

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	2
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION.....	4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS	5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS	8
1 Legal status and principal activities	9
2 Statement of compliance.....	9
3 Significant accounting policies	9
4 Use of estimates and judgements.....	13
5 Cash and balances with central banks	13
6 Investments at fair value through profit or loss	13
7 Loans, advances and Islamic financing	14
8 Non-trading Investments.....	15
9 Investment properties	16
10 Intangibles	16
11 Due to banks and financial institutions	17
12 Commercial paper	17
13 Customer accounts and other deposits	17
14 Term borrowings	18
15 Subordinated notes	20
16 Capital and reserves	20
17 Tier 1 capital notes	21
18 Share based payment	21
19 Net foreign exchange gain	22
20 Net gain on investments and derivatives	22
21 Other operating income	22
22 Gain on disposal of stake in subsidiary and fair value gain on retained interest	23
23 General, administration and other operating expenses	23
24 Net impairment charge	23
25 Earnings per share.....	24
26 Cash and cash equivalents.....	25
27 Commitments and contingencies.....	25
28 Segmental information.....	26
29 Related parties	29
30 Financial risk management.....	30
31 Financial assets and liabilities	34
32 Business combination.....	36
33 Comparative figures	38



KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

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

To the Shareholders of First Abu Dhabi Bank P.J.S.C

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial statements of First Abu Dhabi Bank P.J.S.C. ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2022;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2022; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed consolidated interim financial statements 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: 27 July 2022

Condensed consolidated interim statement of financial position

As at

		(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Assets	Note		
Cash and balances with central banks	5	232,124,426	258,732,776
Investments at fair value through profit or loss	6	33,480,680	45,572,252
Due from banks and financial institutions		22,684,316	19,318,847
Reverse repurchase agreements		41,974,404	46,260,645
Derivative financial instruments		45,433,814	24,273,766
Loans, advances and Islamic financing	7	458,517,051	409,590,185
Non-trading investments	8	152,160,301	145,382,377
Investment properties	9	7,485,943	6,962,576
Property and equipment		5,981,716	5,965,261
Intangibles	10	20,429,288	20,532,712
Other assets		22,008,596	18,397,419
Total assets		1,042,280,535	1,000,988,816
Liabilities			
Due to banks and financial institutions	11	77,292,848	56,985,180
Repurchase agreements		44,421,106	55,074,494
Commercial paper	12	27,253,744	39,664,252
Derivative financial instruments		46,633,026	28,395,085
Customer accounts and other deposits	13	648,128,496	614,669,890
Term borrowings	14	59,156,520	71,643,816
Subordinated notes	15	419,680	448,908
Other liabilities		27,582,930	21,277,618
Total liabilities		930,888,350	888,159,243
Equity			
Share capital	16	11,047,612	10,920,000
Share premium		53,557,581	53,557,581
Treasury shares		(6,505)	(6,430)
Statutory and special reserves		13,084,313	10,920,000
Other reserves	16	(361,620)	3,569,185
Tier 1 capital notes	17	10,754,750	10,754,750
Share based payment		249,816	249,816
Retained earnings		23,059,677	22,849,243
Total equity attributable to shareholders of the Bank		111,385,624	112,814,145
Non-controlling interest		6,561	15,428
Total Equity		111,392,185	112,829,573
Total liabilities and equity		1,042,280,535	1,000,988,816

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 27 July 2022 and signed on its behalf:

Chairman

Group Chief Executive Officer

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 review of condensed consolidated interim financial statements is set out on pages 2 and 3.

Condensed consolidated interim statement of profit or loss

For the period ended (unaudited)

	Note	Six Month Period Ended 30 June		Three Month Period Ended 30 June	
		2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Interest income		9,428,584	7,787,370	5,169,116	3,891,241
Interest expense		(3,434,966)	(2,759,615)	(2,038,932)	(1,316,401)
Net interest income		5,993,618	5,027,755	3,130,184	2,574,840
Income from Islamic financing and investing products		1,080,476	914,887	589,344	462,864
Distribution on Islamic deposits		(549,366)	(460,970)	(329,548)	(235,349)
Net income from Islamic financing and investing products		531,110	453,917	259,796	227,515
Total net interest income and income from Islamic financing and investing products		6,524,728	5,481,672	3,389,980	2,802,355
Fee and commission income		2,108,668	2,293,050	1,028,159	1,206,746
Fee and commission expense		(633,909)	(861,423)	(328,774)	(437,937)
Net fee and commission income		1,474,759	1,431,627	699,385	768,809
Net foreign exchange gain	19	23,180	534,607	189,902	215,785
Net gain on investments and derivatives	20	1,269,684	1,759,894	637,885	1,401,835
Other operating income	21	142,859	367,148	59,899	3,961
Operating income		9,435,210	9,574,948	4,977,051	5,192,745
Gain on disposal of stake in subsidiary and fair value gain on retained interest	22	3,093,703	-	288,280	-
Total income including gain on disposal of stake in subsidiary and fair value gain on retained interest		12,528,913	9,574,948	5,265,331	5,192,745
General, administration and other operating expenses	23	(3,124,227)	(2,770,184)	(1,602,866)	(1,451,150)
Profit before net impairment charge and taxation		9,404,686	6,804,764	3,662,465	3,741,595
Net impairment charge	24	(1,039,156)	(1,147,189)	(581,756)	(676,907)
Profit before taxation		8,365,530	5,657,575	3,080,709	3,064,688
Income tax expense		(334,405)	(299,051)	(172,843)	(185,396)
Profit for the period		8,031,125	5,358,524	2,907,866	2,879,292
Profit attributable to:					
Shareholders of the Bank		8,026,031	5,353,818	2,905,768	2,878,191
Non-controlling interests		5,094	4,706	2,098	1,101
		8,031,125	5,358,524	2,907,866	2,879,292
Basic earnings per share (AED)	25	0.71	0.47	0.26	0.26
Diluted earnings per share (AED)	25	0.71	0.47	0.26	0.26

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

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 2 and 3.

