

# **Abu Dhabi Islamic Bank PJSC**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**30 JUNE 2021 (UNAUDITED)**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ABU DHABI ISLAMIC BANK PJSC**

### *Introduction*

We have reviewed the accompanying interim financial information of Abu Dhabi Islamic Bank PJSC (“the Bank”) and its subsidiaries (together “the Group”) as at 30 June 2021, comprising the interim consolidated statement of financial position as at 30 June 2021 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim financial information in accordance with International Accounting Standard IAS 34 “*Interim Financial Reporting*” (“IAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah  
Registration No. 717  
28 July 2021  
Abu Dhabi  
United Arab Emirates

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

Three months and six months ended 30 June 2021 (Unaudited)

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<i>Notes</i>		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>OPERATING INCOME</b>					
Income from murabaha, mudaraba and wakala with financial institutions		<b>9,347</b>	14,356	<b>18,487</b>	43,451
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	<b>875,139</b>	916,251	<b>1,740,071</b>	1,938,066
Income from sukuk measured at amortised cost		<b>106,130</b>	125,313	<b>261,206</b>	276,797
Income from investments measured at fair value	6	<b>51,360</b>	74,712	<b>97,396</b>	53,225
Share of results of associates and joint ventures		<b>56,364</b>	7,655	<b>94,927</b>	18,587
Fees and commission income, net	7	<b>220,016</b>	205,836	<b>461,491</b>	417,140
Foreign exchange income		<b>61,112</b>	37,596	<b>116,819</b>	94,053
Income from investment properties		<b>9,325</b>	9,307	<b>18,558</b>	20,642
Other income		<b>1,498</b>	2,066	<b>6,598</b>	6,311
		<b><u>1,390,291</u></b>	<u>1,393,092</u>	<b><u>2,815,553</u></b>	<u>2,868,272</u>
<b>OPERATING EXPENSES</b>					
Employees' costs	8	<b>(352,242)</b>	(381,952)	<b>(717,775)</b>	(769,152)
General and administrative expenses	9	<b>(152,680)</b>	(162,940)	<b>(299,800)</b>	(323,204)
Depreciation		<b>(51,432)</b>	(64,999)	<b>(116,965)</b>	(138,792)
Amortisation of intangibles	25	<b>(13,651)</b>	(13,613)	<b>(27,151)</b>	(27,226)
Provision for impairment, net	10	<b>(233,287)</b>	(321,540)	<b>(366,804)</b>	(708,641)
		<b><u>(803,292)</u></b>	<u>(945,044)</u>	<b><u>(1,528,495)</u></b>	<u>(1,967,015)</u>
<b>PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS</b>					
		<b>586,999</b>	448,048	<b>1,287,058</b>	901,257
Distribution to depositors	11	<b>(81,551)</b>	(128,812)	<b>(171,277)</b>	(311,686)
<b>PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX</b>					
		<b>505,448</b>	319,236	<b>1,115,781</b>	589,571
Zakat and tax	12	<b>(4,277)</b>	(1,300)	<b>(6,987)</b>	(1,950)
<b>PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX</b>					
		<b><u>501,171</u></b>	<u>317,936</u>	<b><u>1,108,794</u></b>	<u>587,621</u>
Attributable to:					
Equity holders of the Bank		<b>501,005</b>	317,629	<b>1,108,403</b>	587,087
Non-controlling interest		<b>166</b>	307	<b>391</b>	534
		<b><u>501,171</u></b>	<u>317,936</u>	<b><u>1,108,794</u></b>	<u>587,621</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	<b><u>0.129</u></b>	<u>0.075</u>	<b><u>0.270</u></b>	<u>0.122</u>

The attached notes 1 to 42 form part of these condensed consolidated interim financial statements.

