023 AED'000	31 Dec 2022 AED'000
Cash and balances with central banks	5	304,403,748	228,368,829
Investments at fair value through profit or loss	6	38,616,798	31,816,797
Due from banks and financial institutions		22,914,522	24,886,956
Reverse repurchase agreements		58,654,060	69,106,092
Derivative financial instruments		50,569,052	58,873,843
Loans, advances and Islamic financing	7	473,049,729	459,593,327
Non trading investment securities	8, 32	169,043,011	172,349,818
Investment in associates	9, 32	1,573,545	1,559,303
Investment properties	10	6,667,306	7,168,089
Property and equipment		5,833,960	5,795,207
Intangibles	11	20,283,669	20,332,179
Other assets		33,690,291	30,205,655
Total assets		1,185,299,691	1,110,056,095
Liabilities			
Due to banks and financial institutions	12	61,650,277	61,560,340
Repurchase agreements		37,700,855	39,004,515
Commercial paper	13	28,841,542	31,738,356
Derivative financial instruments		52,513,534	62,024,540
Customer accounts and other deposits	14	780,518,846	700,573,371
Term borrowings	15	63,091,208	62,635,133
Subordinated notes	16	419,305	420,620
Other liabilities		48,428,287	37,048,977
Total liabilities		1,073,163,854	995,005,852
Equity			
Share capital	17	11,047,612	11,047,612
Share premium		53,557,581	53,557,581
Treasury shares		(6,505)	(6,505)
Statutory and special reserves		13,084,313	13,084,313
Other reserves	17	(1,707,828)	(835,463)
Tier 1 capital notes	18	10,754,750	10,754,750
Share based payment		249,816	249,816
Retained earnings		25,136,939	27,185,679
Total equity attributable to shareholders of the Bank		112,116,678	115,037,783
Non-controlling interest		19,159	12,460
Total equity		112,135,837	115,050,243
Total liabilities and equity		1,185,299,691	1,110,056,095

To the best of our knowledge, the financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 26 April 2023 and signed on its behalf:

Chairman

Group Chief Executive Officer

Interim Group Chief Financial Officer

The notes 1 to 33 are an integral part of these condensed consolidated interim financial statements.

The independent auditors report on the review of the condensed consolidated interim financial statements is set out on page 2.

Condensed consolidated interim statement of profit or loss

For the three month period ended (unaudited)

	Note	31 Mar 2023 AED'000	31 Mar 2022 AED'000
Interest income		12,817,074	4,259,468
Interest expense		(8,549,211)	(1,396,034)
Net interest income		4,267,863	2,863,434
Income from Islamic financing and investing products		722,735	491,132
Distribution on Islamic deposits		(563,281)	(219,818)
Net income from Islamic financing and investing products		159,454	271,314
Total net interest income and income from Islamic financing and investing products		4,427,317	3,134,748
Fee and commission income		1,080,574	1,080,509
Fee and commission expense		(296,594)	(305,135)
Net fee and commission income		783,980	775,374
Net foreign exchange gain / (loss)	20	1,056,461	(166,722)
Net gain on investments and derivatives	21	395,430	631,799
Other operating income		66,971	82,960
Operating income		6,730,159	4,458,159
Gain on disposal of stake in subsidiary and fair value gain on retained interest	22	-	2,805,423
Total income including gain on disposal of stake in subsidiary and fair value gain on retained interest		6,730,159	7,263,582
General, administration and other operating expenses	23	(1,687,584)	(1,514,977)
Profit before net impairment charge and taxation		5,042,575	5,748,605
Net impairment charge	24	(798,153)	(457,400)
Profit before taxation		4,244,422	5,291,205
Income tax expense		(310,734)	(167,946)
Profit for the period		3,933,688	5,123,259
Profit attributable to:			
Shareholders of the Bank		3,928,994	5,120,263
Non-controlling interests		4,694	2,996
		3,933,688	5,123,259
Basic earnings per share (AED)	25	0.34	0.45
Diluted earnings per share (AED)	25	0.34	0.45

The notes 1 to 33 are an integral part of these condensed consolidated interim financial statements.

The independent auditors report on the review of the condensed consolidated interim financial statements is set out on page 2.

Condensed consolidated interim statement of comprehensive income

For the three month period ended (unaudited)

	31 Mar 2023 AED'000	31 Mar 2022 AED'000
Profit for the period	3,933,688	5,123,259
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	(735,220)	(321,522)
Net change in fair value reserve during the period (including ECL)	(88,790)	(1,252,702)
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income - net change in the fair value	(45,389)	86,654
Re-measurement of defined benefit obligations	(5,842)	3,098
Other adjustments	3,000	5,750
Other comprehensive loss for the period	(872,241)	(1,478,722)
Total comprehensive income for the period	3,061,447	3,644,537
Comprehensive income attributable to:		
Shareholders of the Bank	3,054,748	3,641,853
Non-controlling interest	6,699	2,684
Total comprehensive income for the period	3,061,447	3,644,537

The notes 1 to 33 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of changes in equity

For the three month period ended (unaudited)

	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory and special reserves AED'000	Other reserves AED'000	Tier 1 capital notes AED'000	Share based payment AED'000	Retained earnings AED'000	Equity attributable to share-holders of the Bank AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2023	11,047,612	53,557,581	(6,505)	13,084,313	(835,463)	10,754,750	249,816	27,185,679	115,037,783	12,460	115,050,243
Profit for the period	-	-	-	-	-	-	-	3,928,994	3,928,994	4,694	3,933,688
Other comprehensive loss for the period	-	-	-	-	(871,404)	-	-	(2,842)	(874,246)	2,005	(872,241)
<u>Transactions with owners of the Group</u>											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(5,741,375)	(5,741,375)	-	(5,741,375)
Payment on Tier 1 capital notes (note 18)	-	-	-	-	-	-	-	(234,478)	(234,478)	-	(234,478)
Realised gain on sale of FVOCI Investment	-	-	-	-	(961)	-	-	961	-	-	-
Balance at 31 March 2023	11,047,612	53,557,581	(6,505)	13,084,313	(1,707,828)	10,754,750	249,816	25,136,939	112,116,678	19,159	112,135,837
Balance at 1 January 2022	10,920,000	53,557,581	(6,430)	10,920,000	3,569,185	10,754,750	249,816	22,849,243	112,814,145	15,428	112,829,573
Profit for the period	-	-	-	-	-	-	-	5,120,263	5,120,263	2,996	5,123,259
Other comprehensive loss for the period	-	-	-	-	(1,478,078)	-	-	(332)	(1,478,410)	(312)	(1,478,722)
<u>Transactions with owners of the Group</u>											
Dividend for the year (net of treasury shares)	127,612	-	(75)	2,164,313	-	-	-	(7,639,498)	(5,347,648)	-	(5,347,648)
Payment on Tier 1 capital notes (note 18)	-	-	-	-	-	-	-	(115,650)	(115,650)	-	(115,650)
Balance at 31 March 2022	11,047,612	53,557,581	(6,505)	13,084,313	2,091,107	10,754,750	249,816	20,214,026	110,992,700	18,112	111,010,812

The notes 1 to 33 are an integral part of these condensed consolidated interim financial statements.

