Finance House P.J.S.C.

Condensed consolidated interim financial information
For the six-month period ended 30 June 2023

دار التمــويـــل
FINANCE HOUSE

Date: 14 August 2023
Ref: 39/FC/TKR/2023

Chairman's Report for the half year ended 30 June 2023

On behalf of the Board of Directors, I am pleased to present the condensed consolidated interim financial statements of Finance House PJSC and its subsidiaries (FH Group) as at 30 June 2023 and the results of its operations for the six months ended 30 June 2023.

FH Group has posted a Total Comprehensive Income of AED 9.73 million for the half year ended 30 June 2023 compared to a Total Comprehensive Loss of AED 14.56 million registered during the corresponding period of the previous year. Despite ongoing challenges, this is a significant turnaround in the overall financial performance of the FH Group in the first half of 2023, in comparison to the same period of the previous year.

Net Interest Income and Income from Islamic Financing and Investing Assets were higher by 8.8% at AED 67.97 million in the first half of 2023 compared to AED 62.47 million in the same period last year. Net Fee & Commission income was also higher at AED 10.69 million in the first half year of 2023 compared to AED 9.70 million in the same period of the previous year. However, Net Insurance Loss was significantly higher at AED 30.62 million in the first six months of 2023 compared to a Loss of AED 9.47 million in the corresponding period of the previous year.

Net Income from Investing activities, including marked to market gains during the first half of 2023 was significantly higher at AED 16.30 million compared to a Net Loss of AED 9.48 million in the corresponding period of the previous year. Due to unsettled economic conditions globally, we expect local & global equity and fixed income markets to remain volatile for the rest of the year.

Due to accelerated customer repayments in the Corporate Finance Portfolio, Net Loans & Advances including Islamic Financing & Investing Assets as of 30 June 2023 were marginally lower at AED 1.97 billion compared to AED 2.02 billion as of 31 December 2022. Customers' Deposits & Margin Accounts as of 30 June 2023 stood at AED 1.80 billion compared to AED 1.55 billion as of 30 June 2022. Consequently, the loan book continues to be substantially funded by the deposit book, reflecting the Group's cautious and balanced approach to asset/liability growth.

Total Operating Expenses at the group level were higher at AED 69.72 million in the first half of 2023 compared to AED 62.44 million in the corresponding period of the previous year. This is primarily due to

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Finance House L.L.C; P.O.Box 7878, Abu Dhabi, U.A.E; Tel: +971 (2) 6194 000
Limited Liability Company and the share capital is AED 600 Million شركة ذات مسئولية محدودة برأس مال وقدره ٦٠٠ مليون درهم إماراتي

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fresh hiring of key management personnel, to lead several new strategic business and technology initiatives across the FH Group.

FH's loan loss provisioning policy continues to be prudent. With the implementation of IFRS 9 based credit impairment provisioning (expected credit loss model) effective 1 Jan 2018, loan loss provision set aside in the first half of 2023 was AED 14.88 million compared to AED 19.97 million in the corresponding period of the prior year. Effective collection and recovery strategies implemented across Retail Finance and Commercial Finance Lending Portfolios are moderating the requirement for incremental credit impairment provisions compared to the previous year.

The FH Group's liquidity position as of 30 June 2023 continues to be strong, with Cash & Cash equivalents accounting for 14.5% of Total Assets. Similarly, Capital Adequacy Ratio at the consolidated level as of 30 June 2023 continues to be robust at 26.3%, providing a solid footing for sustained future growth in assets.

With sizeable ongoing investments into shoring up our digital sourcing and servicing capabilities, we are well positioned to profitably leverage emerging economic growth opportunities in the UAE and across the GCC & MENA.

On behalf of the Board of Directors,

Mohammed Abdulla Jumaa Alqubaisi

Vice Chairman

Abu Dhabi

14 August 2023

دار التمويل ذ.م.م؛ ص.ب ٧٨٧٨، أبوظبي، ا.ع.م؛ هاتف: ٠٠٠ ٦١٩٤ (٢) ٩٧١+
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Finance House P.J.S.C.

Condensed consolidated interim financial information
For the six-month period ended 30 June 2023

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Report on review of the condensed Consolidated Interim Financial Information
To the Shareholders of Finance House P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Finance House P.J.S.C. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2023 and the related condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standard Board (IASB). Our responsibility is to express a conclusion on the condensed interim consolidated 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 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.

Basis for qualified conclusion

The Group carries the investment in Empay LLC using the equity method. The investment is recognized as at 30 June 2023 at AED 34,450 thousand. Due to lack of financial information and records, we were unable to obtain sufficient appropriate evidence and comfort ourselves on the carrying amount of investment, share of net loss for the period ended, and the sufficiency of any related disclosures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, 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*" as issued by the IASB.

Other matters
The condensed consolidated interim financial information as at and for the six-month period ended 30 June 2022 was reviewed by another auditor, who expressed an unmodified review conclusion dated 9 August 2022.

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor, who expressed a qualified opinion on those financial statements on 14 February 2023.

Grant Thornton

Farouk Mohamed
Grant Thornton
Registration No 86
Abu Dhabi, United Arab Emirates
14 August 2023

Condensed consolidated interim statement of financial position
As at 30 June 2023

	Note	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000 (restated)	(Audited) 1 January 2022 AED'000 (restated)
Assets				
Cash and cash equivalents	8	**10,044**	8,407	8,096
Due from banks	8	**489,143**	744,080	593,791
Investment securities	9	**263,072**	268,348	319,015
Loans and advances	10.1	**1,953,267**	2,001,148	2,082,265
Islamic financing and investing assets	10.2	**16,249**	22,636	30,305
Investment in equity accounted investees		**82,724**	82,613	86,881
Interest receivable and other assets		**90,846**	71,472	80,392
Insurance and reinsurance contract assets		**154,882**	112,713	65,793
Property, fixtures and equipment		**108,263**	105,669	99,260
Intangibles		**6,705**	6,705	6,705
Investment properties		**8,452**	4,100	3,500
Total assets		**3,183,647**	3,427,891	3,376,003
Liabilities and equity				
Liabilities				
Customers' deposits and margin accounts	11	**1,801,653**	2,046,674	1,716,385
Due to banks and other financial institutions	8	**31,769**	30,059	26,720
Short term borrowings		**280,000**	340,000	441,910
Medium-term loan		**50,000**	66,667	100,000
Insurance and reinsurance contract liabilities		**222,312**	200,528	148,082
Lease liabilities		**537**	537	1,105
Interest payable and other liabilities		**110,209**	52,827	179,002
Provision for employees' end of service benefits		**15,048**	14,371	14,328
Total liabilities		**2,511,528**	2,751,663	2,627,532

The accompanying notes from 1 to 22 form an integral part of this condensed consolidated interim financial information.