# Abu Dhabi Islamic Bank PJSC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Three months and six months ended 30 June 2021 (Unaudited)

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX</b>		<b>501,171</b>	317,936	<b>1,108,794</b>	587,621
<b>Other comprehensive gain (loss)</b>					
<i>Items that will not be reclassified to consolidated income statement</i>					
Net movement on valuation of equity investments carried at fair value through other comprehensive income	30	<b>29</b>	1,373	<b>635</b>	93
Directors' remuneration paid	36	<b>(7,350)</b>	-	<b>(7,350)</b>	(7,350)
<i>Items that may be subsequently reclassified to consolidated income statement</i>					
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	30	<b>6,939</b>	75,927	<b>(22,131)</b>	(7,468)
Exchange differences arising on translation of foreign operations	30	<b>940</b>	(10,569)	<b>(1,683)</b>	(23,216)
Gain (loss) on hedge of foreign operations	30	<b>1,190</b>	(697)	<b>2,317</b>	17,281
Fair value (loss) gain on cash flow hedge	30	<b>(346)</b>	2,736	<b>(949)</b>	1,687
<b>OTHER COMPREHENSIVE GAIN (LOSS) FOR THE PERIOD</b>		<b><u>1,402</u></b>	<u>68,770</u>	<b><u>(29,161)</u></b>	<u>(18,973)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>502,573</u></b>	<u>386,706</u>	<b><u>1,079,633</u></b>	<u>568,648</u>
Attributable to:					
Equity holders of the Bank		<b>502,407</b>	386,399	<b>1,079,242</b>	568,114
Non-controlling interest		<b><u>166</u></b>	<u>307</u>	<b><u>391</u></b>	<u>534</u>
		<b><u>502,573</u></b>	<u>386,706</u>	<b><u>1,079,633</u></b>	<u>568,648</u>

The attached notes 1 to 42 form part of these condensed consolidated interim financial statements.

# Abu Dhabi Islamic Bank PJSC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION At 30 June 2021 (Unaudited)

		<i>Audited</i>
		<i>30 June</i>
		<i>2021</i>
	<i>Notes</i>	<i>AED '000</i>
		<i>31 December</i>
		<i>2020</i>
		<i>AED '000</i>
<b>ASSETS</b>		
Cash and balances with central banks	14	19,561,714
Balances and wakala deposits with		
Islamic banks and other financial institutions	15	3,181,540
Murabaha and mudaraba with financial institutions	16	858,418
Murabaha and other Islamic financing	17	38,093,552
Ijara financing	18	45,606,746
Investment in sukuk measured at amortised cost	19	10,144,081
Investments measured at fair value	20	4,115,250
Investment in associates and joint ventures	21	1,388,789
Investment properties	22	1,296,237
Development properties	23	713,701
Other assets	24	3,126,870
Property and equipment		2,347,632
Goodwill and intangibles	25	173,936
<b>TOTAL ASSETS</b>		<b><u>130,608,466</u></b>
<b>LIABILITIES</b>		
Due to financial institutions	26	2,635,721
Depositors' accounts	27	105,158,530
Other liabilities	28	3,276,288
<b>Total liabilities</b>		<b><u>111,070,539</u></b>
<b>EQUITY</b>		
Share capital	29	3,632,000
Legal reserve		2,640,705
General reserve		2,407,016
Credit risk reserve		400,000
Retained earnings		5,896,853
Other reserves	30	(203,622)
Tier 1 sukuk	31	4,754,375
<b>Equity attributable to the equity and Tier 1 sukuk holders of the Bank</b>		<b><u>19,527,327</u></b>
Non-controlling interest		11,259
<b>Total equity</b>		<b><u>19,537,927</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>130,608,466</u></b>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	32	<b><u>12,629,666</u></b>

To the best of our knowledge, the condensed consolidated interim financial statements present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented there in.



Chairman



Group Chief Financial Officer

The attached notes 1 to 42 form part of these condensed consolidated interim financial statements.