The independent auditors report on the review of the condensed consolidated interim financial statements is set out on page 2.

Condensed consolidated interim statement of cash flows

For the three month period ended (unaudited)

	Note	31 Mar 2023 AED'000	31 Mar 2022 AED'000
Cash flows from operating activities			
Profit before taxation		4,244,422	5,291,205
Adjustments for:			
Depreciation and amortisation		286,838	271,270
Gain on sale of investment property		(193,900)	-
Gain on sale of property and equipment		(105)	(95)
Gain on sale of a subsidiary	22	-	(2,805,423)
Net impairment charge		868,514	517,148
Accreted interest		128,200	118,267
		5,333,969	3,392,372
Changes in:			
Investments at fair value through profit or loss		(6,790,414)	10,028,321
Due from central banks, banks and financial institutions		1,146,028	3,148,323
Reverse repurchase agreements		10,448,553	1,704,448
Loans, advances and Islamic financing		(14,066,079)	(24,080,774)
Other assets		(3,007,111)	1,355,605
Due to banks and financial institutions		89,937	3,687,793
Repurchase agreements		(1,303,660)	(4,280,208)
Customer accounts and other deposits		79,945,475	(14,291,511)
Derivative financial instruments		(415,723)	(3,769,652)
Other liabilities		11,717,363	9,148,908
		83,098,338	(13,956,375)
Income tax paid, net of recoveries		(544,160)	(163,839)
Directors' remuneration paid		(45,000)	(45,000)
		82,509,178	(14,165,214)
Cash flows from investing activities			
Net movement in non trading investment securities		3,024,910	(10,383,186)
Purchase of investment property		(6,717)	(516,378)
Purchase of property and equipment		(276,949)	(43,928)
		2,741,244	(10,943,492)
Cash flows from financing activities			
Net movement of commercial paper		(2,896,814)	(11,121,438)
Dividend paid		(5,708,781)	(5,320,806)
Issue of term borrowings		4,027,733	2,143,820
Repayment of term borrowings		(4,645,321)	(7,755,685)
Payment on Tier 1 capital notes		(234,478)	(115,650)
		(9,457,661)	(22,169,759)
Net increase / (decrease) in cash and cash equivalents			
Foreign currency translation adjustment ¹		(573,335)	(651,047)
Cash and cash equivalents at 1 January	26	250,796,021	272,447,844
Cash and cash equivalents at 31 March	26	326,015,447	224,518,332

¹Refer note 32 – Comparative figures

The notes 1 to 33 are an integral part of these condensed consolidated interim financial statements.

The independent auditors report on the review of the condensed consolidated interim financial statements is set out on page 2.

Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

First Abu Dhabi Bank PJSC (the “Bank”) is a public joint stock company with a limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE) under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended). The registered address of the Bank is P. O. Box 6316, FAB Building, Khalifa Business Park, Al Qurum, Abu Dhabi, United Arab Emirates.

These condensed consolidated interim financial statements as at and for the period ended 31 March 2023, comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, consumer, private and investment banking activities, payment services, management services, Islamic banking activities, real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Indonesia, Iraq, Jordan¹, Kingdom of Saudi Arabia, Kuwait, Lebanon¹, Libya, Malaysia, Oman, Qatar², Singapore, South Korea, Switzerland, the United Kingdom and the United States of America.

The Group’s Islamic banking activities are conducted in accordance with Islamic Sharia’a rules and principles as interpreted by the Internal Shariah Supervision Committee (“ISSC”) in accordance with the resolutions issued by the Higher Shariah Authority (“HSA”).

The Group is listed on the Abu Dhabi Securities Exchange (Ticker: FAB).

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 are available upon request from the Group’s registered office or at <http://www.bankfab.com>

¹ Under closure.

²The Bank has notified the Qatar Financial Centre Regulatory Authority (“QFCRA”) that it will relinquish its Qatar Financial Centre (“QFC”) branch license and permanently close its QFC branch.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared on a going concern basis as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future, in accordance with IAS 34 Interim Financial Reporting and the requirements of applicable laws in the UAE. They do not include all the information required for the complete set of annual consolidated financial statements as required under International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022. In addition, results for the period from 1 January 2023 to 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended). The Bank is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the financial system of the Government of Abu Dhabi and instructions issued by the Department of Finance as at the date of these consolidated financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 26 April 2023.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022, except the adoption of the following new standards as of 1 January 2023.

The following amendments to existing standards and framework have been applied by the Group in preparation of these condensed consolidated interim financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Description	Effective from
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

Interest Rate Benchmark Reform:

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some Interbank offered rates (“IBORs”) with alternative nearly risk-free rates (“ARRS”). The Group has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives. IBORs, such as the London Interbank Offered Rate (“LIBOR”), plays a critical role in global financial markets, serving as reference rates for derivatives, Loans, advances and Islamic financing, and as parameters in the valuation of financial instruments.

The Group continues to coordinate and oversee the transition from IBORs to ARRS with no significant changes to the project or transition risks disclosed in Note 46 (c) of the annual consolidated financial statements for the year ended 31 December 2022. The project plan continues to be on target and the Group continues to progress on its transition plan for the remaining IBOR exposure, which is indexed to US dollar Libor with overnight, one month, three-month, six month and twelve-month LIBOR settings before 30 June 2023. These settings will either cease to be provided or no longer be representative after 30 June 2023 as announced by the Financial Conduct Authority (FCA) and the alternative reference rate for US dollar LIBOR is the SOFR. The Group continue to monitor industry developments in this space and have also implemented controls to ensure new USD LIBOR trades are for permitted purposes only during this transition.

FAB’s approach towards IBOR Transition

Loans, Bonds and other On Balance Sheet exposures

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the Group has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate. As at 31 March 2023, the IBOR reform in respect of currencies to which the Group has exposure has been largely completed except for US dollar indexed exposures. The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before Reform	Benchmark after Reform	31 Mar 2023	31 Dec 2022
USD	USD LIBOR	SOFR	In progress	In progress
GBP	GBP LIBOR	SONIA	Completed	Completed
EURO	EONIA	€STR	Completed	Completed
EURO	EURIBOR	EURIBOR reformed	Completed	Completed
JPY	JPY LIBOR	TONAR / TORF	Completed	Completed
CHF	CHF LIBOR	SARON	Completed	Completed

In line with the regulatory guidance, FAB will continue to actively transition LIBOR products to suitable alternatives where possible. However, if this is not achieved, those products will use synthetic LIBOR where applicable and until they are transitioned.