Condensed consolidated interim statement of comprehensive income

For the period ended (unaudited)

	Six Month Period Ended 30 Jun		Three Month Period Ended 30 Jun	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Profit for the period	8,031,125	5,358,524	2,907,866	2,879,292
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Exchange difference on translation of foreign operations	(446,310)	(715,201)	(124,788)	(32,326)
Net change in fair value reserve during the period (including ECL)	(3,542,895)	290,780	(2,290,193)	230,076
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	42,055	72,855	(44,599)	6,850
Re-measurement of defined benefit obligations	4,972	(429)	1,874	(180)
Other adjustments	5,750	-	-	-
Other comprehensive (loss) / income for the period	(3,936,428)	(351,995)	(2,457,706)	204,420
Total comprehensive income for the period	4,094,697	5,006,529	450,160	3,083,712
Comprehensive income attributable to:				
Shareholders of the Bank	4,096,768	5,344,080	454,915	3,081,357
Non-controlling interest	(2,071)	(337,551)	(4,755)	2,355
Total comprehensive income for the period	4,094,697	5,006,529	450,160	3,083,712

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

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 2 and 3.

Condensed consolidated interim statement of changes in equity

For the six 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 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	-	-	-	-	-	-	-	8,026,031	8,026,031	5,094	8,031,125
Other comprehensive (loss)/ income for the period	-	-	-	-	(3,930,805)	-	-	1,542	(3,929,263)	(7,165)	(3,936,428)
<u>Transactions with owners of the Group</u>											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(5,347,648)	(5,347,648)	(6,796)	(5,354,444)
Scrip dividend for the year (note 16)	127,612	-	(75)	2,164,313	-	-	-	(2,291,850)	-	-	-
Payment on Tier 1 capital notes (note 17)	-	-	-	-	-	-	-	(177,641)	(177,641)	-	(177,641)
Balance at 30 June 2022	11,047,612	53,557,581	(6,505)	13,084,313	(361,620)	10,754,750	249,816	23,059,677	111,385,624	6,561	111,392,185
Balance at 1 January 2021	10,920,000	53,538,584	(8,980)	10,920,000	2,882,421	10,754,750	249,816	19,418,076	108,674,667	364,325	109,038,992
Profit for the period	-	-	-	-	-	-	-	5,353,818	5,353,818	4,706	5,358,524
Other comprehensive loss for the period	-	-	-	-	(9,309)	-	-	(429)	(9,738)	(342,257)	(351,995)
<u>Transactions with owners of the Group</u>											
Zakat	-	-	-	-	-	-	-	1,010	1,010	-	1,010
Treasury shares movements during the period (note 18)	-	12,643	1,665	-	-	-	-	-	14,308	-	14,308
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(8,074,594)	(8,074,594)	(13,485)	(8,088,079)
Payment on Tier 1 capital notes (note 17)	-	-	-	-	-	-	-	(181,700)	(181,700)	-	(181,700)
IFRS 9 reserve movement	-	-	-	-	973	-	-	(973)	-	-	-
Realised gain on sale of FVOCI investment	-	-	-	-	3,368	-	-	(3,368)	-	-	-
Balance at 30 June 2021	10,920,000	53,551,227	(7,315)	10,920,000	2,877,453	10,754,750	249,816	16,511,840	105,777,771	13,289	105,791,060

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

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 2 and 3.

Condensed consolidated interim statement of cash flows

For the six month period ended (unaudited)

	Note	30 Jun 2022 AED'000	30 Jun 2021 AED'000
Cash flows from operating activities			
Profit before taxation		8,365,530	5,657,575
Adjustments for:			
Depreciation and amortisation		520,792	429,093
Gain on sale of investment property		-	(1,300)
Gain on sale of property and equipment		(3,439)	(294,298)
Gain on sale of a subsidiary	22	(3,093,703)	-
Net impairment charges		1,171,095	1,307,130
Accreted interest		213,290	350,659
Foreign currency translation adjustment		(1,497,290)	(950,435)
		5,676,275	6,498,424
Changes in:			
Investments at fair value through profit or loss		12,140,631	(8,484,210)
Due from central banks, banks and financial institutions		2,334,088	12,773,545
Reverse repurchase agreements		4,284,422	(1,660,570)
Loans, advances and Islamic financing		(50,691,437)	(6,151,661)
Other assets		(1,593,930)	148,208
Due to banks and financial institutions		20,307,668	(1,525,772)
Repurchase agreements		(10,653,388)	(8,209,334)
Customer accounts and other deposits		33,753,124	13,144,366
Derivative financial instruments		(5,674,718)	(3,056,695)
Other liabilities		5,518,504	(2,158,027)
		15,401,239	1,318,274
Income tax paid, net of recoveries		(279,310)	(256,189)
Directors' remuneration paid		(45,000)	(48,000)
Net cash from operating activities		15,076,929	1,014,085
Cash flows from investing activities			
Net movement in non-trading investments		(9,230,086)	(8,872,736)
Cash and cash equivalents of subsidiary acquired		-	5,550,876
Cash paid for acquisition of subsidiary		-	(2,203,800)
Net movement in investment property		(523,367)	(62,817)
Net movement in property and equipment		(302,879)	(253,245)
Net cash used in investing activities		(10,056,332)	(5,841,722)
Cash flows from financing activities			
Proceeds from issue of shares under share based payment		-	14,308
Dividend paid to shareholders of the Bank		(5,324,261)	(7,889,805)
Dividend paid to minority shareholders		(6,796)	(13,845)
Net movement of commercial paper		(12,410,508)	3,469,028
Issue of term borrowings		5,349,996	12,594,139
Repayment of term borrowings		(13,314,754)	(2,399,651)
Payment on Tier 1 capital notes		(177,641)	(181,700)
Net cash (used in) / from financing activities		(25,883,964)	5,592,474
Net (decrease) / increase in cash and cash equivalents		(20,863,367)	764,837
Cash and cash equivalents at 1 January	26	272,814,120	239,189,237
Cash and cash equivalents at 30 June	26	251,950,753	239,954,074

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

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 2 and 3.

Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

On 7 December 2016, Shareholders of National Bank of Abu Dhabi PJSC (“NBAD”) and First Gulf Bank PJSC (“FGB”) approved the merger of the two banks pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 Concerning Commercial Companies (the Law). The merger was effected through the issuance of 1.254 new NBAD shares for every 1 share in FGB on close of business 30 March 2017, subsequent to which FGB shares were delisted from Abu Dhabi Securities Exchange. On 25 April 2017, NBAD shareholders approved the proposal to change the name of the combined bank to ‘First Abu Dhabi Bank’ (the “Bank”) and have its registered office in FAB Building, Khalifa Business Park 1 Al Qurum P. O. Box 6316 Abu Dhabi, United Arab Emirates.

These condensed consolidated interim financial statements as at and for the period ended 30 June 2022, comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities, 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, 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 laws issued by the Internal Shariah Supervision Committee (“ISSC”).

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 2021 are available upon request from the Group’s registered office or at <http://www.bankfab.com>

¹ Under closure.