Finance House P.J.S.C.
Condensed consolidated interim financial information

Condensed consolidated interim statement of financial position
As at 30 June 2023

	Note	**(Unaudited)** **30 June 2023** **AED'000**	*(Audited)* 31 December 2022 AED'000 (restated)	*(Audited)* 1 January 2022 AED'000 (restated)
Equity				
Share capital	12	**302,838**	302,838	302,838
Treasury shares	13	**(51,196)**	(46,535)	(29,823)
Employees' share-based payment scheme	14	**(1,750)**	(1,750)	(1,750)
Statutory reserve		**151,671**	151,671	151,671
Fair value reserve		**(46,305)**	(56,968)	(21,800)
Accumulated losses		**(26,179)**	(31,941)	(21,883)
Tier 1 Sukuk	16	**276,200**	276,200	276,200
Tier 1 Bonds	16	**15,000**	15,000	15,000
Proposed directors' remuneration		**-**	2,048	2,251
		620,279	610,563	672,704
Non-controlling interests		**51,840**	65,665	75,767
Total equity		**672,119**	676,228	748,471
Total liabilities and equity		**3,183,647**	3,427,891	3,376,003
Commitments and contingent liabilities	15	**445,050**	509,478	600,387

This condensed consolidated interim financial information was authorized and approved for issue by the Board of Directors on 14 August 2023 and signed on their behalf by:

Mr. Mohammed Alqubaisi
Vice Chairman

Mr. T.K. Raman
Chief Executive Officer

The accompanying notes from 1 to 22 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of profit or loss
For the six-month period ended 30 June 2023

	Note	For the six-month period ended 30 June		For the three-month period ended 30 June	
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		2023	2022	**2023**	2022
		AED'000	AED'000 (restated)	**AED'000**	AED'000 (restated)
Interest income and income from Islamic financing and investing assets	5	**114,317**	87,239	**56,288**	46,338
Interest expense and profit distributable to depositors	5	**(46,352)**	(24,768)	**(24,231)**	(12,680)
Net interest income and income from Islamic financing and investing assets		**67,965**	62,471	**32,057**	33,658
Fee and commission income		**16,190**	15,471	**8,852**	8,507
Fee and commission expenses		**(5,503)**	(5,773)	**(2,485)**	(2,435)
Net fee and commission income		**10,687**	9,698	**6,367**	6,072
Insurance service result before reinsurance contracts issued		**(40,940)**	(43,090)	**(13,932)**	(4,189)
Net income/(expense) from reinsurance contracts held		**13,214**	34,431	**(4,085)**	4,141
Net insurance financial expenses		**(2,491)**	(356)	**(1,105)**	(181)
Other insurance expense		**(398)**	(450)	**(1,133)**	(187)
Net insurance loss		**(30,615)**	(9,465)	**(20,255)**	(416)
Net investment income	6	**4,928**	9,061	**2,784**	372
(Allowances for)/reversal of expected credit losses on loans and advances	10.1	**(15,825)**	(24,737)	**5,574**	(9,374)
Reversal of allowances for expected credit losses on Islamic financing and investing assets	10.2	**944**	4,764	**1,009**	476
Other operating income		**31,927**	17,069	**2,019**	8,255
Net operating income		**70,011**	68,861	**29,555**	39,043
Salaries and employees related expenses		**(46,261)**	(39,906)	**(17,660)**	(13,762)
Depreciation of property, fixtures and equipment		**(3,160)**	(4,741)	**(1,426)**	(1,827)
General and administrative expenses		**(20,294)**	(17,797)	**(7,795)**	(6,489)
Operating profit for the period		**296**	6,417	**2,674**	16,965
Share of profit/(loss) from associates		**110**	(1,035)	**(97)**	204
Profit for the period		**406**	5,382	**2,577**	17,169
Attributable to:					
Equity holders of the parent		**14,939**	2,220	**6,040**	1,012
Non-controlling interests		**(14,533)**	3,162	**(3,463)**	16,157
		406	5,382	**2,577**	17,169
Basic and diluted earnings/(loss) per share attributable to ordinary shares (AED)	7	**0.02**	(0.02)	**0.01**	(0.01)

The accompanying notes from 1 to 22 form an integral part of this condensed consolidated interim financial information

Condensed consolidated interim statement of other comprehensive income
For the six-month period ended 30 June 2023

	For the six-month period ended 30 June		For the three-month period ended 30 June	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	2023	2022	**2023**	2022
	AED'000	AED'000 (restated)	**AED'000**	AED'000 (restated)
Profit for the period	**406**	5,382	**2,577**	17,169
Other comprehensive (loss)/income:				
Items that will not be reclassified to profit or loss:				
Change in fair value of financial assets carried at fair value through other comprehensive income	**11,371**	(18,543)	**12,258**	(38,594)
Gain on disposal of financial assets carried at fair value through other comprehensive income	**1**	-	**-**	-
Directors remuneration paid	**(2,048)**	(1,394)	**(2,048)**	(1,394)
Other comprehensive income/(loss) for the period	**9,324**	(19,937)	**10,210**	(39,988)
Total comprehensive income/(loss) for the period	**9,730**	(14,555)	**12,787**	(22,819)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	**23,555**	(8,757)	**18,377**	(22,292)
Non-controlling interests	**(13,825)**	(5,798)	**(5,590)**	(527)
	9,730	(14,555)	**12,787**	(22,819)

The accompanying notes from 1 to 22 form an integral part of this condensed consolidated interim financial information

Condensed consolidated interim statement of changes in equity
For the six-month period ended 30 June 2023

	Share capital	Treasury shares	Employees' share-based payment scheme	Statutory reserve	Fair value reserve	Accumulated losses	Proposed directors' remuneration	Tier 1 Sukuk	Tier 1 Bonds	Attributable to shareholders of the parent	Non-controlling interest	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January 2023 (as reported)	**302,838**	**(46,535)**	**(1,750)**	**151,671**	**(56,968)**	**4,072**	**2,048**	**276,200**	**15,000**	**646,576**	**108,611**	**755,187**
Prior period adjustment (Note 22)	-	-	**-**	-	-	**(31,627)**	-	-	-	**(31,627)**	**(37,716)**	**(69,343)**
Adjustment on initial application of IFRS 17	-	-	**-**	-	-	**(4,386)**	-	-	-	**(4,386)**	**(5,230)**	**(9,616)**
Balances as at 1 January 2023 (restated)	**302,838**	**(46,535)**	**(1,750)**	**151,671**	**(56,968)**	**(31,941)**	**2,048**	**276,200**	**15,000**	**610,563**	**65,665**	**676,228**
Gain on disposal of financial assets carried at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**(1)**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the period	-	**-**	**-**	**-**	**-**	**14,939**	**-**	**-**	**-**	**14,939**	**(14,533)**	**406**
Other comprehensive (loss)/income for the period												
Change in fair value of financial assets carried at fair value through other comprehensive income	-	**-**	**-**	**-**	**10,664**	**-**	**-**	**-**	**-**	**10,664**	**708**	**11,372**
Directors' remuneration paid	-	**-**	**-**	**-**	**-**	**-**	**(2,048)**	**-**	**-**	**(2,048)**	**-**	**(2,048)**
Total other comprehensive income for the period	-	**-**	**-**	**-**	**10,664**	**14,939**	**(2,048)**	**-**	**-**	**23,555**	**(13,825)**	**9,730**
Total comprehensive income												
Purchase of treasury shares	-	**(4,661)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,661)**	**-**	**(4,661)**
Tier 1 SUKUK coupon paid	-	**-**		**-**	**-**	**(8559)**	**-**	**-**	**-**	**(8,559)**	**-**	**(8,559)**
Tier 1 Bonds coupon paid	-	**-**	**-**	**-**	**-**	**(619)**	**-**	**-**	**-**	**(619)**	**-**	**(619)**
Balance at 30 June 2023	**302,838**	**(51,196)**	**(1,750)**	**151,671**	**(46,305)**	**(26,179)**	**-**	**276,200**	**15,000**	**620,279**	**51,840**	**672,119**
Balance at 1 January 2022 (as reported)	302,838	(29,823)	(1,750)	151,671	(21,800)	2,379	2,251	276,200	15,000	696,966	104,700	801,666
Prior period adjustment (Note 22)	-	-	-	-	-	(24,112)	-	-	-	(24,112)	(28,754)	(52,866)
Adjustment on initial application of IFRS 17	-	-	-	-	-	(150)	-	-	-	(150)	(179)	(329)
Balance at 1 January 2022 (restated)	302,838	(29,823)	(1,750)	151,671	(21,800)	(21,883)	2,251	276,200	15,000	672,704	75,767	748,471
Gain on disposal of financial assets carried at fair value through other comprehensive income	-	-	-	-	(1,568)	1,568	-	-	-	-	2,794	2,794
Profit for the period (restated)	-	-	-	-	-	2,220	-	-	-	2,220	3,162	5,382
Other comprehensive (loss)/income for the period												
Change in fair value of financial assets carried at fair value through other comprehensive income	-	-	-	-	(18,831)	-	-	-	-	(18,831)	(2,506)	(21,337)