Derivatives and hedge accounting

The Group holds derivatives for trading and risk management purposes. Derivatives held for risk management purposes are designated in hedging relationships. The interest rate and cross-currency swaps have floating legs that are indexed to various IBORs.

For derivative exposures, the Group has adhered to the adoption of the International Swaps and Derivatives Association (‘ISDA’) protocol as a fallback provision, which came into effect in January 2021, and the successful changes made by clearing houses to discount derivatives using the euro short-term rate (‘€STR’) and SOFR, to reduce the risk of a disorderly transition of the derivatives market.

Notes to the condensed consolidated interim financial statements *(continued)*

3 Significant accounting policies *(continued)*

Interest Rate Benchmark Reform *(continued)*

Derivatives and hedge accounting *(continued)*

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness.

The objective of the majority of these hedges and consistent with the overall interest rate risk management strategy of FAB is to reduce fluctuations of the fair value of bonds purchased by FAB or its own issuances which pay a fixed rate and also reduce fluctuations from foreign exchange risk if these are denominated in another currency that is not AED or USD.

Standard Issued but not yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

The following new standard and amendments to the standards are applicable to annual reporting periods beginning on or after 1 January 2024 and early application is permitted. The Group is currently evaluating the impact of the new standard and amendments to the standards and expects to adopt them on the effective date.

- Amendment to IFRS 16 – Leases on sale and leaseback.
- Amendment to IAS 1 – Non current liabilities with covenants

Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime will become effective for the accounting periods beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. Management acknowledges that a number of regulations with regards to the application of tax legislation are yet to be published and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax on the Group.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Basis of consolidation

Subsidiaries are entities that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the Bank and to the non-controlling interests (“NCI”), even if this results in the NCI having a deficit balance.

The condensed consolidated interim financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

Legal Name	Country of incorporation	Principal activities	Holding % 2022
First Abu Dhabi Bank USA N.V.	Curacao	Banking	100%
FAB Securities LLC	United Arab Emirates	Brokerage	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	Property Management	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%
Abu Dhabi Securities Brokerage Egypt ¹	Egypt	Brokerage	96%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%
FAB Global Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services	100%
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	Real estate investments	100%
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	67%
First Merchant International LLC (FMI)	United Arab Emirates	Real estate investments	100%
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
Horizon Gulf Electromechanical Services L.L.C (Subsidiary of FMI)	United Arab Emirates	Real estate related services	100%
FAB Sukuk Company Limited	Cayman Islands	Special purpose vehicle	100%
First Gulf Libyan Bank ²	Libya	Banking services	50%
FAB Properties LLC	United Arab Emirates	Management and brokerage of real estate properties	100%
First Gulf Information Technology LLC (FGIT)	United Arab Emirates	IT Services	100%
FAB Investment KSA (single Shareholder LLC)	Kingdom of Saudi Arabia	Financial Institution	100%
FAB Global Business Services Limited (Subsidiary of FGIT)	India	IT Services	100%
First Abu Dhabi Bank Misr S.A.E (FAB Misr)	Egypt	Banking	100%

¹ Under liquidation.

² Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.

Notes to the condensed consolidated interim financial statements (continued)

4 Use of estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

5 Cash and balances with central banks

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Cash on hand	1,828,508	1,816,546
Central Bank of the UAE		
cash reserve deposits	4,828,281	8,413,183
other balances	32,000,000	20,000,000
Balances with other central banks	265,933,414	198,319,480
	<u>304,590,203</u>	<u>228,549,209</u>
Less: expected credit losses	(186,455)	(180,380)
	<u>304,403,748</u>	<u>228,368,829</u>

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14 day period. Balances with other central banks includes mandatory reserves which are available for day-to-day operations under certain specified conditions.

6 Investments at fair value through profit or loss

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Investments in managed funds	7,295	8,734
Investment in private equities	2,311,589	2,240,442
Investments in equities	1,477,742	1,613,279
Debt securities	34,820,172	27,954,342
	<u>38,616,798</u>	<u>31,816,797</u>

Notes to the condensed consolidated interim financial statements (continued)

7 Loans, advances and Islamic financing

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Gross loans, advances and Islamic financing	494,042,706	479,724,466
Less: interest suspended	(6,699,379)	(6,251,152)
Less: expected credit losses	(14,293,598)	(13,879,987)
Net loans, advances and Islamic financing	<u>473,049,729</u>	<u>459,593,327</u>
	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
By counterparty:		
Government sector	58,802,775	55,910,901
Public sector	85,679,639	90,035,562
Banking sector	17,185,910	7,920,375
Corporate / private sector	255,336,268	249,032,048
Personal / retail sector	77,038,114	76,825,580
Gross loans, advances and Islamic financing	<u>494,042,706</u>	<u>479,724,466</u>
	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
By product:		
Overdrafts	21,321,761	20,501,463
Term loans	394,126,131	389,286,184
Trade related loans	43,222,034	33,612,331
Personal loans	28,199,800	28,750,920
Credit cards	5,088,872	4,960,609
Vehicle financing loans	2,084,108	2,612,959
Gross loans, advances and Islamic financing	<u>494,042,706</u>	<u>479,724,466</u>

Notes to the condensed consolidated interim financial statements (continued)

7 Loans, advances and Islamic financing (continued)

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Concentration by industry sector:		
Agriculture	2,752,471	2,679,359
Energy	32,794,225	32,056,358
Manufacturing	20,577,907	22,808,173
Construction	11,515,252	11,332,923
Real estate	89,901,266	89,696,672
Trading	26,419,413	25,606,349
Transport and communication	39,716,804	42,895,098
Banks	17,185,910	7,920,375
Other financial institutions	80,075,558	77,283,322
Services	37,263,011	34,709,356
Government	58,802,775	55,910,901
Personal – Loans and Credit cards	49,508,281	49,891,748
Personal - Retail Mortgage	27,529,833	26,933,832
Gross loans, advances and Islamic financing	<u>494,042,706</u>	<u>479,724,466</u>

Included in the above Loans, advances and Islamic financing are the following Islamic financing:

Islamic financing

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Ijara	12,457,402	12,276,718
Murabaha	22,065,223	25,637,275
Others	694,004	676,607
Total Islamic financing contracts	<u>35,216,629</u>	<u>38,590,600</u>
Less: expected credit loss	(1,152,167)	(1,135,335)
Less: suspended profit	(177,343)	(175,050)
	<u>33,887,119</u>	<u>37,280,215</u>

8 Non trading investment securities

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Fair value through other comprehensive income:		
- with recycle to profit or loss (Debt instruments)	163,386,098	166,591,291
- without recycle to profit or loss (Equity Investments)	1,102,974	1,070,888
Amortised cost	4,554,741	4,688,298
	<u>169,043,813</u>	<u>172,350,477</u>
Less: expected credit losses	(802)	(659)
	<u>169,043,011</u>	<u>172,349,818</u>

Notes to the condensed consolidated interim financial statements (continued)

8 Non trading investment securities (continued)

An analysis of non trading investments securities by type at the reporting date is shown below:

	(unaudited) 31 Mar 2023 AED'000			(audited) 31 Dec 2022 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	898,881	204,093	1,102,974	866,742	204,146	1,070,888
Debt instruments	166,844,832	1,096,007	167,940,839	167,117,450	4,162,139	171,279,589
	167,743,713	1,300,100	169,043,813	167,984,192	4,366,285	172,350,477
Less: expected credit losses	(802)	-	(802)	(659)	-	(659)
	167,742,911	1,300,100	169,043,011	167,983,533	4,366,285	172,349,818

Debt instruments under repurchase agreements included in non trading investments at 31 March 2023 amounted to AED 29,323 million (31 December 2022: AED 26,896 million).