² The 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 an ongoing basis 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 2021.

The Group is required, for the period ended 30 June 2022, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended. 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 Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 27 July 2022.

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 2021, except the adoption of the following new standards as of 1 January 2022.

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
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).	1 January 2022
First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter (Annual improvements to IFRS 1)	1 January 2022
Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities (Annual improvements to IFRS 9)	1 January 2022
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 January 2022

Interest Rate Benchmark Reform:

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some Interbank offered rates ("IBORs") with alternative risk-free benchmark reference rate ("RFRs"). 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. It is primarily replaced by overnight RFRs, administered by local rate administrators. With the exception of SARON and ESTR (an overnight replacement rates for CHF LIBOR and EUR LIBOR), term rates are available for all other RFRs.

On 5 March 2021, Financial Conduct Authority (FCA) has announced the future cessation or loss of representativeness dates of all LIBOR tenors across all currencies. FCA concluded that all Non-USD LIBOR (GBP, JPY, CHF and EUR) and selected tenors of USD LIBOR (1-week and 2-month) will either cease to exist or become non-representative after 31 December 2021, while remaining USD LIBOR tenors will continue till 30 June 2023. Global regulators had recommended Banks to cease issuance of new LIBOR linked products (including USD LIBOR) after 31 December 2021. Consistent with this announcement, as of 31 December 2021 a formal cessation was triggered for all GBP, EUR, CHF and JPY settings as well as the 1-week and 2-month USD LIBOR settings.

The Group continues to coordinate and oversee the transition from IBORs to RFRs with no significant changes to the project or transition risks disclosed in Note 45 (c) of the annual consolidated financial statements for the year ended 31 December 2021. The project plan continues to be on target and the Group continues to progress on its transition plan for the remaining USD LIBOR settings which will cease to be published immediately after 30 June 2023. 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

FAB initiated its IBOR transition project in 2019. The Project is sponsored by the Group CFO and is being led by senior representatives from functions across the Group including the client facing teams, Legal, Finance, Operations and Technology. The Group has maintained its momentum in tracking its exposure to IBORs, preparing its IT systems to accommodate the incoming Risk-Free Rates, amending, or preparing contractual templates and communicating its progress with both the Regulators and its clients. The Project provides monthly progress updates to the Project sponsors. The Group has successfully achieved the transition for a significant portion of its IBOR exposure to RFRs as of 31 December 2021 and has in place detailed plans, processes, and procedures to support the transition of the overnight, one-month, three-month, six-month and 12-month USD LIBOR settings before 30 June 2023.

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 30 June 2022, the IBOR reform in respect of currencies to which the Group has exposure has been largely completed. 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.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Interest Rate Benchmark Reform (continued)

FAB's approach towards IBOR Transition (continued)

Loans, Bonds and other On Balance Sheet exposures (continued)

Currency	Benchmark before Reform	Benchmark after Reform	30 Jun 2022	31 Dec 2021
GBP	GBP LIBOR	SONIA	Completed	Completed
USD	USD LIBOR	SOFR	In progress	In progress
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. On 23 October 2020, International Swaps and Derivatives Association ('ISDA') reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR, SONIA) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR.

The Group had adhered to the adoption of the 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. If derivative counterparties also adhere to the protocol, then new fallbacks will be automatically implemented in existing derivative contracts. Consequently, the Group is monitoring whether its counterparties will also adhere to the protocol and, if there are counterparties that will not, then the Group plans to negotiate with them bilaterally about inclusion of new fallback clauses.

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

The following new standard and amendments to the standards are applicable to annual reporting periods beginning on or after 1 January 2023 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.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Basis of consolidation

Subsidiaries are investees 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%
SAS 10 Magellan	France	Real Estate Brokerage	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%
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 (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 2021.

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) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Cash on hand	1,925,947	1,903,157
Central Bank of the UAE		
cash reserve deposits	21,126,908	19,278,099
other balances	7,000,000	21,000,000
Balances with other central banks	202,262,858	216,753,723
	232,315,713	258,934,979
Less: expected credit losses	(191,287)	(202,203)
	232,124,426	258,732,776

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

6 Investments at fair value through profit or loss

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Investments in managed funds	10,622	12,480
Investment in private equities	2,186,238	2,165,377
Investments in equities	6,887,819	6,744,044
Debt securities	24,396,001	36,650,351
	33,480,680	45,572,252

Notes to the condensed consolidated interim financial statements (continued)

7 Loans, advances and Islamic financing

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Gross loans, advances and Islamic financing	477,933,998	428,840,411
Less: interest suspended	(6,031,893)	(5,400,613)
Less: expected credit losses	(13,385,054)	(13,849,613)
Net loans, advances and Islamic financing	458,517,051	409,590,185

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
By counterparty:		
Government sector	54,916,925	41,254,574
Public sector	95,603,820	96,109,500
Banking sector	15,340,697	11,700,842
Corporate / private sector	231,950,673	201,771,828
Personal / retail sector	80,121,883	78,003,667
Gross loans, advances and Islamic financing	477,933,998	428,840,411

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
By product:		
Overdrafts	25,699,304	27,806,101
Term loans	384,185,568	332,884,219
Trade related loans	30,061,616	29,252,435
Personal loans	30,628,743	31,127,570
Credit cards	5,085,522	5,458,971
Vehicle financing loans	2,273,245	2,311,115
Gross loans, advances and Islamic financing	477,933,998	428,840,411

Notes to the condensed consolidated interim financial statements (continued)

7 Loans, advances and Islamic financing (continued)

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Concentration by industry sector:		
Agriculture	2,011,874	1,533,714
Energy	37,140,554	37,916,788
Manufacturing	22,699,951	23,584,325
Construction	12,422,778	11,992,473
Real estate	90,913,757	93,387,686
Trading	23,490,461	25,374,643
Transport and communication	39,021,887	37,330,136
Banks	15,340,697	11,700,842
Other financial institutions	63,571,257	40,076,241
Services	36,281,974	26,685,322
Government	54,916,925	41,254,574
Personal – Loans and Credit cards	53,992,676	52,740,445
Personal - Retail Mortgage	26,129,207	25,263,222
Gross loans, advances and Islamic financing	477,933,998	428,840,411

Islamic financing

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Ijara	12,203,622	11,553,264
Murabaha	26,225,885	24,864,303
Others	439,014	485,158
Total Islamic financing contracts	38,868,521	36,902,725
Less: suspended profit	(160,535)	(154,038)
Less: expected credit loss	(1,060,943)	(1,053,769)
	37,647,043	35,694,918