Condensed consolidated interim statement of changes in equity
For the six-month period ended 30 June 2023

	Share capital	Treasury shares	Employees' share-based payment scheme	Statutory reserve	Fair value reserve	Accumulated losses	Proposed directors' remuneration	Tier 1 Sukuk	Tier 1 Bonds	Attributable to shareholders of the parent	Non-controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Directors' remuneration paid	-	-	-	-	-	-	(1,394)	-	-	(1,394)	-	(1,394)
Total other comprehensive loss for the period (restated)	-	-	-	-	(18,831)	2,220	(1,394)	-	-	(18,005)	3,450	(14,555)
Total comprehensive income (restated)												
Purchase of treasury shares	-	(335)	-	-	-	-	-	-	-	(335)	-	(335)
Tier 1 SUKUK coupon	-	-	-	-	-	(8,480)	-	-	-	(8,480)	-	(8,480)
Tier 1 Bonds coupon paid	-	-	-	-	-	(619)	-	-	-	(619)	-	(619)
Balance at 30 June 2022 (restated)	302,838	(30,158)	(1,750)	151,671	(42,199)	(27,194)	857	276,200	15,000	645,265	79,217	724,482

The accompanying notes from 1 to 22 form an integral part of this condensed consolidated interim financial information

Condensed consolidated interim statement of cash flows
For the six-month period ended 30 June 2023

	Note	For the six-month period ended 30 June (Unaudited) 2023 AED'000	(Unaudited) 2022 AED'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**406**	14,471
Adjustments for:			
Depreciation of property, fixtures and equipment		**3,160**	5,442
Gain on fair valuation of investment property		**-**	(600)
Share of (profit)/ loss from associate		**(110)**	1,035
Dividend income from investments		**(5,263)**	(6,404)
(Gain)/loss on disposal of investments carried at fair value through profit or loss		**(2,682)**	(2,065)
Net change in fair value of investments carried at fair value through profit or loss		**3,017**	(592)
Allowance for impairment of loans and advances		**15,825**	24,737
Reversals for expected credit losses of loans and advances and Islamic assets		**(944)**	(4,764)
Provision for employees' end of service benefits		**3,020**	935
Operating profits before working capital changes:		**16,429**	32,195
Changes in working capital:			
Change in Islamic financing and investing assets		**7,331**	9,128
Change in loans and advances		**32,056**	(21,806)
Change in interest receivable and other assets		**(19,374)**	(6,891)
Change in insurance receivables and contract assets		**(42,169)**	(104,496)
Change in customers' deposits and margin accounts		**(245,021)**	(169,163)
Change in interest payable and other liabilities		**57,382**	(19,724)
Lease liabilities		**-**	(571)
Insurance contract liabilities		**21,784**	94,447
Cash used in operating activities		**(171,582)**	(186,881)
Payment of employees' end of service benefits		**(2,343)**	(389)
Directors' remuneration paid		**(2,048)**	(1,394)
Net cash used in operating activities		**(175,973)**	(188,664)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments carried at fair value through other comprehensive income		-	(30,444)
Proceeds from sale of investments carried at fair value through other comprehensive income		**34,495**	41,211
Purchase of investments carried at fair value through profit or loss		**(5,848)**	(19,628)
Proceeds from sale of investments carried at fair value through profit or loss		**18,585**	40,745
Purchase of investments through amortized cost		**(44,920)**	-
Purchase of investment property		**(4,352)**	-
Purchase of property, fixtures and equipment		**(31,334)**	(5,147)

Condensed consolidated interim statement of cash flows
For the six-month period ended 30 June 2023

	Note	For the six-month period ended 30 June (Unaudited) 2023 AED'000	(Unaudited) 2022 AED'000 (restated)
Proceeds from disposal of property, fixtures and equipment		**25,580**	-
Dividend received		**5,263**	6,404
Net cash generated from investing activities		**(2,531)**	33,141
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short-term borrowings		**(60,000)**	(50,000)
Proceeds from short term loan		**-**	18,561
Repayment of medium term Loan		**(16,667)**	(16,667)
Tier 1 SUKUK coupon paid		**(8,559)**	(8,479)
Tier 1 Bond coupon paid		**(619)**	(619)
Purchase of treasury shares		**(4,661)**	(335)
Net cash used in from financing activities		**(90,506)**	(57,539)
Net decrease in cash and cash equivalents		**(269,010)**	(213,062)
Cash and cash equivalents, beginning of period		**730,428**	569,167
Cash and cash equivalents, end of period	8	**461,418**	356,105

The accompanying notes from 1 to 23 form an integral part of this condensed consolidated interim financial information

Notes to the condensed consolidated interim financial information
For the six-month period ended 30 June 2023

1 Legal status and principal activities

Finance House P.J.S.C. ("the Company") is a public joint stock company incorporated in Abu Dhabi, United Arab Emirates (UAE) in accordance with the provisions of the UAE

The Company was initially registered in compliance with relevant UAE Federal Law No. (2) of 2015, as amended. As of 2 January 2022, the Company is subject to compliance with UAE Federal Law No. (32) of 2021, which replaces UAE Federal Law No. (2) of 2015, as amended. The condensed consolidated interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021, the Decretal Federal Law No. 14 of 2018 regarding the Central Bank and Organization of Financial Institution and Activities and under authority of resolutions of the Board of Directors of the UAE Central Bank relating to Finance Companies. The shareholders of the Company are currently in the process of amending the statutory documents, to reflect the changes required due to application of the UAE Federal law No. (32) of 2021.

The registered head office of the Company is at P.O. Box 7878, Abu Dhabi, UAE

The Company was established on 13 March 2004 and commenced its operations on 18 July 2004. The Company performs its activities through its head office in Abu Dhabi and its Abu Dhabi, Dubai, and Sharjah branches. The Company and its subsidiaries (together referred to as the "Group") are engaged primarily in investments, consumer and commercial financing and other related services.

The entity is listed on the Abu Dhabi Securities Exchange (Ticker: FH).

On 24 October 2018, management of Islamic Finance House ("the Subsidiary") submitted an adjustment plan for restructuring the Subsidiary to the Central Bank of UAE. The adjustment plan has been approved by the Board of Directors on the 6 of February 2019 and by the Central Bank of the UAE on 10 October 2019. The purpose of the plan is to adjust the activities of the subsidiary to meet the requirements of the newly issued regulations for finance companies. On 12 October 2020, Central Bank of the UAE has licensed Finance House L.L.C. (formerly known as Islamic Finance House P.J.S.C.) to conduct financing business specified in Article (10) of the Finance Companies Regulation

2 Basis of preparation

This condensed consolidated interim financial information of the Group is prepared on an accrual basis and under the historical cost basis except for certain financial instruments and investment properties which are measured at fair value.