9 Investment in associates

The list of associates are as follows:

Legal Name	Country of incorporation	Principal activities	(unaudited) 31 Mar 2023	(audited) 31 Dec 2022
Magnati Sole Proprietorship LLC	United Arab Emirates	Financial services	40%	40%
Midmak Properties LLC	United Arab Emirates	Real estate Investments	16%	16%
Emirates Digital Wallet LLC	United Arab Emirates	Financial services	23%	23%
			(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Investment in associates			1,573,545	1,559,303

10 Investment properties

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Beginning of the period	7,168,089	6,962,576
Additions	6,717	532,827
Disposals	(507,500)	-
Fair value adjustment	-	(327,314)
End of the period	6,667,306	7,168,089

The fair value of the properties is based on the valuations performed by third party valuers as at 31 December 2022 and all are level 3 under fair value hierarchy.

Notes to the condensed consolidated interim financial statements (continued)

11 Intangibles

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Goodwill	18,693,038	18,693,038
Customer relationship	1,778,055	1,778,055
Core deposits	704,336	704,336
License	368,700	368,700
Brand	22,000	22,000
	<u>21,566,129</u>	<u>21,566,129</u>
Accumulated amortisation	(1,282,460)	(1,233,950)
	<u>20,283,669</u>	<u>20,332,179</u>

12 Due to banks and financial institutions

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Banks and financial institutions	35,755,033	45,174,857
Central banks	25,895,244	16,385,483
	<u>61,650,277</u>	<u>61,560,340</u>

13 Commercial paper

The Bank has a Euro Commercial Paper programme with a limit of USD 3.5 billion and a US Dollar Commercial Paper programme with a limit of USD 10 billion.

The notes outstanding as at the end of the reporting date amounted to AED 28,842 million (31 December 2022: AED 31,738 million) and have maturity period of less than 12 months.

The Group has not had any defaults of principal, interests or other breaches with respect to its Commercial paper programmes during three months period ended 31 March 2023.

14 Customer accounts and other deposits

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
By account:		
Current accounts	300,109,696	281,958,476
Savings accounts	15,563,625	15,110,748
Margin accounts	2,488,993	2,418,348
Notice and time deposits	429,694,288	363,848,794
	<u>747,856,602</u>	<u>663,336,366</u>
Certificates of deposit	32,662,244	37,237,005
	<u>780,518,846</u>	<u>700,573,371</u>

Notes to the condensed consolidated interim financial statements (continued)

14 Customer accounts and other deposits (continued)

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
By counterparty:		
Government sector	235,553,974	224,394,105
Public sector	83,412,417	86,309,756
Corporate / private sector	325,579,141	253,762,539
Personal / retail sector	103,311,070	98,869,966
	<u>747,856,602</u>	<u>663,336,366</u>
Certificates of deposit	32,662,244	37,237,005
	<u>780,518,846</u>	<u>700,573,371</u>

Included in the above Customer accounts and other deposits are the following Islamic deposits:

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Current account deposits	2,123,627	2,092,064
Margin deposits	71,602	72,445
Mudaraba saving deposits	3,738,964	3,904,046
Mudaraba term deposits	90,536	98,944
Wakala deposits	5,290,728	6,172,361
	<u>11,315,457</u>	<u>12,339,860</u>

15 Term borrowings

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
At amortised cost	62,614,228	62,084,301
At fair value through profit or loss	476,980	550,832
	<u>63,091,208</u>	<u>62,635,133</u>

During the period, the Bank has issued various fixed and floating rate notes. The movement of term borrowings during the period is below:

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Beginning of the period	62,635,133	71,643,816
New issuances	4,027,733	10,625,674
Redemptions	(4,645,321)	(13,431,531)
Fair valuation, exchange and other adjustments	1,073,663	(6,202,826)
	<u>63,091,208</u>	<u>62,635,133</u>

Notes to the condensed consolidated interim financial statements (continued)

15 Term borrowings (continued)

		31 Mar 2023 (unaudited)					31 Dec 2022 (audited)						
Currency	Interest (range)	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Total AED'000
AED	Fixed rate of 4.00% to 4.20% p.a.	-	-	3,680	96,529	-	100,209	-	-	3,647	93,132	-	96,779
AUD	Fixed rate of 1.87% to 3.17% p.a.	-	-	933,822	371,062	73,394	1,378,278	-	-	950,672	377,789	74,837	1,403,298
AUD	3 month AUD BBSW + upto 3.704% p.a.	-	-	-	146,566	-	146,566	-	-	-	145,321	-	145,321
CHF	Fixed rate of 0.07% to 1.157% p.a.	-	794,471	1,917,306	2,996,873	-	5,708,650	-	783,273	1,897,599	2,957,012	-	5,637,884
CNH	Fixed rate of 3% to 4.1% p.a.	186,910	450,772	5,332,511	218,102	-	6,188,295	-	185,450	4,938,747	991,592	-	6,115,789
EUR	Fixed rate of 0.125% to 3.00% p.a.	-	-	3,150,137	1,820,776	145,649	5,116,562	-	-	462,422	4,392,666	140,537	4,995,625
GBP	Fixed rate of 0.138% to 2.205% p.a.	-	-	1,734,784	1,000,807	77,854	2,813,445	1,989,293	-	1,667,869	961,069	74,409	4,692,640
HKD	Fixed rate of 0.475% to 4.18% p.a.	93,520	372,363	986,015	343,470	-	1,795,368	74,577	464,253	903,980	408,258	-	1,851,068
JPY	Fixed rate of 0.235% to 2.60% p.a.	-	54,996	-	275,539	-	330,535	-	-	55,716	277,261	-	332,977
MXN	Fixed rate of 0.50% p.a.	-	-	-	9,692	-	9,692	-	-	-	-	8,727	8,727
PHP	Fixed rate of 3.80% p.a.	-	-	151,731	-	-	151,731	-	-	139,941	-	-	139,941
USD	3 Month LIBOR + till 5.133% p.a.	897	1,837,765	5,894,376	-	183,650	7,916,688	183,650	1,803,350	4,830,334	1,247,648	183,650	8,248,632
USD	Fixed rate of till 10.25% p.a.	511,048	4,950,659	6,718,100	6,228,718	9,919,424	28,327,949	4,922,051	566,937	8,925,560	6,508,779	4,935,790	25,859,117
USD	USD SOFR QRT OB SHIFT -5BD + 0.049 % to 4.873%	-	-	183,638	2,923,602	-	3,107,240	-	-	183,638	2,923,697	-	3,107,335
		792,375	8,461,026	27,006,100	16,431,736	10,399,971	63,091,208	7,169,571	3,803,263	24,960,125	21,284,224	5,417,950	62,635,133