8 Non-trading Investments

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Fair value through other comprehensive income:		
- with recycle to profit or loss (Debt Investments)	144,757,849	139,875,442
- without recycle to profit or loss (Equity Investments)	1,034,232	927,584
Amortised cost	4,849,506	4,504,205
Investment in associates and joint venture ¹	1,519,111	75,745
	152,160,698	145,382,976
Less: expected credit losses	(397)	(599)
	152,160,301	145,382,377

¹Includes 40 % of retained interest in Magnati (note 22)

Notes to the condensed consolidated interim financial statements (continued)

8 Non-trading Investments (continued)

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

	(unaudited) 30 Jun 2022 AED'000			(audited) 31 Dec 2021 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	829,675	1,723,668	2,553,343	722,426	280,903	1,003,329
Debt investments	148,362,798	1,244,557	149,607,355	143,395,676	983,971	144,379,647
	149,192,473	2,968,225	152,160,698	144,118,102	1,264,874	145,382,976
Less: expected credit losses	(397)	-	(397)	(597)	(2)	(599)
	149,192,076	2,968,225	152,160,301	144,117,505	1,264,872	145,382,377

Debt instruments under repurchase agreements included in non-trading investments at 30 June 2022 amounted to AED 32,582 million (31 December 2021: AED 30,956 million).

9 Investment properties

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Beginning of the period	6,962,576	7,603,230
Additions	523,367	134,081
Disposals	-	(24,735)
Fair value adjustment	-	(750,000)
End of the period	7,485,943	6,962,576

The fair value of the properties is based on the valuations performed by third party valuers as at 31 December 2021 and all are level 3 under fair value hierarchy.

10 Intangibles

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Goodwill ¹	18,686,800	18,686,800
Customer relationship	1,781,871	1,781,871
Core deposits	704,336	704,336
License	368,700	368,700
Brand	22,000	22,000
	21,563,707	21,563,707
Accumulated amortisation	(1,134,419)	(1,030,995)
	20,429,288	20,532,712

¹includes goodwill arising from business combination (Note 32)

Notes to the condensed consolidated interim financial statements (continued)

11 Due to banks and financial institutions

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Banks and financial institutions	36,598,850	21,635,207
Central banks	40,693,998	35,349,973
	<u>77,292,848</u>	<u>56,985,180</u>

12 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 27,254 million (31 December 2021: AED 39,664 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 Six months period ended 30 June 2022.

13 Customer accounts and other deposits

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
By account:		
Current accounts	275,679,849	273,830,659
Savings accounts	15,781,896	14,026,161
Margin accounts	2,767,851	2,926,361
Notice and time deposits	320,342,729	275,304,837
	<u>614,572,325</u>	<u>566,088,018</u>
Certificates of deposit	33,556,171	48,581,872
	<u>648,128,496</u>	<u>614,669,890</u>
By counterparty:		
Government sector	180,727,159	171,768,336
Public sector	76,527,520	93,421,723
Corporate / private sector	261,319,590	198,830,708
Personal / retail sector	95,998,056	102,067,251
	<u>614,572,325</u>	<u>566,088,018</u>
Certificates of deposit	33,556,171	48,581,872
	<u>648,128,496</u>	<u>614,669,890</u>

Notes to the condensed consolidated interim financial statements (continued)

14 Term borrowings

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
At amortised cost	58,675,001	71,023,959
At fair value through profit or loss	481,519	619,857
	<u>59,156,520</u>	<u>71,643,816</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) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Beginning of the period	71,643,816	62,437,103
New issuances	5,349,996	17,148,833
Redemptions	(13,314,754)	(5,827,560)
Fair valuation, exchange and other adjustments	(4,522,538)	(2,114,560)
End of the period	<u>59,156,520</u>	<u>71,643,816</u>

Notes to the condensed consolidated interim financial statements (continued)

14 Term borrowings (continued)

		30 Jun 2022 (unaudited)						31 Dec 2021 (audited)					
Currency	Interest	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.	-	-	3,658	92,884	-	96,542	-	-	3,798	97,646	-	101,444
AUD	Fixed rate of 1.87% to 3.17% p.a.	-	-	-	146,135	-	146,135	-	-	-	168,699	-	168,699
AUD	3 month AUD BBSW + upto 1.804% p.a.	-	-	884,913	457,124	75,484	1,417,521	66,561	-	-	1,415,981	79,806	1,562,348
CHF	Fixed rate of 0.07% to 1.062% p.a.	-	-	2,060,497	2,942,345	520,848	5,523,690	-	806,370	2,209,207	1,400,629	1,604,442	6,020,648
CNH	Fixed rate of 3 % to 4.8% p.a.	-	190,119	1,675,046	4,373,471	-	6,238,636	40,493	-	1,736,149	4,397,100	-	6,173,742
EUR	Fixed rate of 0.125% to 3.00% p.a.	-	-	90,673	4,855,219	149,578	5,095,470	-	-	102,075	3,469,870	228,214	3,800,159
GBP	Fixed rate of 0.875% to 2.205% p.a.	-	1,983,542	-	2,748,938	81,131	4,813,611	-	-	2,221,519	3,213,053	99,746	5,534,318
GBP	GBP SONIA CMP-5BD + 0.197 % p.a.	-	-	-	-	-	-	99,854	-	-	-	-	99,854
HKD	Fixed rate of 0.475% to 4.18% p.a.	-	167,295	971,346	553,136	176,247	1,868,024	223,593	300,386	697,116	940,310	194,157	2,355,562
JPY	Fixed rate of 0.235% to 2.60% p.a.	-	-	53,798	272,198	-	325,996	-	-	63,798	323,565	-	387,363
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	7,519	7,519	-	-	-	-	7,434	7,434
PHP	Fixed rate of 3.80% p.a.	-	-	142,431	-	-	142,431	-	-	159,026	-	-	159,026
USD	Fixed rate up till 8.125% p.a.	175,955	5,636,611	9,905,055	4,082,202	5,383,764	25,183,587	6,993,272	498,150	11,964,749	6,507,704	6,280,335	32,244,210
USD	3 Month LIBOR + till 2.197% p.a.	-	76,021	5,823,841	1,780,444	183,651	7,863,957	495,855	4,109,023	5,860,341	1,983,468	183,650	12,632,337
USD	USD SOFR QRT OB SHIFT -5BD + 0.049 % to 1.855%	-	-	-	433,401	-	433,401	-	-	183,638	213,034	-	396,672
		175,955	8,053,588	21,611,258	22,737,497	6,578,222	59,156,520	7,919,628	5,713,929	25,201,416	24,131,059	8,677,784	71,643,816

Notes to the condensed consolidated interim financial statements (continued)

15 Subordinated notes

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
10 December 2012 issue (4.75 percent fixed rate maturing on 9 December 2027)	419,680	448,908

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interests, or other breaches with respect to its subordinated notes during the six months period ended 30 June 2022.