This condensed consolidated interim financial information is prepared in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" issued by the International Accounting Standards Board (IASB) and comply with the applicable requirements of the laws in the UAE.

This condensed consolidated interim financial information does not include all the information and disclosures required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022. In addition, results for the period from 1 January 2023 to 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

As required by the Securities and Commodities Authority of the UAE ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated interim financial information.

3 Significant accounting policies

The accounting policies applied in this condensed consolidated interim financial information is the same as those in the Group's consolidated financial statements as at and for the year ended 31 December 2022, with the exception of new standards applicable from 1 January 2023 and several amendments and interpretations apply for the first time in 2023. However, these amendments and interpretations do not have material impact on the condensed interim consolidated financial information of the Group except for the adoption of IFRS 17 Insurance contracts. The requirements of IFRS 17 have bought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparatives amounts in opening balances. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts

International Financial Reporting Standard (IFRS) 17, "Insurance Contracts" establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after I January 2023. The Group has restated comparative information applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarized, as follows:

The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard is effective for periods beginning on or after 1 January 2023.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts. The Group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued reinsurance contracts held by the Group.

Under IFRS 17, the Group's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The Group applies the PAA to simplify the measurement of all of its insurance and reinsurance contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for outstanding claims, the Group now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognized once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart;

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and

Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR)) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Changes to classification and measurement (continued)

The Group capitalizes its directly attributable insurance acquisition cash flows. No separate asset is recognised for deferred acquisition costs. Instead, insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Changes to presentation and disclosure

For presentation in the condensed interim consolidated statement of financial position, the Group aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Groups Of insurance and reinsurance contracts issued that are assets;
- Groups Of insurance and reinsurance contracts issued that are liabilities;
- Groups of reinsurance contracts held that are assets; and
- Groups Of reinsurance contracts held that are liabilities.

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the condensed interim consolidated statement of profit or loss and condensed interim consolidated other comprehensive income have been changed significantly compared with previous year. Earlier, the Group reported the following line items:

- Gross premiums written
- Reinsurance share of premiums
- Reinsurance share of ceded business premiums
- Net premiums
- Net transfer to unearned premium reserve
- Net premiums earned
- Commission earned
- Commission paid
- Gross underwriting income
- Gross claims paid
- Changes in technical reserves
- Reinsurance share of insurance claims and loss adjustments
- Net claims incurred

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Allocation of reinsurance premiums
- Amounts recoverable from reinsurance for incurred claims
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

The Group provides qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements and changes in those judgements, when applying the standard.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Group:

- Identified, recognised and measured each portfolio of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- Recognised any resulting net difference in equity.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each condensed interim consolidated financial information line item and Earning Per Share. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the consolidated statement of changes in equity.

Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur, Insurance contracts can also transfer financial risk.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)
Separating components from insurance and reinsurance contracts (continued

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive — either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Level of aggregation

IFRS 17 requires a Group to determine the level of for applying its requirements. The Group previously applied aggregation levels under IFRS 4, which were significantly higher than the level of required by IFRS 17. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise group of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand- alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided into groups of contracts by quarter of issue and profitability for recognition and measurement purposes. Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (If any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (If any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by profitability committee that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

The Group has a Profitability Assessment Committee that meets at regular intervals to determine the profitability groupings of each portfolio of contracts. committee acts as a forum to collect input from the pricing and underwriting functions and assess the relevant facts and circumstances which indicate that groups of contracts are onerous at initial recognition.

Below are some of the relevant facts and circumstances that the Group considers:

- Evaluation Of expected combines ratios;
- Pricing information;
- Results of similar contracts it has recognized; and
- Environment factors, e.g., a change in market experience or

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous the Group recognises a group of reinsurance contracts held:
- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group the Group adds new contracts to the group when they are issued or initiated.

Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. For insurance contract, cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach

Insurance contracts — initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary. or
- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and the types of its lines of business.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfillment cash flows increases with:

- The extent of future cash flours related to any derivatives embedded in the contracts.
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Group pays or receives before the group of insurance contracts is recognised. There is no allowance for time value of money as the premiums are mostly received within one year of the coverage period.

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts — subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of period:

- Plus premiums received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense
- in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis to profit or loss.

Reinsurance contracts

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Insurance contracts — modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired);
  Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Presentation

The Group has presented separately, in the statement of financial position, the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.
Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.
The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.
The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion.
The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary, if facts and stances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented all revenue has been recognised on the basis of the passage of time.

Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous; the Group recognize a loss component as the excess of the fulfillment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 17 - Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance finance income and expense
Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group presents insurance finance income or expenses in profit or loss only.

Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Standards, interpretations and amendments to existing standards that are effective in 2023

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of some of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

These amendments do not have a significant impact on the condensed consolidated financial information and therefore the disclosures have not been made for them.

3 Significant accounting policies (continued)

3.1 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

Amendment to standards and interpretations issued but not yet effective

The new standards and revised IFRSs not yet effective and have not been adopted early by the Group include:

Standard number	Title	Effective date
IAS 1	Non-current Liabilities with Covenants Classification of Liabilities as Current or Non-current – Amendments to IAS 1– Amendments to IAS 1	1 January 2024
IFRS 16	Lease Liability in Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. Management is currently assessing the impact of the above standards.

3 Significant accounting policies (continued)

3.2 Use of judgments and estimates

The preparation of this condensed consolidated interim financial information 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 this condensed consolidated interim financial information, 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.

Insurance and reinsurance contracts

The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For insurance acquisition cash flows, the Group is eligible and chooses to capitalise all insurance acquisition cashflows upon payments.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts are to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfillment cash flows.

3 Significant accounting policies (continued)

3.2 Use of judgments and estimates (continued)

Insurance and reinsurance contracts (continued)

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios, historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The Group use bottom-up approach to derive the discount rate, under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		**3 years**		**5 years**		**10 years**		**20 years**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Insurance contracts issued	6.66	6.02	5.72	5.66	5.35	5.46	5.02	5.19	5.36	5.10
Reinsurance contract held	6.66	6.02	5.72	5.66	5.35	5.46	5.02	5.19	5.36	5.10

3 Significant accounting policies (continued)

3.2 Use of judgments and estimates (continued)

Insurance and reinsurance contracts (continued)

Risk adjustment for non-financial risk

The Group uses a Solvency II type approach to determine its risk adjustment for non-financial risk. Each portfolio is matched with the most representative Solvency II LOB and an assumption is made that the prescribed standard deviation of premiums risk and reserves risk for a given Solvency II LOB is

representative of the standard deviation of the portfolio LRC and LIC standard deviation respectively. Further, the Group assumes that the LRC and LIC each have a Lognormal distribution with the LIC mean matching the sum of the IBNR, OS and ULAE while the LRC mean matches the UPR of a given portfolio The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach for different lines in the range of 60-75 percentile. That is, the Group has assessed its indifference to uncertainty for product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 60-75 percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

3 Significant accounting policies (continued)

3.2 Basis of consolidation

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

Subsidiaries

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

Name of subsidiary	Country of incorporation	Ownership interest % 30 June 2023	Ownership interest % 31 December 2022	Principal activity
Finance House LLC	UAE	**100**	100	Financing Services
Insurance House PJSC	UAE	**45.61**	45.61	Insurance
Finance House Securities Co LLC	UAE	**70**	70	Brokerage
F.H. Capital PJS	UAE	**100**	100	Investment and asset management
Finance House Holding Owned by Finance House PSJC – Sole Proprietorship LLC	UAE	**100**	100	Services

Transactions eliminated on consolidation

All intra group balances and income, expenses and cash flows resulting from intra group transactions are eliminated in full upon consolidation.