# Abu Dhabi Islamic Bank PJSC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021 (Unaudited)

Attributable to the equity and Tier 1 sukuk holders of the Bank											
		Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit risk reserve AED '000	Retained earnings AED '000	Other reserves AED '000	Tier 1 sukuk AED '000	Total AED '000	Non-controlling interest AED '000	Total equity AED '000
Notes											
Balance at 1 January 2021 - audited		3,632,000	2,640,705	2,407,016	400,000	5,671,295	(354,766)	4,754,375	19,150,625	11,259	19,161,884
Profit for the period		-	-	-	-	1,108,403	-	-	1,108,403	391	1,108,794
Other comprehensive loss		-	-	-	-	(7,350)	(21,811)	-	(29,161)	-	(29,161)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	31	-	-	-	-	(30,830)	-	-	(30,830)	-	(30,830)
Zakat payable		-	-	-	-	193,758	-	-	193,758	-	193,758
Dividends paid	40	-	-	-	-	(747,343)	-	-	(747,343)	(1,050)	(748,393)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to Impairment reserve – General	30	-	-	-	-	(128,718)	128,718	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(44,237)	44,237	-	-	-	-
<b>Balance at 30 June 2021 - unaudited</b>		<b><u>3,632,000</u></b>	<b><u>2,640,705</u></b>	<b><u>2,407,016</u></b>	<b><u>400,000</u></b>	<b><u>5,896,853</u></b>	<b><u>(203,622)</u></b>	<b><u>4,754,375</u></b>	<b><u>19,527,327</u></b>	<b><u>10,600</u></b>	<b><u>19,537,927</u></b>
Balance at 1 January 2020 - audited		3,632,000	2,640,705	2,250,033	400,000	5,776,978	(361,775)	4,754,375	19,092,316	11,101	19,103,417
Profit for the period		-	-	-	-	587,087	-	-	587,087	534	587,621
Other comprehensive loss		-	-	-	-	(7,350)	(11,623)	-	(18,973)	-	(18,973)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	31	-	-	-	-	(45,979)	-	-	(45,979)	-	(45,979)
Dividends paid	40	-	-	-	-	(994,313)	-	-	(994,313)	-	(994,313)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to Impairment reserve – General		-	-	-	-	(83,725)	83,725	-	-	-	-
<b>Balance at 30 June 2020 - unaudited</b>		<b><u>3,632,000</u></b>	<b><u>2,640,705</u></b>	<b><u>2,250,033</u></b>	<b><u>400,000</u></b>	<b><u>5,114,573</u></b>	<b><u>(289,673)</u></b>	<b><u>4,754,375</u></b>	<b><u>18,502,013</u></b>	<b><u>11,635</u></b>	<b><u>18,513,648</u></b>

The attached notes 1 to 42 form part of these condensed consolidated interim financial statements.

# Abu Dhabi Islamic Bank PJSC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Six months ended 30 June 2021 (Unaudited)