16 Capital and reserves

Share Capital

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Authorised share capital	11,047,612	10,920,000
Ordinary shares of AED 1 each	11,047,612	10,920,000
Treasury shares of AED 1 each	6,505	6,430

At the Annual General Meeting (AGM) held on 28 February 2022, the shareholders of the Bank approved a 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 (31 December 2020: cash dividend of AED 0.74 per ordinary share amounting to AED 8,080 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 2022	1,366,215	228,265	(535,023)	1,221,969	1,287,759	3,569,185
Other comprehensive loss for the period	(3,491,660)	-	(439,145)	-	-	(3,930,805)
Balance at 30 June 2022	(2,125,445)	228,265	(974,168)	1,221,969	1,287,759	(361,620)
As at 1 January 2021	1,168,389	228,265	(377,851)	1,220,996	642,622	2,882,421
Other comprehensive income/ (loss) for the period	363,635	-	(372,944)	-	-	(9,309)
IFRS 9 reserve movement	-	-	-	973	-	973
Realised gain on sale of FVOCI Investment	3,368	-	-	-	-	3,368
Balance at 30 June 2021	1,535,392	228,265	(750,795)	1,221,969	642,622	2,877,453

Notes to the condensed consolidated interim financial statements (continued)

17 Tier 1 capital notes

		(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 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
		10,754,750	10,754,750

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 177,641 thousand (30 June 2021: AED 181,700 thousand).

18 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, Nil shares (30 June 2021: 1,665 thousand) have been awarded, therefore reallocated from treasury shares held to share capital by AED Nil (30 June 2021: AED 1,665 thousand) and share premium has been adjusted by AED Nil (30 June 2021: AED 12,643 thousand) accordingly relating to this.

Notes to the condensed consolidated interim financial statements (continued)

19 Net foreign exchange gain

	(unaudited) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000	(unaudited) Three month period ended 30 Jun 2022 AED'000	(unaudited) Three month period ended 30 Jun 2021 AED'000
Trading and retranslation (loss)/gain on foreign exchange and related derivatives ^{1,2}	(511,993)	197,110	(120,094)	43,660
Dealings with customers	535,173	337,497	309,996	172,125
	<u>23,180</u>	<u>534,607</u>	<u>189,902</u>	<u>215,785</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 85 million (30 June 2021: AED 250 million) arising from placement with ECB.

20 Net gain on investments and derivatives

	(unaudited) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000	(unaudited) Three month period ended 30 Jun 2022 AED'000	(unaudited) Three month period ended 30 Jun 2021 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	1,124,726	986,597	638,887	1,002,747
Net gain/(loss) from sale of non-trading investments	119,478	754,876	(16,079)	388,182
Dividend income	25,480	18,421	15,077	10,906
	<u>1,269,684</u>	<u>1,759,894</u>	<u>637,885</u>	<u>1,401,835</u>

21 Other operating income

	(unaudited) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000	(unaudited) Three month period ended 30 Jun 2022 AED'000	(unaudited) Three month period ended 30 Jun 2021 AED'000
Investment property income	173	1,534	87	122
Leasing related income	78,614	62,034	33,025	32,671
Gain on sale of property and equipment	3,439	294,298	3,344	57
Other income / (loss)	60,633	9,282	23,443	(28,889)
	<u>142,859</u>	<u>367,148</u>	<u>59,899</u>	<u>3,961</u>

Notes to the condensed consolidated interim financial statements (continued)

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 3.1 billion within the results for the six months ended as of 30 June 2022 based on this sale.

23 General, administration and other operating expenses

	(unaudited) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000	(unaudited) Three month period ended 30 Jun 2022 AED'000	(unaudited) Three month period ended 30 Jun 2021 AED'000
Staff costs	1,543,616	1,458,162	767,379	766,483
Other general and administration expenses	1,033,292	851,843	572,945	457,376
Depreciation	417,368	329,308	192,226	159,952
Amortisation on intangibles	103,424	99,785	57,296	50,168
Sponsorships and donations	26,527	31,086	13,020	17,171
	3,124,227	2,770,184	1,602,866	1,451,150

24 Net impairment charge

	(unaudited) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000	(unaudited) Three month period ended 30 Jun 2022 AED'000	(unaudited) Three month period ended 30 Jun 2021 AED'000
Impairment charge / (reversal) on				
loans, advances and Islamic financing	1,139,132	1,043,174	701,217	616,010
other financial assets	(14,786)	19,327	(14,474)	47,735
unfunded exposure	(53,966)	101,308	(71,505)	(49,867)
other non-financial instruments	5,341	-	3	-
Recoveries	(131,939)	(159,941)	(72,192)	(55,906)
Write-off of impaired financial assets	95,374	143,321	38,707	118,935
	1,039,156	1,147,189	581,756	676,907

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) Six month period ended 30 Jun 2022	(unaudited) Six month period ended 30 Jun 2021	(unaudited) Three month period ended 30 Jun 2022	(unaudited) Three month period ended 30 Jun 2021
Basic earnings per share:				
Net profit for the period (AED'000)	8,026,031	5,353,818	2,905,768	2,878,191
Less: payment on Tier 1 capital notes (AED'000)	(177,641)	(181,700)	(61,991)	(61,982)
Net profit after payment of Tier 1 capital notes (AED'000)	7,848,390	5,172,118	2,843,777	2,816,209
Weighted average number of ordinary shares:				
Number of shares issued / deemed to be outstanding at the beginning of the period ('000)	10,913,570	10,911,020	11,041,107	11,039,152
Effect due to Scrip Dividend issued during the period ('000)	127,537	127,537	-	-
Weighted average number of shares exercised under the share based payment scheme ('000)	-	672	-	553
Weighted average number of ordinary shares ('000)	11,041,107	11,039,229	11,041,107	11,039,705
Basic earnings per share (AED)	0.71	0.47	0.26	0.26
Diluted earnings per share:				
Net profit for the period for calculating diluted earning per share (AED'000)	7,848,390	5,172,118	2,843,777	2,816,209
Weighted average number of ordinary shares ('000)	11,041,107	11,039,229	11,041,107	11,039,705
Weighted average number of dilutive shares under share based payment scheme ('000)	-	939	-	733
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	11,041,107	11,040,168	11,041,107	11,040,438
Diluted earnings per share (AED)	0.71	0.47	0.26	0.26