3 Significant accounting policies (continued)

Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax-related impact on the financial information for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group is in process of preparing an assessment of its deferred tax implication. In addition, certain other cabinet decisions are pending as on the date of this condensed consolidated interim financial information, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

4 Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Insurance risk

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2022.

(a) Credit risk

Credit risk is the single largest risk from the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a risk management department which reports regularly to the Board Risk Management Committee.

The ECL recorded on loans and advances measured at amortised cost and Islamic financing and investing assets measured at amortised cost have been disclosed in note 10 and 11 respectively such that there is no reasonable expectation of recovering in full.

(i) Write-off policy

The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 30 June 2023 was AED 253 thousand (30 June 2022: AED 3,082 thousand). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, include that payment will most likely continue. These policies are kept under continuous review.

Risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for at least 12 consecutive months.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(iii) Credit risk measurement

Loans and Advances, Islamic Finances (including commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model.

The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is lower than the difference in the PD between an 18 and 20 rating grade.

4 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial asset that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial asset is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to following note for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information. The below note includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarizes the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired financial assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Corporate Loans:
For Corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following factors: -
- Loan facilities restructured in the last 12 months;
- Loan facilities that are past due for 30 days and above but less than 90 days;
- Actual or expected change in external ratings and / or internal ratings.

4 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

Retail:
For Retail portfolio, if the borrowers meet one or more of the following criteria:
- Adverse findings for an account/ borrower as per credit bureau data;
- Loan rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Treasury:
- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the investment's expected performance & behaviour of borrower (collateral value, payment holiday, Payment to Income ratio etc.).

Qualitative criteria:

Corporate Loans:
- Feedback from the Early Warning Signal framework of the Group (along factors such as adverse change in business, financial or economic conditions).

Backstop:

A backstop is applied and the financial asset is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

(v) Definition of default and credit-impaired assets

The Group defines a financial asset as in default, which fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

In addition to 90 DPD, for the retail and corporate portfolio, the default definition used is consistent with the Basel Framework. According to the Basel II definition, default is considered to have occurred with regard to particular obligors when either one or the following events have taken place:

- The Group considers that the obligor is unlikely to pay its credit obligation to the Group in full without recourse by the Group to actions like realizing security (if held).
- The Group puts credit obligation on non-accrued status.
- The Group makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Group taking on the exposure.
- The Group consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The Group has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Group. The obligor has sought or has been placed in bankruptcy or similar protection wherein this would avoid or delay repayment of the credit obligation to the Group.

4 Financial risk management (continued)

(a) Credit risk (continued)

(v) Definition of default and credit-impaired assets (continued)

- The obligor is past due more than 90 days on any material credit obligation to the Group. Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current outstanding.
- A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

4 Financial risk management (continued)

(a) Credit risk (continued)
(v) Definition of default and credit-impaired assets (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to the Note below for an explanation of forward-looking information and its inclusion in ECL calculations.

These assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

Forward-looking information incorporated in the ECL Models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk.

4 Financial risk management (continued)

(a) Credit risk (continued)

(v) Definition of default and credit-impaired assets (continued)

Credit rating and measurement

The risk rating system is the basis for determining the credit risk of the Group's asset portfolio (except the consumer assets) and thus asset pricing, portfolio management, determining finance loss provisions and reserves and the basis for credit approval authority delegation. A standard numeric credit risk-grading system is being used by the Group which is based on the Group's internal estimate of probability of default, with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty's financial position, past experience and other factors.

The Risk Rating system for performing assets ranges from 1 to 19, each grade being associated with a Probability of Default ("PD"). Non-performing clients are rated 20, 21, 22, corresponding to the Substandard, Doubtful and Loss classifications as per *Clarifications and Guidelines Manual for Circular No. 28/2012* issued by the UAE Central bank. The Group's internal credit grades have also been mapped to external agency ratings for better comparison.

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group's Credit Committee ("CC") within the authorities delegated by the Board of Directors.

Credit monitoring

The Group regularly monitors credit exposures and external trends which may impact risk management outcomes. Internal risk management reports are presented to the Chief Risk Officer / Chief Credit Officer and Board Risk Committee, containing information on key variables; portfolio delinquency and financing impairment performance.

All corporate/exposures accounts are monitored carefully for performance and reviewed formally on an annual basis or earlier. Group has robust policies for client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed well in time. An exposure is categorized as watch list or non-performing as per UAE Central Bank guidelines.

All non-performing accounts are monitored closely by the Remedial Management Unit of the Group directly reporting to the Chief Credit Officer. Such accounts are re-evaluated and remedial **actions** are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account etc.

With respect to the Group's consumer portfolio, asset quality is monitored closely with 30/60/90 days past due accounts and delinquency trends are monitored continuously for each consumer product of the Group. Accounts which are past due are subject to collection process, managed independently by the risk function. Write-off and provisioning of the consumer portfolio is done strictly as per the UAE Central Bank guidelines.

4 Financial risk management (continued)

(a) Credit risk (continued)

(v) Definition of default and credit-impaired assets (continued)

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit etc. Risk mitigation policies control the approval of collateral types.

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2022.

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 amounts of financial assets represent the maximum credit exposure.

4 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financials assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 Jun 2023 ECL staging			
Credit risk exposures	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL AED'000	**Lifetime ECL AED'000**	**Lifetime ECL AED'000**	**Total AED'000**
Loans and advances – At amortised cost	**1,480,196**	**409,493**	**523,189**	**2,412,878**
Less: Allowance for expected credit losses	**(21,425)**	**(66,673)**	**(371,513)**	**(459,611)**
Carrying amount	**1,458,771**	**342,820**	**151,676**	**1,953,267**
Islamic financing and investing assets – At amortised cost	**5,003**	**2,845**	**68,073**	**75,921**
Less: Allowance for expected credit losses	**(89)**	**(70)**	**(59,513)**	**(59,672)**
Carrying amount	**4,914**	**2,775**	**8,560**	**16,249**

4 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financials assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December 2022 (audited)			
	Staging of expected credit losses			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Credit risk exposures	ECL	ECL	ECL	Total
	AED'000	AED'000	AED'000	AED'000
Loans and advances – At amortised cost	1,546,402	373,019	525,766	2,445,187
Less: Allowance for expected credit losses	(22,617)	(49,365)	(372,057)	(444,039)
Carrying amount	1,523,785	323,654	153,709	2,001,148
Islamic financing and investing assets – At amortised cost	10,764	3,034	69,454	83,252
Less: Allowance for expected credit losses	(193)	(101)	(60,322)	(60,616)
Carrying amount	10,571	2,933	9,132	22,636

4 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financials assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 Jun 2023			
	ECL staging			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loans and advances				
Grading 1	797,023	39,687	-	836,710
Grading 2	683,185	285,028	-	968,213
Grading 3	-	84,778	115,589	200,367
Grading 4	-	-	84,084	84,084
Grading 5	-	-	323,516	323,516
	1,480,196	409,493	523,189	2,412,878
Less: Allowance for expected credit losses	(21,425)	(66,673)	(371,513)	(459,611)
Carrying amount	1,458,771	342,820	151,676	1,953,267
Islamic financing and investing assets				
Grading 1	4,405	26	-	4,431
Grading 2	598	2,802	-	3,400
Grading 3	-	17	4,921	4,938
Grading 4	-	-	501	501
Grading 5	-	-	62,651	62,651
	5,003	2,845	68,073	75,921
Less: Allowance for expected credit losses	(89)	(70)	(59,513)	(59,672)
Carrying amount	4,914	2,775	8,560	16,249