		<i>Six months ended 30 June 2021 AED '000</i>	<i>Six months ended 30 June 2020 AED '000</i>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>1,108,794</b>	587,621
Adjustments for:			
Depreciation on investment properties	22	<b>3,213</b>	8,603
Depreciation on property and equipment		<b>78,605</b>	95,815
Depreciation on right-of-use assets		<b>35,147</b>	34,374
Amortisation of intangibles	25	<b>27,151</b>	27,226
Share of results of associates and joint ventures		<b>(94,927)</b>	(18,587)
Realised (gain) loss on investments carried at fair value through profit or loss	6	<b>(18,797)</b>	4,763
Unrealised gain on investments carried at fair value through profit or loss	6	<b>(775)</b>	(2,022)
Realised gain on sukuk carried at fair value through other comprehensive income	6	<b>(23,698)</b>	(7,715)
Dividend income	6	<b>(91)</b>	(200)
Finance cost on lease liabilities	9	<b>6,470</b>	6,515
Provision for impairment, net	10	<b>366,804</b>	708,641
Operating profit before changes in operating assets and liabilities		<b>1,487,896</b>	1,445,034
(Increase) decrease in balances with central banks		<b>(548,044)</b>	4,963,623
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		<b>(902,038)</b>	1,050,286
Increase murabaha and mudaraba with financial institutions		<b>(209,982)</b>	(516,423)
Increase in murabaha and other Islamic financing		<b>(2,281,939)</b>	(838,310)
Decrease (increase) in ijara financing		<b>1,615,612</b>	(628,493)
Net movement in investments carried at fair value through profit or loss		<b>(506,696)</b>	(1,159,212)
(Increase) decrease in other assets		<b>(306,158)</b>	20,176
(Decrease) increase due to financial institutions		<b>(594,912)</b>	984,319
Increase (decrease) in depositors' accounts		<b>3,884,719</b>	(2,773,507)
(Decrease) increase in other liabilities		<b>(140,750)</b>	293,522
Cash from operations		<b>1,497,708</b>	2,841,015
Directors' remuneration paid		<b>(7,350)</b>	(7,350)
Net cash from operating activities		<b>1,490,358</b>	2,833,665
<b>INVESTING ACTIVITIES</b>			
Net movement in investments carried at fair value through other comprehensive income		<b>(129,590)</b>	(395,018)
Net movement in investments carried at amortised cost		<b>209,931</b>	1,135,898
Dividend received from an associate		<b>8,333</b>	10,416
Dividend income received	6	<b>91</b>	200
Purchase of property and equipment		<b>(210,106)</b>	(70,030)
Net cash (used in) from investing activities		<b>(121,341)</b>	681,466
<b>FINANCING ACTIVITIES</b>			
Profit paid on Tier 1 sukuk – Listed (second issue)	31	<b>(98,125)</b>	(98,125)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	31	<b>(30,830)</b>	(45,979)
Finance cost on lease liability	9	<b>(6,470)</b>	(6,515)
Dividends paid		<b>(749,267)</b>	(994,710)
Net cash used in financing activities		<b>(884,692)</b>	(1,145,329)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>484,325</b>	2,369,802
Cash and cash equivalents at 1 January		<b>6,929,656</b>	6,515,417
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	35	<b>7,413,981</b>	8,885,219

Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, sukuk and customer deposits are as follows:

Profit received	<b>2,165,291</b>	2,017,848
Profit paid to depositors and sukuk holders	<b>186,668</b>	322,537

The attached notes 1 to 42 form part of these condensed consolidated interim financial statements.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi Islamic Bank PJSC (“the Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. The Federal Law No. 2 of 2015, concerning Commercial Companies has replaced the existing Federal Law No. 8 of 1984. The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Bank shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

On 23 September 2018, a new Decretal Federal Law No 14 of 2018 regarding the Central Bank and Organization of Financial Institutions and Activities was issued. As per the transitional provisions of the new law, financial institutions are to ensure compliance within 3 years from the date of issuance of the decretal law. The Bank is in the process of adopting the new decretal federal law and will be fully compliant before the transitional provisions deadline.

The Bank and its subsidiaries (“the Group”) carry out full banking services, financing and investing activities through various Islamic instruments such as Murabaha, Istisna’a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Fatwa and Shari’a Supervisory Board of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 65 branches in UAE (2020: 69 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The condensed consolidated interim financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

The registered office of the Bank is at P O Box 313, Abu Dhabi, UAE.

The condensed consolidated interim financial statements of the Group were authorised for issue by the Board of Directors on 28 July 2021.

### 2 DEFINITIONS

The following terms are used in the condensed consolidated interim financial statements with the meanings specified:

#### **Murabaha**

A sale contract, in which the Group sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price that consists of the purchase cost plus a mark-up profit.