Notes to the condensed consolidated interim financial statements (continued)

26 Cash and cash equivalents

	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Cash and balances with Central Banks	232,315,713	258,934,979
Due from banks and financial institutions	22,752,697	19,383,306
	255,068,410	278,318,285
Less: Balances with Central Banks maturing after three months of placement	(2,492,921)	(5,384,239)
Less: Due from banks and financial institutions maturing after three months of placement	(624,736)	(119,926)
	251,950,753	272,814,120

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) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Letter of credit	48,913,535	63,589,462
Letters of guarantees	98,393,480	101,353,201
Financial guarantees	620,461	293,459
Irrevocable undrawn commitments	62,305,327	51,407,472
Private equity commitments	1,591,840	1,291,544
Commitment and contingencies	211,824,643	217,935,138

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

28 Segmental information

The operating structure consists of four key Business segments across geographies 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.

During 2021, the Group reorganized its business model so that Corporate & Investment Banking and Personal Banking groups had been re-segmented into four distinct business lines: Investment Banking, Corporate & Commercial Banking, Consumer Banking and Global Private Banking. This will reposition the Group's businesses to be more customer centric and enable specialist product and service propositions aligned to the respective customer bases the Group services to drive competitive advantage and enhance revenue generation capabilities.

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 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 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.

HO also includes a diversified business model supported by complementary offerings provided across real estate, property management services through subsidiaries partially or fully owned by the Group, namely FAB Properties, Abu Dhabi National Properties and Mismak.

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 six month period ended 30 June 2022 (unaudited)									
Net interest income and income from Islamic financing and investing products	2,464,793	1,412,903	1,928,964	369,357	348,711	6,524,728	5,022,683	1,502,045	6,524,728
Net non-interest income	1,531,574	838,297	237,459	117,958	185,194	2,910,482	2,289,020	621,462	2,910,482
Operating income	3,996,367	2,251,200	2,166,423	487,315	533,905	9,435,210	7,311,703	2,123,507	9,435,210
Gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	3,093,703	-	-	3,093,703	3,093,703	-	3,093,703
Total Income including gain on disposal of stake in subsidiary and fair value gain on retained interest	3,996,367	2,251,200	5,260,126	487,315	533,905	12,528,913	10,405,406	2,123,507	12,528,913
General administration and other operating expenses	840,212	503,611	1,102,007	192,877	485,520	3,124,227	2,287,931	836,296	3,124,227
Net impairment charge/(reversal)	141,731	641,648	262,223	5,745	(12,191)	1,039,156	498,055	541,101	1,039,156
Profit before taxation	3,014,424	1,105,941	3,895,896	288,693	60,576	8,365,530	7,619,420	746,110	8,365,530
Income tax expense	211,958	37,668	(6,238)	17,347	73,670	334,405	50,346	284,059	334,405
Net profit/(loss) for the period	2,802,466	1,068,273	3,902,134	271,346	(13,094)	8,031,125	7,569,074	462,051	8,031,125
As at 30 June 2022 (unaudited)									
Segment total assets	710,724,324	150,421,523	69,346,029	30,797,946	105,083,149	1,066,372,971	798,540,578	376,375,877	1,174,916,455
Inter segment balances						(24,092,436)			(132,635,920)
Total assets						1,042,280,535			1,042,280,535
Segment total liabilities	620,807,979	125,923,813	69,173,537	27,990,943	111,084,514	954,980,786	719,725,201	343,799,069	1,063,524,270
Inter segment balances						(24,092,436)			(132,635,920)
Total liabilities						930,888,350			930,888,350

Notes to the condensed consolidated interim financial statements (continued)

28 Segmental information (continued)

	Business Segment						Geographic Segment		
	Investment Banking AED'000	Corporate and commercial Banking Group AED'000	Consumer Banking AED'000	Global Private Banking AED'000	Head Office	Total AED'000	UAE AED'000	International	Total AED'000
For the six month period ended 30 June 2021 (unaudited)									
Net interest income and income from Islamic financing and investing products	2,220,960	986,524	1,992,362	373,004	(91,178)	5,481,672	4,060,675	1,420,997	5,481,672
Net non-interest income	2,587,824	635,925	393,420	109,584	366,523	4,093,276	3,714,216	379,060	4,093,276
Operating income	4,808,784	1,622,449	2,385,782	482,588	275,345	9,574,948	7,774,891	1,800,057	9,574,948
General administration and other operating expenses	732,983	460,524	1,112,930	172,677	291,070	2,770,184	2,122,213	647,971	2,770,184
Net impairment charge	51,035	490,294	554,047	646	51,167	1,147,189	960,586	186,603	1,147,189
Profit / (loss) before taxation	4,024,766	671,631	718,805	309,265	(66,892)	5,657,575	4,692,092	965,483	5,657,575
Income tax expense	202,689	36,163	(5,902)	27,687	38,414	299,051	31,225	267,826	299,051
Net profit/(loss) for the period	3,822,077	635,468	724,707	281,578	(105,306)	5,358,524	4,660,867	697,657	5,358,524
As at 31 December 2021 (audited)									
Segment total assets	683,730,718	114,479,428	76,679,713	31,879,958	119,617,662	1,026,387,479	766,429,447	378,575,826	1,145,005,273
Inter segment balances						(25,398,663)			(144,016,457)
Total assets						1,000,988,816			1,000,988,816
Segment total liabilities	587,611,413	139,838,693	61,896,750	24,883,054	99,327,996	913,557,906	677,674,823	354,500,877	1,032,175,700
Inter segment balances						(25,398,663)			(144,016,457)
Total liabilities						888,159,243			888,159,243

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.

FAB 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. FAB has transactions with other government-related entities and these transactions are conducted in the ordinary course of FAB's business on terms agreed by the Board.

30 Jun 2022 (unaudited)					31 Dec 2021 (audited)
Board of directors AED'000	Major shareholders AED'000	Senior Management AED'000	Associates AED'000	Total AED'000	Total AED'000

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

Financial assets	12,531,116	34,863,426	61,204	1	47,455,747	34,282,642
Financial liabilities	19,711,689	33,468,402	29,266	282,801	53,492,158	57,779,565
Contingent liabilities	2,014,132	9,371,817	-	184	11,386,133	21,702,546

Transactions carried out during the six month period with related parties are shown below:

Interest & other income	174,373	243,863	521	7,485	426,242	496,994
Interest expense & other expenses	93,710	47,235	127	21,229	162,301	194,535

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

	(unaudited) 30 Jun 2022 AED'000	(unaudited) 30 Jun 2021 AED'000
Salaries and other benefits	31,885	38,833

No ECL has been charged during the six months period on the related party balances.