4 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financials assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December 2022 (audited)			
	Staging of expected credit losses			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loans and advances				
Grading 1	868,600	42,796	-	911,396
Grading 2	677,802	328,819	-	1,006,621
Grading 3	-	1,404	116,256	117,660
Grading 4	-	-	82,384	82,384
Grading 5	-	-	327,126	327,126
	1,546,402	373,019	525,766	2,445,187
Less: Allowance for expected credit losses	(22,617)	(49,365)	(372,057)	(444,039)
Carrying amount	1,523,785	323,654	153,709	2,001,148
Islamic financing and investing assets				
Grading 1	5,185	56	-	5,241
Grading 2	5,579	2,949	-	8,528
Grading 3	-	29	4,970	4,999
Grading 4	-	-	998	998
Grading 5	-	-	63,486	63,486
	10,764	3,034	69,454	83,252
Less: Allowance for expected credit losses	(193)	(101)	(60,322)	(60,616)
Carrying amount	10,571	2,933	9,132	22,636

4 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations from financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(c) Market risk

Market risk is the risk that the fair value and future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, price of equity and fixed income securities.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in the interest rates, with all other variables held constant, of the Group's result for the year.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and liabilities held at 30 June 2023.

	+1% Increase AED'000	**-1% Decrease AED'000**
30 June 2023		
Change of 1%	**5,106**	**(6,676)**
Cash flow sensitivity	**5,106**	**(6,676)**
30 June 2022		
Change of 1%	5,081	(2,730)
Cash flow sensitivity	5,081	(2,730)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis and it is ensured these are maintained within established limits.

4 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Foreign currency risk is limited since a significant proportion of the Group's transactions, monetary assets and liabilities are denominated in UAE Dirham and U.S. Dollar. As the UAE Dirham is pegged to the U.S. Dollar, balances in U.S. Dollar are not considered to represent significant currency risk. Exposure to other currencies is insignificant to the overall Group.

(iii) Price risk

Price risk is the risk that the fair values of equities and fixed income securities decrease as the result of changes in the levels of equity and fixed income indices and the value of individual instruments. The price risk exposure arises from the Group's investment portfolio.

The following table estimates the sensitivity to a possible change in equity and fixed income markets on the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in the reference equity and fixed income benchmarks on the fair value of investments carried at fair value through profit or loss.

	Equity	
	5%	5%
	Increase	Decrease
	AED'000	AED'000
30 June 2023		
Investments carried at fair value through profit or loss		
Abu Dhabi Securities Market Index	**1,625**	**(1,625)**
Dubai Financial Market Index	**1,013**	**(1,013)**
Investments carried at fair value through other comprehensive income		
Abu Dhabi Securities Market Index	**4,881**	**(4,881)**
Dubai Financial Market Index	**1,267**	**(1,267)**
Unquoted investments	**2,257**	**(2,257)**
Cash flow sensitivity	**11,043**	**(11,043)**
31 December 2022 (audited)		
Investments carried at fair value through profit or loss		
Abu Dhabi Securities Market Index	1,753	(1,753)
Dubai Financial Market Index	1,188	(1,188)
Investments carried at fair value through other comprehensive income		
Abu Dhabi Securities Market Index	5,001	(5,001)
Dubai Financial Market Index	1,241	(1,241)
Unquoted investments	2,257	(2,257)
Cash flow sensitivity	11,440	(11,440)

4 Financial risk management (continued)

(c) Market risk (continued)

(iii) Price risk (continued)

The effect of decreases in prices of equity and fixed income securities is expected to be equal and opposite to the effect of the increases shown above.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, systems failure, human error, fraud or external events. When required controls fail, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. While the Group cannot expect to eliminate all operational risks, through a control framework and by continuous monitoring and responding of potential risk, the Group is able to manage these risks. Controls include effective segregation of duties, appropriate access, authorization and reconciliation procedures, staff training and robust assessment process. The processes are reviewed by risk management and internal audit on an ongoing basis.

(v) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

In common with other insurers, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

5 Net interest income and income from Islamic financing and investing assets

	(Unaudited) Six-month ended 30 June		(Unaudited) Three-month ended 30 June	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Loans and advances	**96,796**	84,139	**47,265**	45,378
Income from Islamic financing and investing assets	**5,853**	353	**3,349**	(336)
Due from banks	**10,584**	1,688	**5,155**	839
Income from perpetual investments	**427**	385	**201**	201
Other	**657**	674	**318**	256
Interest income and income from Islamic financing and investing assets	**114,317**	87,239	**56,288**	46,338
Customers' deposits and margin accounts	**(20,705)**	(11,534)	**(8,771)**	(5,619)
Due to banks and other financial institutions	**(19,099)**	(13,002)	**(9,055)**	(6,945)
Profit distributable to depositors	**(6,548)**	(232)	**(6,405)**	(116)
Interest expense and profit distributable to depositors	**(46,352)**	(24,768)	**(24,231)**	(12,680)
Net interest income and income from Islamic financing and investing assets	**67,965**	62,471	**32,057**	33,658

No interest or profit income is recognised on impaired loans and advances or on impaired Islamic financing and investing assets.

6 Net investment income

	(Unaudited) Six-month ended 30 June		(Unaudited) Three-month ended 30 June	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Net gain on disposal of investments carried at fair value through profit or loss	**2,682**	2,065	**855**	2,100
Change in fair value of investments carried at fair value through profit or loss	**(3,017)**	592	**1,413**	(3,215)
Dividends from investments carried at fair value through profit or loss	**1,319**	1,309	**139**	450
Net profit/(loss) from investments carried at fair value through profit or loss	**984**	3,966	**2,407**	(665)
Dividend income from investments carried at fair value through other comprehensive income	**3,944**	5,095	**377**	1,037
Net income from investments	**4,928**	9,061	**2,784**	372

7 Basic and diluted earnings/(losses) per share

The calculation of the basic and diluted earnings per share is based on the following data:

	(Unaudited) Six-month ended 30 June		**(Unaudited) Three months ended 30 June**	
	2023	2022	**2023**	2022
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period attributable to equity holders of the parent	**14,939**	2,220	**6,040**	1,012
Less: Tier 1 Sukuk coupon paid	**(8,559)**	(9,098)	**(4,093)**	(4,533)
	6,380	(6,878)	**1,947**	(3,521)
Number of ordinary shares in issue	**302,838**	302,838	**302,838**	302,838
Less: Treasury shares	**(26,354)**	(17,854)	**(26,354)**	(17,854)
Less: Employees' share-based payment scheme	**(1,750)**	(1,750)	**(1,750)**	(1,750)
	274,734	283,234	**274,734**	283,234
Earnings/(losses) per share (AED)	**0.02**	(0.02)	**0.01**	-0.01

8 Cash and cash equivalents

	(Unaudited) 30 June 2023	(Audited) 31 December 2022
	AED'000	AED'000
Cash balances		
Cash on hand	**10,044**	8,407
Due from banks		
Balance with UAE Central Bank	**185,158**	362,292
Current and demand accounts	**96,264**	77,807
Call accounts	**101,721**	201,477
Restricted cash balances*	**6,000**	6,000
Placements with banks	**100,000**	96,504
	489,143	744,080
Due to banks and other financial institutions with original maturity of less than three months	**(31,769)**	(30,059)
Other restricted cash balances*	**(6,000)**	(6,000)
Net cash and cash equivalents	**461,418**	716,428

* Restricted cash represents deposits with Central Bank of UAE amounting to AED 6,000 thousand (31 December 2022: AED 6,000 thousand).