Notes to the condensed consolidated interim financial statements (continued)

16 Subordinated notes

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
10 December 2012 issue (4.75 percent fixed rate maturing on 9 December 2027)	419,305	420,620

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interest, or other breaches with respect to its subordinated notes during three months period ended 31 March 2023 and 31 March 2022.

17 Capital and reserves

Share capital

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Authorised share capital	11,047,612	11,047,612
Ordinary shares of AED 1 each	11,047,612	11,047,612
Treasury shares of AED 1 each	6,505	6,505

At the Annual General Meeting (AGM) held on 28 February 2023, the shareholders of the Bank approved a cash dividend of AED 0.52 per ordinary share amounting to AED 5,745 million (31 Dec 2021: cash dividend of AED 0.49 per ordinary share amounting to AED 5,351 million and a scrip dividend of AED 0.21 per ordinary share amounting to AED 2,293 million).

Other reserves

	Fair value reserve AED'000	General reserve AED'000	Foreign currency translation reserve AED'000	IFRS 9 reserve - specific AED'000	IFRS 9 reserve – collective AED'000	Total AED'000
As at 1 January 2023	(2,270,259)	228,265	(2,175,695)	1,221,969	2,160,257	(835,463)
Other comprehensive loss for the period	(134,179)	-	(737,225)	-	-	(871,404)
Realised gain on sale of FVOCI Investment	(961)	-	-	-	-	(961)
Balance at 31 March 2023	(2,405,399)	228,265	(2,912,920)	1,221,969	2,160,257	(1,707,828)
As at 1 January 2022	1,366,215	228,265	(535,023)	1,221,969	1,287,759	3,569,185
Other comprehensive loss for the period	(1,156,868)	-	(321,210)	-	-	(1,478,078)
Balance at 31 March 2022	209,347	228,265	(856,233)	1,221,969	1,287,759	2,091,107

Notes to the condensed consolidated interim financial statements (continued)

18 Tier 1 capital notes

		(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Government of Abu Dhabi Notes (6 month EIBOR plus 2.3 percent per annum)	AED	8,000,000	8,000,000
USD 750 million Notes (4.50 percent fixed rate per annum, thereafter reset on the first date and every sixth anniversary thereafter on the basis of the aggregate of the margin and the relevant six year reset on the relevant U.S. Securities determination date)	USD	2,754,750	2,754,750
		<u>10,754,750</u>	<u>10,754,750</u>

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances 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 stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

During the period, the coupon payment election was made by the Bank amounting to AED 234,478 thousand (31 March 2022: AED 115,650 thousand).

19 Share based payment

The Group had introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Bank until the end of the vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

During the period, no shares (31 March 2022: nil) have been awarded, therefore reallocated from treasury shares held to share capital by nil (31 March 2022: AED nil thousand) and share premium has been adjusted by nil (31 March 2022: AED nil) accordingly relating to this.

Notes to the condensed consolidated interim financial statements (continued)

20 Net foreign exchange gain / (loss)

	(unaudited) Three month period ended 31 Mar 2023 AED'000	(unaudited) Three month period ended 31 Mar 2022 AED'000
Trading and retranslation gain/(loss) on foreign exchange and related derivatives ^{1,2}	751,529	(391,899)
Dealings with customers	304,932	225,177
	<u>1,056,461</u>	<u>(166,722)</u>

¹ Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gains from sale of non trading investments.

² Includes negative interest income of AED 66 thousand (31 March 2022: AED 55 million) arising from placement with ECB.

21 Net gain on investments and derivatives

	(unaudited) Three month period ended 31 Mar 2023 AED'000	(unaudited) Three month period ended 31 Mar 2022 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	508,510	485,840
Net (loss)/gain from sale of non trading investment securities	(135,988)	135,557
Dividend income	22,908	10,402
	<u>395,430</u>	<u>631,799</u>

22 Gain on disposal of stake in subsidiary and fair value gain on retained interest

On 25 February 2022, the Group entered into a sale and purchase agreement (SPA) with BCP V Growth Aggregator LP ("Purchaser") whereby the Bank has agreed to sell its controlling stake of 60% of its wholly owned subsidiary, Magnati Sole Proprietorship LLC "Magnati" to the Purchaser. The Bank has recorded a gain of AED 2.8 billion within the results for the quarter ended 31 March 2022 based on this sale.

Notes to the condensed consolidated interim financial statements (continued)

23 General, administration and other operating expenses

	(unaudited) Three month period ended 31 Mar 2023 AED'000	(unaudited) Three month period ended 31 Mar 2022 AED'000
Staff costs	864,031	776,237
Other general and administration expenses	515,945	453,963
Depreciation	238,328	225,142
Amortisation of intangibles	48,510	46,128
Sponsorships and donations	20,770	13,507
	<u>1,687,584</u>	<u>1,514,977</u>

24 Net impairment charge

	(unaudited) Three month period ended 31 Mar 2023 AED'000	(unaudited) Three month period ended 31 Mar 2022 AED'000
Impairment charge / (reversal) on loans, advances and Islamic financing	662,255	437,914
other financial assets	67,895	(312)
unfunded exposure	116,223	17,539
other non-financial instruments	15	5,339
Recoveries	(70,361)	(59,748)
Write-off of impaired financial assets	22,126	56,668
	<u>798,153</u>	<u>457,400</u>

Notes to the condensed consolidated interim financial statements (continued)

25 Earnings per share

Earnings per share is calculated by dividing the net profit for the period after deduction of Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the period as set out below:

	(unaudited) Three month period ended 31 Mar 2023	(unaudited) Three month period ended 31 Mar 2022 Restated
Basic earnings per share:		
Net profit for the period (AED'000)	3,928,994	5,120,263
Less: payment on Tier 1 capital notes (AED'000)	(234,478)	(115,650)
	<hr/>	<hr/>
Net profit after payment of Tier 1 capital notes (AED'000)	3,694,516	5,004,613
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares:		
Number of shares issued / deemed to be outstanding at the beginning of the period ('000)	11,041,107	10,913,570
Effect on treasury shares due to Scrip Dividend issued during the period	-	127,537
Weighted average number of shares exercised under the share based payment scheme ('000)	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares ('000)	11,041,107	11,041,107
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (AED)	0.34	0.45
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share:		
Net profit for the period for calculating diluted earnings per share (AED'000)	3,694,516	5,004,613
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares ('000)	11,041,107	11,041,107
Weighted average number of dilutive shares under share based payment scheme ('000)	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	11,041,107	11,041,107
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share (AED)	0.34	0.45
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements (continued)