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

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.

COVID-19 and Expected Credit Loss (ECL)

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus.

In line with other global regulators, the Central Bank of the UAE ("CBUAE"), under the Targeted Economic Support Scheme ("TESS"), had facilitated the provision of temporary relief from the payments or deferral of principal and/or interest / profit on outstanding loans for all affected private sector corporates, SMEs and individuals with specific conditions.

CBUAE phased out the deferrals under TESS by end of 31 December 2021, however, it had extended the relief granted under TESS for capital, liquidity and stable funding requirements, to all banks operating in the UAE, from 31 December 2021 to 30 June 2022.

Currently, there are no deferral relief considered under TESS programme as of 30 June 2022, however, CBUAE had extended the relief granted under TESS whereby Banks and finance companies may offer new working capital loans, bridge loans, or any other new financing to private sector corporates, SMEs, and individuals in the UAE under the TESS recovery program to facilitate provision of relief and recovery of their corresponding customers negatively affected by COVID-19 repercussions until June 2022. Currently, the Group does not have any new exposures granted under the TESS Recovery programme as of 30 June 2022.

The Group continues to closely monitor the impact of COVID-19 on the Bank's portfolio.

Deferral amounts of UAE customers

As at 30 June 2022, the total deferrals provided to customers as a result of COVID-19 was AED 14,447 million (31 December 2021: AED 14,360 million), and all the deferrals have been regularized in accordance with the Bank's policy at the end of the current period.

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 30 June 2022 (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	229,320,442	73,224	1,069,324	118,063	-	-	-	-	230,389,766	191,287
Due from banks and financial institutions	21,629,618	27,751	1,123,079	40,630	-	-	-	-	22,752,697	68,381
Reverse repurchase agreements	42,003,583	29,179	-	-	-	-	-	-	42,003,583	29,179
Loans, advances and Islamic financing ¹	438,397,373	1,608,011	16,558,183	3,460,200	17,283,217	7,224,330	5,695,225	1,092,513	477,933,998	13,385,054
Non-trading investments										
Amortised cost	4,849,506	397	-	-	-	-	-	-	4,849,506	397
FVOCI Debt ²	144,636,445	182,400	121,404	7,414	-	-	-	-	144,757,849	189,814
Other assets ³	14,587,341	97,562	14,463	373	667	406	-	-	14,602,471	98,341
Unfunded exposure	204,278,973	112,347	5,029,678	258,913	912,877	406,273	11,275	9,226	210,232,803	786,759
	1,099,703,281	2,130,871	23,916,131	3,885,593	18,196,761	7,631,009	5,706,500	1,101,739	1,147,522,673	14,749,212

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 5,509 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 December 2021 (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	255,536,059	84,139	1,495,763	118,064	-	-	-	-	257,031,822	202,203
Due from banks and financial institutions	18,508,590	23,822	874,716	40,637	-	-	-	-	19,383,306	64,459
Reverse repurchase agreements	46,288,005	27,360	-	-	-	-	-	-	46,288,005	27,360
Loans, advances and Islamic financing ¹	388,015,373	1,800,998	18,324,871	3,488,808	16,807,188	7,531,428	5,692,979	1,028,379	428,840,411	13,849,613
Non-trading investments										
Amortised cost	4,504,205	599	-	-	-	-	-	-	4,504,205	599
FVOCI Debt ²	139,802,501	206,503	72,941	7,522	-	-	-	-	139,875,442	214,025
Other assets ³	13,205,066	87,781	344,746	1,222	667	399	-	-	13,550,479	89,402
Unfunded exposure	210,751,733	156,080	4,694,926	255,848	1,188,949	421,352	7,986	10,512	216,643,594	843,792
	<u>1,076,611,532</u>	<u>2,387,282</u>	<u>25,807,963</u>	<u>3,912,101</u>	<u>17,996,804</u>	<u>7,953,179</u>	<u>5,700,965</u>	<u>1,038,891</u>	<u>1,126,117,264</u>	<u>15,291,453</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 5,563 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) Six month period ended 30 Jun 2022 AED'000	(unaudited) Six month period ended 30 Jun 2021 AED'000
Beginning of the period	15,291,453	13,601,664
Increase due to acquisition / PPA	-	1,266,478
Net charge for impairment of financial instruments	1,070,380	1,163,809
Amounts written off and other adjustment	(1,612,621)	(925,057)
End of the period	14,749,212	15,106,894

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

	Investments at fair value through profit or loss		Non-trading investments	
	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
Government sector	21,605,079	28,835,932	103,250,023	93,861,377
Supranational	421,367	2,065,942	595,522	634,136
Public sector	717,104	737,753	15,787,198	15,337,453
Banking sector	1,987,177	4,461,755	24,255,041	28,062,492
Corporate / private sector	8,749,953	9,470,870	8,272,914	7,487,518
	33,480,680	45,572,252	152,160,698	145,382,976
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(397)	(599)
	33,480,680	45,572,252	152,160,301	145,382,377

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 investments are disclosed below:

	Investments at fair value through profit or loss		Non-trading investments	
	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000	(unaudited) 30 Jun 2022 AED'000	(audited) 31 Dec 2021 AED'000
AAA	133,397	722,673	40,666,881	30,281,925
AA to A	13,017,492	17,189,979	71,405,791	79,096,748
BBB and below	10,527,021	17,725,908	35,097,695	32,309,178
CCC and below	22,890	82,479	106,331	142,508
Unrated	9,779,880	9,851,213	4,884,000	3,552,617
	33,480,680	45,572,252	152,160,698	145,382,976
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(397)	(599)
	33,480,680	45,572,252	152,160,301	145,382,377

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 30 June 2022 (unaudited)				
Investment at fair value through profit or loss	4,083,302	23,269,122	6,128,256	33,480,680
FVOCI - with recycle to profit or loss	104,949,094	38,137,740	1,671,015	144,757,849
FVOCI - without recycle to profit or loss	808,425	21,250	204,557	1,034,232
Derivative financial instruments (Assets)	271,589	45,160,907	1,318	45,433,814
	110,112,410	106,589,019	8,005,146	224,706,575
Term borrowings	-	481,519	-	481,519
Derivative financial instruments (Liabilities)	367,963	46,257,785	7,278	46,633,026
	367,963	46,739,304	7,278	47,114,545