9 Investments securities

	At fair value through other comprehensive income AED'000	At fair value through profit or loss AED'000	At amortized cost AED'000	Total AED'000
30 June 23 (Unaudited)				
Equity instruments:				
- Quoted	**126,556**	**45,759**	**-**	**172,315**
- Unquoted	**45,143**	**-**	**-**	**45,143**
Debt Instruments				
-Quoted-fixed rate	**-**	**-**	**44,920**	**44,920**
Unquoted investment in managed funds	**694**	**-**	**-**	**694**
	172,393	**45,759**	**44,920**	**263,072**
Within UAE	**169,354**	**45,759**	**44,920**	**260,033**
Outside UAE	**3,039**	**-**	**-**	**3,039**
	172,393	**45,759**	**44,920**	**263,072**

31 December 2022 (Audited)	At fair value through other comprehensive income AED'000	At fair value through profit or loss AED'000	At amortized cost AED'000	Total AED'000
Equity instruments:				
- Quoted	129,779	58,832	-	188,611
- Unquoted	45,143	-	-	45,143
Debt instruments				
-Quoted-Fixed rate	33,864	-	-	33,864
Unquoted investment in managed funds	730	-	-	730
	209,516	58,832	-	268,348
Within UAE	204,776	58,832	-	263,608
Outside UAE	4,740	-	-	4,740
	209,516	58,832	-	268,348

10 Loans and advances and Islamic financing & investing assets

10.1 Loans and advances

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Commercial loans		
Commercial overdraft	**273,110**	296,444
Other commercial advances	**1,619,449**	1,651,728
	1,892,559	1,948,172
Retail finance		
Personal loans and advances	**520,319**	497,015
	520,319	497,015
Loans and advances, gross	**2,412,878**	2,445,187
Less: Allowance for expected credit losses	**(459,611)**	(444,039)
Loans and advances, net	**1,953,267**	2,001,148

The movement in the allowance for expected credit losses during the period/year is as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Opening Balance	**444,039**	411,551
Charges for the period/year	**15,825**	44,009
Reversal	-	(8,439)
Amount written off	**(253)**	(3,082)
Closing Balance	**459,611**	444,039

The allowance for expected credit losses includes a specific allowance of AED **371.5 million** (31 December 2022 AED 372.1 million) for stage 3 loans of the Group.

10 Loans and advances and Islamic financing & investing assets (continued)

10.2 Islamic financing and investing assets

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Commodity Murabaha	**54,055**	55,543
Covered card and drawings	**11,664**	17,411
Ijarah	**7,021**	6,641
Purchase and lease back	**-**	484
Others	**3,181**	3,173
Islamic financing and investing assets, gross	**75,921**	83,252
Less: Allowance for expected credit losses	**(59,672)**	(60,616)
Islamic financing and investing assets, net	**16,249**	22,636

Islamic financing and investing assets are stated net of allowance for expected credit losses. The movement in the allowance for expected credit losses during the period/year is as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Opening Balance	**60,616**	62,959
Charge for the period / year	**-**	-
Reversal no longer required	**(944)**	(5,721)
Intercompany movement	**-**	3,378
Closing Balance	**59,672**	60,616

The allowance for expected credit losses include a specific allowance of AED **59.5 million** (31 December 2022 AED 60.3 million) for stage 3 Islamic financing and investing assets of the Group.

11 Customers' deposits and margin accounts

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Call and demand deposits	**643,434**	704,292
Time deposits	**931,535**	1,081,773
Wakala deposits	**881**	15,990
	1,575,850	1,802,,055
Margin accounts	**225,803**	244,619
	1,801,653	2,046,674

Analysis of customers' deposits by sector is as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Government	**108,389**	127,250
Corporate	**1,693,264**	1,919,424
	1,801,653	2,046,674

Margin accounts represent cash margins collected from corporate customers against unfunded and funded credit facilities extended to them in the normal course of business.

Customers' deposits and margin accounts carry interest/profit rates ranging from Nil to 6.50% p.a (2022: Nil to 5.15% p.a).

12 Share capital

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
302.8 million shares (2022: 302.8 million shares) of AED 1 each (2022: AED 1 each)	**302,838**	302,838

13 Treasury shares

Treasury shares represent the cost of 28,569 thousand shares of the Group held by the Group as at 30 June 2023 (2022: 26,354 thousand shares).

14 Employees' share-based payment scheme

The share-based payment scheme is administered by a trustee and gives the Board of Directors the authority to determine which employees of the Group will be granted the shares. The values of shares granted to employees are expensed in the period in which they are granted, and that of the remaining shares are included within shareholders' equity.

During the period, no shares were granted to employees and the value of outstanding shares not yet granted to employees as at 30 June 2023 were AED 1,750 thousand (2022: AED 1,750 thousand).

15 Commitments and contingent liabilities

The Group provides letters of credit and financial guarantees on behalf of customers to third parties. These agreements have fixed limits and are generally for a certain period of time.

Capital commitments represent future capital expenditures that the Group has committed to spend on assets over a period of time.

Irrevocable commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits.

The Group had the following commitments and contingent liabilities outstanding at period/year end:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Letters of credit	**659**	122
Letters of guarantee	**440,142**	505,107
Capital commitments	**4,249**	4,249
	445,050	509,478

All financial guarantees were issued in the ordinary course of business.

16 Tier 1 Capital Instruments

In July 2015, the Group raised financing by way of Shariah compliant Tier 1 Capital Certificates amounting to AED 300 million (Tier 1 Sukuk). Issuance of these Capital Certificates was approved by the shareholders of the Company in its Extra Ordinary General Meeting (EGM) in April 2015. The UAE Central Bank has also approved the facility to be considered as Tier 1 capital for regulatory purposes. These Capital Certificates bear profit at a fixed rate payable semi-annually in arrears. The Capital Certificates are non-cumulative perpetual securities for which there is no fixed redemption date and are callable by the Group subject to certain conditions. Tier 1 Sukuk amounting to AED 23,800 thousand (2022: AED 23,800 thousand) are held by subsidiaries of the Group and, accordingly, eliminated in the condensed consolidated interim statement of financial position. The payment of the coupon amounts on those instruments is solely at the discretion of the issuer at a coupon profit rate ranging from **6.06% to 6.14%** p.a (2022: 6.06% to 6.14% p.a).

In March 2019 the subsidiary of the Group 'Insurance House PJSC' raised tier 1 perpetual bonds amounting to AED 15 million. Issuance of these perpetual bonds was approved by the shareholders of Insurance House PSJC in its Extra Ordinary General Meeting (EGM) in January 2019. These perpetual bonds bear profit at a fixed rate payable semi-annually in arrears. The perpetual bonds are non-cumulative perpetual securities for which there is no fixed redemption date and are callable by the subsidiary subject to certain conditions. The payment of the coupon amounts on those instruments is solely at the discretion of the issuer at a coupon profit rate of 8.25% p.a (2022: 8.25% p.a).

17 Related party disclosures

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. In the case of the Group, related parties, as defined in the IAS 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel.