26 Cash and cash equivalents

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Cash and balances with Central Banks	304,590,203	228,549,209
Due from banks and financial institutions	22,987,217	24,954,813
	<u>327,577,420</u>	<u>253,504,022</u>
Less: Balances with Central Banks maturing after three months of placement	(499,656)	(1,721,036)
Less: Due from banks and financial institutions maturing after three months of placement	(162,930)	(395,977)
Less: Restricted deposits with Central Banks for regulatory purposes	(899,387)	(590,988)
	<u>326,015,447</u>	<u>250,796,021</u>

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central banks and highly liquid financial assets with original maturities of three months or less from the date of its acquisition.

27 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the period other than those arising out of normal course of business.

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Letter of credit	54,859,675	54,459,311
Letters of guarantees	100,447,661	99,310,954
Financial guarantees	507,681	824,739
Irrevocable undrawn commitments	71,133,226	77,335,909
Private Equity commitments	1,544,158	1,567,471
	<u>228,492,401</u>	<u>233,498,384</u>
Contingencies and commitments		

Notes to the condensed consolidated interim financial statements *(continued)*

28 Segmental information

The operating structure consists of four key Business segments across Geographic segments that are driving the business strategy, customer value propositions, products and channel development and customer relationships in addition to supporting the delivery of the Group's financial performance.

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

Business segments

Investment Banking ("IB")

IB offers banking and financing solutions, including corporate & Islamic finance, capital markets, transaction banking, trade, liquidity and cash management services along with a broad range of risk management solutions across credit, rates, FX and money market products. Focused on Institutional clients, IB team enhances product delivery and specialization across various customer sectors which includes Government, Sovereign & Public Sector, Sovereign Wealth Fund & Financial Sponsors, Natural Resources, Global Diversified Industrials, Financial Institutions Group & Global Subsidiaries.

Corporate & Commercial ("CCB")

CCB focuses on large corporates, medium and small entities with diversified products offering across sub segments which includes Corporate Banking, Contracting, Commercial Banking and Privileged Client Group.

Consumer Banking ("CB")

The business targets consumer & elite segment across conventional and Islamic sector. The products' ranges offered include everyday banking products such as current accounts, deposits, credit cards, loans, wealth products etc. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, direct sales agents and through its banking subsidiaries namely and First Abu Dhabi Islamic Finance.

Global Private Banking ("GPB")

The business targets affluent and high net-worth customers across conventional and Islamic sector. The products' ranges offered include everyday banking products plus sophisticated investment solutions, brokerage and securities services. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, relationship managers and through its banking subsidiaries including mainly FAB Securities.

Head office ("HO")

The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations and administrative support to all of its business units.

As part of the Group's diversified business model, HO also includes certain subsidiaries partially or fully owned by the Group, providing banking services and other complementary offerings across real estate and property management services. These include First Gulf Libya, Mismak, FAB Properties, Abu Dhabi National Properties and certain other portfolios. FAB Misr has been included in HO, on an interim basis, whilst product and business segmentation is aligned to the Group norms.

Geographic segments

The Group is managing its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments which are UAE and International.

Notes to the condensed consolidated interim financial statements (continued)

28 Segmental information (continued)

	Business Segment						Geographic Segment		
	Investment Banking	Corporate and commercial Banking Group	Consumer Banking	Global Private Banking	Head Office	Total	UAE	International	Total
For the three month period ended 31 March 2023 (unaudited)									
Net interest income and income from Islamic financing and investing products	1,512,127	1,319,945	629,514	201,808	763,923	4,427,317	3,687,336	739,981	4,427,317
Net non-interest income	1,143,497	363,300	173,777	72,307	549,961	2,302,842	1,496,707	806,135	2,302,842
Operating income	<u>2,655,624</u>	<u>1,683,245</u>	<u>803,291</u>	<u>274,115</u>	<u>1,313,884</u>	<u>6,730,159</u>	<u>5,184,043</u>	<u>1,546,116</u>	<u>6,730,159</u>
General administration and other operating expenses	449,726	231,189	470,959	119,493	416,217	1,687,584	1,283,843	403,741	1,687,584
Net impairment charge	113,179	517,298	111,199	19,785	36,692	798,153	643,600	154,553	798,153
Profit/(loss) before taxation	<u>2,092,719</u>	<u>934,758</u>	<u>221,133</u>	<u>134,837</u>	<u>860,975</u>	<u>4,244,422</u>	<u>3,256,600</u>	<u>987,822</u>	<u>4,244,422</u>
Income tax expense	89,439	16,757	410	14,357	189,771	310,734	57,537	253,197	310,734
Net profit/(loss) for the period	<u>2,003,280</u>	<u>918,001</u>	<u>220,723</u>	<u>120,480</u>	<u>671,204</u>	<u>3,933,688</u>	<u>3,199,063</u>	<u>734,625</u>	<u>3,933,688</u>
As at 31 March 2023 (unaudited)									
Segment total assets	<u>826,710,504</u>	<u>164,708,729</u>	<u>55,721,858</u>	<u>27,967,301</u>	<u>146,416,870</u>	<u>1,221,525,262</u>	<u>953,967,020</u>	<u>416,133,746</u>	<u>1,370,100,766</u>
Inter segment balances						(36,225,571)			(184,801,075)
Total assets						<u>1,185,299,691</u>			<u>1,185,299,691</u>
Segment total liabilities	<u>716,941,551</u>	<u>186,562,547</u>	<u>73,533,716</u>	<u>31,318,402</u>	<u>101,033,209</u>	<u>1,109,389,425</u>	<u>863,380,142</u>	<u>394,584,787</u>	<u>1,257,964,929</u>
Inter segment balances						(36,225,571)			(184,801,075)
Total liabilities						<u>1,073,163,854</u>			<u>1,073,163,854</u>

Notes to the condensed consolidated interim financial statements (continued)