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 December 2021 (audited)				
Investment at fair value through profit or loss	9,022,529	27,921,612	8,628,111	45,572,252
FVOCI - with recycle to profit or loss	107,011,926	30,575,802	2,287,714	139,875,442
FVOCI - without recycle to profit or loss	722,426	-	205,158	927,584
Derivative financial instruments (Assets)	73,286	24,200,104	376	24,273,766
	<u>116,830,167</u>	<u>82,697,518</u>	<u>11,121,359</u>	<u>210,649,044</u>
Term borrowings	-	619,857	-	619,857
Derivative financial instruments (Liabilities)	103,193	28,267,427	24,465	28,395,085
	<u>103,193</u>	<u>28,887,284</u>	<u>24,465</u>	<u>29,014,942</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 30 June 2022 (unaudited)				
Investment at fair value through profit or loss				
Transfer from 1 to 2	-	42,866	-	42,866
Transfer from 2 to 1	42,487	-	-	42,487
Transfer from 3 to 2	-	4,426	-	4,426
Non-trading investments				
Transfer from 1 to 2	-	6,108,635	-	6,108,635
Transfer from 2 to 1	1,937,521	-	-	1,937,521
Transfer from 2 to 3	-	-	13,670	13,670
Transfer from 3 to 2	-	446,232	-	446,232
	<u>1,980,008</u>	<u>6,602,159</u>	<u>13,670</u>	<u>8,595,837</u>

As at 31 December 2021 (audited)

Investment at fair value through profit or loss

Transfer from 1 to 2	-	90,262	-	90,262
Transfer from 2 to 1	17,795	-	-	17,795
Transfer from 3 to 1	4,736	-	-	4,736
Transfer from 3 to 2	-	534	-	534
Non-trading investments				
Transfer from 1 to 2	-	4,907,176	-	4,907,176
Transfer from 2 to 1	774,414	-	-	774,414
Transfer from 3 to 1	37,820	-	-	37,820
Transfer from 3 to 2	-	707,758	-	707,758
	<u>834,765</u>	<u>5,705,730</u>	<u>-</u>	<u>6,540,495</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 2021.

32 Business combination

On 28 April 2021, the Bank acquired 100% of the share capital of Bank Audi SAE (Egypt), Bank Audi's subsidiary in Egypt. The acquisition was effected through transfer of cash from the acquiror to the acquiree. The acquisition was effected to accelerate FAB Group's expansion in high-potential market. It will significantly increase the size, scale and experience of FAB Egypt, adding greater depth and reach to customers both locally and globally.

a. Purchase consideration

The purchase consideration paid for the acquisition of 100% shares is USD 600 million (equivalent to AED 2,203 million).

b. Integration related costs

The Group incurred integration-related costs of AED 68 million for the six month period ended 30 June 22 (30 June 2021 AED 55 million), relating to consultant and external legal fees and due diligence costs. These costs have been included in 'General, administrative and other operating expenses' in the condensed consolidated interim statement of profit or loss.

c. Valuation approach and methodologies:

Customer relationship

The income approach has been used in estimating the fair value of Bank Audi SAE (Egypt)'s customer relationships as an intangible asset as at the transaction date. The income approach values the customer relationship as the present value of the future earnings that it is expected to generate over its remaining useful economic life. Under the income approach, the Multi-period excess earnings method ("MEEM") has been utilized which is a commonly accepted method for valuing customer relationships.

Core deposits

The income approach, favourable source of funds method has been used to arrive at the value for core deposits. This is calculated based on the present value of the difference between the cost of existing core deposits and cost of obtaining most favourable market alternative funds which represents the marginal funding that the bank has access to, over the determined useful life of the core deposit base.

Loan Portfolio

In determining the valuation of loans, Expected Cash Flow approach, Present value approach and Recovery rate approach have been used.

Real estate assets

Real estate assets have been valued using the Market approach and the Income approach. The valuation analysis was conducted in accordance with RICS Valuation – Professional Standards published by the Royal Institute of Chartered Surveyors (the "Red Book") and complies with International Valuation Standards (IVS).

Customer deposits

Customer deposits were valued using the income approach where origination rates on deposits were used to discount future cash flows associated with them based on the weighted average interest rate.

Notes to the condensed consolidated interim financial statements (continued)

32 Business Combination (continued)

c. Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities considered on the date of acquisition.

	28 Apr 2021 AED'000
Assets	
Cash and balances with central banks	5,550,876
Due from banks and financial institutions	3,244,467
Investment at fair value through profit or loss	7,398
Reverse repurchase agreement	490,843
Derivative financial instruments	30
Loans, advances and Islamic financing	6,436,050
Non-trading investments	6,613,372
Other assets	364,712
Intangible assets	118,156
Property and equipment	590,928
Total assets	23,416,832
Liabilities	
Due to banks and financial institutions	79,567
Derivative financial instruments	3
Repurchase agreement	3,355
Customer accounts and other deposits	21,375,961
Other liabilities	1,070,697
Total liabilities	22,529,583
Net assets as at acquisition date attributable to its common equity holders	887,249

As a result of the purchase price allocation (PPA) exercise, the 2021 comparative information has been restated to reflect the adjustments to the assumed carrying amounts, as stated above.

d. Goodwill and Intangibles

During the period, the purchase price allocation exercise was completed and, consequently, carrying value of assets acquired and liabilities assumed as at acquisition date have been adjusted from the provisional amounts to the fair value. As a result, there was an increase in goodwill by AED 974 million over the provisional amount. The impact arising as a result of PPA exercise has been adjusted to the amount of goodwill as below:

	AED'000
Total consideration	2,203,800
Bank Audi SAE (Egypt) net assets value	(887,249)
Goodwill	1,316,551

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

32 Business Combination *(continued)*

e. Goodwill and Intangibles *(continued)*

The Group has completed a comprehensive purchase price allocation within twelve months from the acquisition date and following items are covered:

- valuation of intangible assets.
- valuation of properties and equipment.
- valuation adjustments on other recognized financial and non-financial assets and liabilities; and
- initial adjustments to fair value of loans, advances and Islamic financing.

The goodwill is attributable mainly to the synergies expected to be achieved from acquisition in high potential market.

f. Impact on Group's results

If the acquisition had occurred on 1 January 2021, management estimate that consolidated operating income and profit for the period would be AED 468 million and AED 87 million respectively for the period between 1 January 2021 to 30 June 2021. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

33 Comparative figures

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