The period/year end balances in respect of related parties included in the condensed consolidated interim statement of financial position are as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Loans and advances to customers		
To key management staff	**267**	1,041
To members of board of directors	**55,158**	35,045
To other related party	**27,520**	29,139
Customers' deposits		
From other entities under common control	**3,494**	3,577

17 Related party disclosures (continued)

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the period end are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

The significant transactions included in the condensed consolidated interim income statement are as follows:

	(Unaudited) 30 June 2023 AED'000	(Unaudited) 30 June 2022 AED'000
Interest and commission income		
From key management staff	**25**	27
From members of board of directors	**1,071**	1,431
From other related parties	**-**	750
Interest expense		
To others	**8**	9
Key management remuneration		
Short term benefits (salaries, benefits and bonuses)	**5,621**	6,007

18 Segment information

For management purposes, the Group is organized into five major business segments:

(i) Commercial and retail financing, which principally provides loans and other credit facilities for institutional and individual customers.
(ii) Investment, which involves the management of the Group's investment portfolio and its treasury activities.
(iii) Islamic financing and investing, which involves one of the Group's subsidiaries principally providing investment, consumer and commercial financing and other related services based on Islamic Sharia's rules and principles.
(iv) Insurance, which involves one of the Group's subsidiaries providing non-life insurance services.
(v) Brokerage, which involves one of the Group's subsidiaries providing brokerage services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

Information regarding the Group's reportable segments is presented in the following pages:

18 Segment Information (continued)

	Commercial and retail financing AED'000	Investment AED'000	Islamic financing and investing AED'000	Brokerage AED'000	Insurance AED'000	Unallocated AED'000	Total AED'000
30 June 2023 (Unaudited)							
Operating income/(loss)	**85,394**	**6,872**	**(1,231)**	**6,795**	**(27,819)**	**-**	**70,011**
Inter-segment revenues	**40,879**	**(40,879)**	**-**	**-**	**-**	**-**	**-**
Segmental results and profit/(loss) from operations	**43,997**	**22,802**	**(1,997)**	**1,992**	**(27,819)**	**(38,569)**	**406**
Segmental assets	**1,969,040**	**531,377**	**16,579**	**386,291**	**280,360**	**-**	**3,183,647**
Segmental liabilities	**1,925,043**	**105,969**	**162,009**	**83,866**	**233,697**	**-**	**2,510,584**
30 June 2022 (Unaudited) (restated)							
Operating income	50,476	14,150	1,191	8,270	(5,226)	-	68,861
Inter-segment revenues	29,918	(29,918)	-	-	-	-	-
Segmental results and profit / (loss) from operations	8,662	30,493	5,488	3,246	(5,226)	(37,281)	5,382
Segmental assets	2,086,509	623,520	26,548	107,835	505,074	-	3,349,486
Segmental liabilities	2,077,847	64,563	56,205	13,523	350,422	-	2,562,560
31 December 2022 *(Audited) (restated)*							
Segmental assets	2,014,051	769,275	22,636	347,215	274,714	-	3,427,891
Segmental liabilities	1,999,104	488,060	28,135	33,899	202,465	-	2,751,663

19 Fair value measurement

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 30 June 2023:

	Date of Valuation	**Level 1** AED'000	**Level 2** AED'000	**Level 3** AED'000	**Total** AED'000
Assets measured at fair value					
Investment properties	31 December 2022	-	-	**8,452**	**8,452**
At fair value through profit or loss					
Quoted equities	30 June 2023	**52,759**	-	-	**52,759**
At fair value through other comprehensive income					
Quoted equities	30 June 2023	**126,556**	-	-	**126,556**
Quoted debt instruments	30 June 2023	-	-	-	-
Unquoted equities	31 December 2022	-	**11,294**	**33,849**	**45,143**
Investment in managed funds	31 December 2022	-	**694**	-	**694**
		126,556	**11,988**	**33,849**	**172,393**

19 Fair value measurement (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December 2022:

	Date of Valuation	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Assets measured at fair value					
Investment properties	31 December 2022	-	-	4,100	4,100
At fair value through profit or loss					
Quoted equities	31 December 2022	58,832	-	-	58,832
Quoted debt instruments	31 December 2022	-	-	-	-
		58,832	-	-	58,832
At fair value through other comprehensive income					
Quoted equities	31 December 2022	129,779	-	-	129,779
Quoted debt securities	31 December 2022	33,864	-	-	33,864
Unquoted equities	31 December 2022	-	11,294	33,849	45,143
Investment in managed funds	31 December 2022	-	730	-	730
		163,643	12,024	33,849	209,516

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss are listed equities and debt instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

19 Fair value measurement (continued)

Investments carried at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income, the revaluation gains/losses of which are recognized through equity, comprise long term strategic investments in listed equities, companies and private equity funds. Listed equity valuations are based on market prices as quoted in the exchange while funds are valued on the basis of net asset value statements received from fund managers. For companies, the financial statements provide the valuations of these investments which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Following is the description of the significant unobservable inputs used in the valuation of unquoted equities and investment property categorized under level 3 fair value measurement.

	Valuation technique	**Significant unobserva inputs to valuation**	**Range (Weighted average)**	**Sensitivity of the input to fair value**
Unquoted equities	Price Earning Multiple Valuation Basis	PE Multiple	9– 11	Increase (decrease) in the PE Multiples by 1 would result in increase (decrease) in fair value by AED 4 million

Transfers between categories

During the period, there were no transfers between Level 1 and Level 2 fair value measurements. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Unquoted equities at fair value through other comprehensive Income	Income
	AED'000	AED'000
	2023	2022
Balance at 1 January	**33,849**	34,673
Loss for the period/year	**-**	(824)
Balance at 30 June / 31 December	**33,849**	33,849

20 Legal proceedings

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

21 Restatement

During the current period, Management has identified errors in the accounting of transactions related to the reinsurance business of medical and personal assurance for prior periods. Management is in the process of appointing an independent consultant to investigate this error along with the quantitative impact. However, Management has carried out internal assessment and provisionally assessed the impact and accounted for reversal of receivable from reinsurance contract amounting to AED 69,343 thousands as at 31 December 2022 with corresponding impact to accumulated losses.

In accordance with the requirements of 'IAS 1 *Presentation of Financial Statements*'' and 'IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*', the prior period errors have been corrected retrospectively by restating the relevant comparative balances in the condensed consolidated interim financial information.

	1 January 2022 Previously reported* AED'000	Adjustment AED'000	1 January 2022 Restated AED'000
Financial Statement Level Item			
Insurance and reinsurance contract assets*	118,659	(52,866)	65,793
Retained earnings/(accumulated losses)*	2,229	(24,112)	(21,883)
Non-controlling interests*	104,521	(28,754)	75,767

	31 December 2022 Previously reported* AED'000	Adjustment AED'000	31 December 2022 Restated AED'000
Financial Statement Level Item			
Insurance and reinsurance contract assets*	182,056	(69,343)	112,713
Retained earnings/(accumulated losses)*	(314)	(31,627)	(31,941)
Non-controlling interests*	103,381	(37,716)	65,665

	Six-month period ended 30 June 2022 Previously reported* AED'000	Adjustment AED'000	Six-month period ended 30 June 2022 Restated AED'000
Financial Statement Line Item			
Net income/(expenses) from reinsurance contracts held	(25,342)	(9,089)	(34,431)
Profit/(loss) for the period	14,471	(9,089)	5,382

**The transactions and balances as previously reported represents transaction and balances adjusted for IFRS 17.*

22 Approval of condensed interim financial information

The condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 14 August 2023.