28 Segmental information (continued)

	Business Segment					Geographic Segment			
	Investment Banking	Corporate and commercial Banking Group	Consumer Banking	Global Private Banking	Head Office	Total	UAE	International	Total
	AED'000	AED'000	AED'000	AED'000		AED'000	AED'000		AED'000
For the three month period ended 31 March 2022 (unaudited)									
Net interest income and income from Islamic financing and investing products	1,140,090	583,758	806,299	181,627	422,974	3,134,748	2,439,404	695,344	3,134,748
Net non-interest income	643,553	427,900	90,958	57,541	103,459	1,323,411	1,019,168	304,243	1,323,411
Operating income	1,783,643	1,011,658	897,257	239,168	526,433	4,458,159	3,458,572	999,587	4,458,159
Gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	2,805,423	-	-	2,805,423	2,805,423	-	2,805,423
Total Income including gain on disposal of stake in subsidiary and fair value gain on retained interest	1,783,643	1,011,658	3,702,680	239,168	526,433	7,263,582	6,263,995	999,587	7,263,582
General administration and other operating expenses	392,000	253,339	449,738	106,484	313,416	1,514,977	1,084,666	430,311	1,514,977
Net impairment charge	175,305	107,132	87,507	5,429	82,027	457,400	176,930	280,470	457,400
Profit before taxation	1,216,338	651,187	3,165,435	127,255	130,990	5,291,205	5,002,399	288,806	5,291,205
Income tax expense	63,084	11,114	(138)	9,198	84,688	167,946	39,047	128,899	167,946
Net profit for the period	1,153,254	640,073	3,165,573	118,057	46,302	5,123,259	4,963,352	159,907	5,123,259
As at 31 December 2022 (audited)									
Segment total assets	775,464,362	157,352,422	55,395,169	29,586,897	132,715,034	1,150,513,884	931,176,412	353,194,121	1,284,370,533
Inter segment balances						(40,457,789)			(174,314,438)
Total assets						1,110,056,095			1,110,056,095
Segment total liabilities	664,471,360	155,248,800	75,522,421	30,148,114	110,072,946	1,035,463,641	827,649,500	341,670,790	1,169,320,290
Inter segment balances						(40,457,789)			(174,314,438)
Total liabilities						995,005,852			995,005,852

Notes to the condensed consolidated interim financial statements (continued)

29 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholder, directors and key management personnel of the Group. Key management personnel comprise those executive committee members "EXCO" of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

The Group operates in a market dominated by entities directly or indirectly controlled by the Government of Abu Dhabi through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities. The Group has transactions with other government-related entities and these transactions are conducted in the ordinary course of its business on terms agreed by the Board.

Balances with related parties at the reporting date are shown below:

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Financial assets		
Board of directors	2,454,868	11,552,967
Major shareholders	35,472,539	36,004,061
Senior Management	68,341	62,536
Associates	714,021	970,387
	<u>38,709,769</u>	<u>48,589,951</u>
Financial liabilities		
Board of directors	10,983,392	13,927,523
Major shareholders	30,176,981	36,481,734
Senior Management	55,183	25,285
Associates	639,342	417,982
	<u>41,854,898</u>	<u>50,852,524</u>
Contingent liabilities		
Board of directors	24,773	328,725
Major shareholders	8,700,273	8,698,101
Senior Management	-	-
Associates	184	184
	<u>8,725,230</u>	<u>9,027,010</u>
	(unaudited) 31 Mar 2023 AED'000	(unaudited) 31 Mar 2022 AED'000
Interest & other income		
Board of directors	30,751	85,878
Major shareholders	424,786	103,535
Senior Management	754	221
Associates	26,456	-
	<u>482,747</u>	<u>189,634</u>

Notes to the condensed consolidated interim financial statements (continued)

29 Related parties (continued)

	(unaudited) 31 Mar 2023 AED'000	(unaudited) 31 Mar 2022 AED'000
Interest expense & other expenses		
Board of directors	60,245	42,322
Major shareholders	227,662	8,446
Senior Management	99	48
Associates	39,630	-
	<u>327,636</u>	<u>50,816</u>

The details of the BOD remuneration are as below

	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
BOD remuneration paid during the year	<u>45,000</u>	<u>45,000</u>

The details of the key management personnel remuneration are as below:

	(unaudited) 31 Mar 2023 AED'000	(unaudited) 31 Mar 2022 AED'000
Short term benefits	33,882	24,672
Long term benefits	862	503
	<u>34,744</u>	<u>25,175</u>

The balances with related parties are allocated to stage 1 of the ECL model. As at 31 March 2023, the ECL allowance held against related party balances amounted to AED 9,179 thousand (31 December 2022: AED 3,911 thousand)

30 Financial risk management

Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's loans, advances and Islamic financing, due from banks and financial institutions, reverse repurchase agreements and non-trading debt investments, derivative financial instruments and certain other assets.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost, and fair value through other comprehensive income (FVOCI) debt investments without considering collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Notes to the condensed consolidated interim financial statements (continued)

30 Financial risk management (continued)

Credit risk (continued)

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

As at 31 Mar 2023 (unaudited)	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000
Balances with central Banks	301,715,682	68,388	1,046,013	118,067	-	-	-	-	302,761,695	186,455
Due from banks and financial institutions	21,622,063	31,706	1,365,154	40,989	-	-	-	-	22,987,217	72,695
Reverse repurchase agreements	58,679,497	25,437	-	-	-	-	-	-	58,679,497	25,437
Loans, advances and Islamic financing ¹	455,394,495	1,564,706	13,341,018	2,636,319	21,304,483	9,412,264	4,002,710	680,309	494,042,706	14,293,598
Non trading investment securities										
Amortised cost	4,554,741	802	-	-	-	-	-	-	4,554,741	802
FVOCI Debt ²	163,337,116	132,184	48,982	4,947	-	-	-	-	163,386,098	137,131
Other assets ³	19,104,796	422,771	11,057	350	769	436	-	-	19,116,622	423,557
Unfunded exposure	221,228,780	308,871	4,493,570	204,358	1,217,965	550,240	7,928	6,579	226,948,243	1,070,048
	1,245,637,170	2,554,865	20,305,794	3,005,030	22,523,217	9,962,940	4,010,638	686,888	1,292,476,819	16,209,723

¹The exposure represents gross loans, advances and Islamic financing.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 3,885 million as par to non-performing loans, advances and Islamic financing.

Notes to the condensed consolidated interim financial statements (continued)

30 Financial risk management (continued)

Credit risk (continued)

As at 31 Dec 2022 (audited)	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired ⁴		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Balances with central banks	225,702,432	62,314	1,030,231	118,066	-	-	-	-	226,732,663	180,380
Due from banks and financial institutions	23,985,995	26,607	968,818	41,250	-	-	-	-	24,954,813	67,857
Reverse repurchase agreements	69,128,050	21,958	-	-	-	-	-	-	69,128,050	21,958
Loans, advances and Islamic financing ¹	441,557,544	1,467,682	13,261,515	2,577,553	20,898,190	9,088,489	4,007,217	746,263	479,724,466	13,879,987
Non trading investment securities										
Amortised cost	4,688,298	659	-	-	-	-	-	-	4,688,298	659
FVOCI Debt ²	166,550,713	102,509	40,578	3,936	-	-	-	-	166,591,291	106,445
Other assets ³	15,899,857	406,525	5,338	330	668	427	-	-	15,905,863	407,282
Unfunded exposure	225,880,558	206,377	4,698,776	246,468	1,340,630	495,462	10,949	9,205	231,930,913	957,512
	<u>1,173,393,447</u>	<u>2,294,631</u>	<u>20,005,256</u>	<u>2,987,603</u>	<u>22,239,488</u>	<u>9,584,378</u>	<u>4,018,166</u>	<u>755,468</u>	<u>1,219,656,357</u>	<u>15,622,080</u>

¹The exposure represents gross loans, advances and Islamic financing.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 3,870 million as par to non-performing loans, advances and Islamic financing.

Notes to the condensed consolidated interim financial statements (continued)

30 Financial risk management (continued)

Credit risk (continued)

The movement in the allowance for impairment during the period is shown below:

	(unaudited) Three month period ended 31 Mar 2022 AED'000	(unaudited) Three month period ended 31 Mar 2022 AED'000
Beginning of the period	15,622,080	14,492,201
Net charge for impairment of financial instruments	846,388	455,141
Amounts written off and other adjustment	(258,745)	(418,419)
End of the period	<u>16,209,723</u>	<u>14,528,923</u>

The Group's credit concentration by counterparty for trading securities and non trading investment securities are disclosed below:

	Investments at fair value through profit or loss		Non trading investment securities	
	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
Government sector	33,090,294	25,726,513	119,402,690	119,907,304
Supranational	591,050	779,326	328,023	536,497
Public sector	808,283	786,919	15,217,543	15,529,732
Banking sector	688,977	1,030,472	25,457,743	27,916,727
Corporate / private sector	3,438,194	3,493,567	8,637,814	8,460,217
	<u>38,616,798</u>	<u>31,816,797</u>	<u>169,043,813</u>	<u>172,350,477</u>
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(802)	(659)
	<u>38,616,798</u>	<u>31,816,797</u>	<u>169,043,011</u>	<u>172,349,818</u>

Notes to the condensed consolidated interim financial statements (continued)

30 Financial risk management (continued)

Credit risk (continued)

The external ratings for trading securities and non trading investment securities are disclosed below:

	Investments at fair value through profit or loss		Non trading investment securities	
	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000	(unaudited) 31 Mar 2023 AED'000	(audited) 31 Dec 2022 AED'000
AAA	604,141	367	49,392,534	48,671,797
AA to A	21,425,428	15,221,548	85,391,830	85,179,548
BBB and below	12,699,965	12,648,673	29,733,625	34,775,195
CCC and below	9	39	155,011	145,062
Unrated	3,887,255	3,946,170	4,370,813	3,578,875
	<u>38,616,798</u>	<u>31,816,797</u>	<u>169,043,813</u>	<u>172,350,477</u>
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(802)	(659)
	<u><u>38,616,798</u></u>	<u><u>31,816,797</u></u>	<u><u>169,043,011</u></u>	<u><u>172,349,818</u></u>

Investments at fair value through profit or loss includes investment in equity instruments and private equity funds which do not carry credit risk (refer Note 6).

31 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 Mar 2023 (unaudited)				
Investment at fair value through profit or loss	4,145,368	29,367,444	5,103,986	38,616,798
FVOCI - with recycle to profit or loss	120,713,199	34,438,293	8,234,606	163,386,098
FVOCI - without recycle to profit or loss	821,943	76,938	204,093	1,102,974
Derivative financial instruments (Assets)	308,985	50,260,021	46	50,569,052
	<u>125,989,495</u>	<u>114,142,696</u>	<u>13,542,731</u>	<u>253,674,922</u>
Term borrowings	-	476,980	-	476,980
Derivative financial instruments (Liabilities)	781,676	51,731,561	297	52,513,534
	<u>781,676</u>	<u>52,208,541</u>	<u>297</u>	<u>52,990,514</u>

Notes to the condensed consolidated interim financial statements (continued)

31 Financial assets and liabilities (continued)

Financial instruments measured at fair value - hierarchy (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 Dec 2022 (audited)				
Investment at fair value through profit or loss	3,544,623	23,020,053	5,252,121	31,816,797
FVOCI - with recycle to profit or loss	123,004,285	38,978,992	4,608,014	166,591,291
FVOCI - without recycle to profit or loss	792,992	73,750	204,146	1,070,888
Derivative financial instruments (Assets)	273,080	58,600,024	739	58,873,843
	<u>127,614,980</u>	<u>120,672,819</u>	<u>10,065,020</u>	<u>258,352,819</u>
Term borrowings	-	550,832	-	550,832
Derivative financial instruments (Liabilities)	643,082	61,381,458	-	62,024,540
	<u>643,082</u>	<u>61,932,290</u>	<u>-</u>	<u>62,575,372</u>

The following table shows the transfer between the hierarchies:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 Mar 2023 (unaudited)				
Investment at fair value through profit or loss				
Transfer from 1 to 2	-	66,645	-	66,645
Transfer from 2 to 1	13,151	-	-	13,151
Non trading investment securities				
Transfer from 1 to 2	-	7,536,283	-	7,536,283
Transfer from 2 to 1	2,798,800	-	-	2,798,800
Transfer from 3 to 2	-	342,489	-	342,489
	<u>2,811,951</u>	<u>7,945,417</u>	<u>-</u>	<u>10,757,368</u>
As at 31 Dec 2022 (audited)				
Investment at fair value through profit or loss				
Transfer from 1 to 2	-	56,023	-	56,023
Transfer from 1 to 3	-	-	571	571
Transfer from 2 to 1	6,302	-	-	6,302
Non trading investment securities				
Transfer from 1 to 2	-	8,010,451	-	8,010,451
Transfer from 2 to 1	2,568,018	-	-	2,568,018
Transfer from 2 to 3	-	-	228,529	228,529
Transfer from 3 to 2	-	486,375	-	486,375
	<u>2,574,320</u>	<u>8,552,849</u>	<u>229,100</u>	<u>11,356,269</u>

Notes to the condensed consolidated interim financial statements *(continued)*

31 Financial assets and liabilities *(continued)*

Financial instruments measured at fair value - hierarchy *(continued)*

The Management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial statements do not materially differ from their fair values.

The valuation techniques and inputs used in these condensed consolidated interim financial statements are same as those prescribed in the Group as at and for the year ended 31 December 2022.

32 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation adopted in these condensed consolidated interim financial statements.

This comprises, 'Investment in associates' (31 December 2022: AED 1.5 billion) previously classified within other 'Non trading investment securities' which are now presented separately on the condensed consolidated interim statement of financial position. As at 1 January 2022, 'Investment in associates' amounted to AED 75 million. Additionally, 'foreign currency translation adjustments' (31 March 2022: AED 651 million) that were included within adjustments for operating activities, have now been reclassified to the end of the cash flow statement and disclosed separately.

33 Subsequent events

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