#### **Istisna’a**

A sale contract, in which the Group (Al Saanee) sells an asset to be developed using its own materials to a customer (Al Mustasnee) according to pre-agreed upon precise specification, at a specific price, installments dates and to be delivered on a specific date. This developed asset can be either developed directly by the Group or through a subcontractor and then it is handed over to the customer on the pre-agreed upon date.

#### **Ijara**

A lease contract whereby the Group (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset that either exists currently or to be constructed in future (forward lease) for a specific period of time at specific rental installments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

#### **Qard Hasan**

A non-profit bearing loan that enables the borrower to use the borrowed amount for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges or profits.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

**2 DEFINITIONS** continued

**Musharaka**

A contract between the Group and a customer to entering into a partnership in an existing project (or to be established), or in the ownership of a specific asset, either on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to him/her its share in this partnership until he/she becomes the sole owner of it (diminishing musharaka). Profits are distributed according to the mutual agreement of the parties as stipulated in the contract; however, losses are borne according to the exact shares in the Musharaka capital on a pro-rata basis.

**Mudaraba**

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

**Wakalah**

A contract between the Group and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

**Sukuk**

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

**3 BASIS OF PREPARATION**

**3.1 (a) Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in compliance with general principles of the Shari'a as determined by the Group's Fatwa and Shari'a Supervisory Board.

**3.1 (b) Accounting convention**

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income, Shari'a compliant alternatives of derivative financial instruments which have been measured at fair value and land, held as property and equipment, which has been carried at revalued amount.

The condensed consolidated interim financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Bank and all values are rounded to the nearest thousand AED except where otherwise indicated.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 3 BASIS OF PREPARATION continued

#### 3.1 (c) Basis of consolidation

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

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			<b>2021</b>	<b>2020</b>
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	<b>95%</b>	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	<b>100%</b>	100%
MPM Properties LLC	Real estate services	United Arab Emirates	<b>100%</b>	100%
ADIB Invest 1	Equity brokerage services	BVI	<b>100%</b>	100%
Kawader Services LLC	Manpower supply	United Arab Emirates	<b>100%</b>	100%
ADIB (UK) Limited	Other services	United Kingdom	<b>100%</b>	100%
ADIB Holdings (Jersey) Ltd* (under liquidation)	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Alternatives Ltd*	Special purpose vehicle	Cayman Island	-	-

\*The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

These condensed consolidated interim financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represent the portion of the net income or loss and net assets of the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity of the Bank.

#### 3.2 Significant judgements and estimates

The preparation of the condensed consolidated interim financial statements in conformity with the International Financial Reporting Standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results for the six months ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

As required by Securities and Commodities Authority of UAE ("SCA") notification no. 2635/2008 dated 12 October 2008, accounting policies related to financial instruments as disclosed in the annual consolidated financial statements are provided below:

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

##### Changes in accounting policies after the adoption of IFRS

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 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Group's future transactions or arrangements.

##### *Amendments to References to the Conceptual Framework in IFRS Standards*

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

##### *Amendment to IFRS 3 Business Combinations relating to definition of a business.*

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.

##### *Amendments to IAS 1 and IAS 8 relating to Definition of Material.*

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

##### *Covid-19-related Rent Concessions (Amendment to IFRS 16)*

The amendment was published by International Accounting Standard Board in May 2020 to provide practical relief to lessees in accounting for rent concessions arising as a result of Covid-19.

##### *Profit Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).*

The impact of the replacement of interbank offered rates (IBOR) with alternative benchmark risk-free rates on the Group's products and services remains a key area of focus. The Group has exposure to contracts referencing benchmark rates, such as LIBOR and EIBOR, extending past 2021 when it is likely that these benchmark rates will cease being published. The Group's exposure to cash flow hedges and fair value hedges linked to benchmark rates maturing beyond the year 2021 is not considered material.

Management has commenced a project to ensure the Group's transition to new benchmark rate regimes after 2021 by considering changes in its products, services, systems and reporting. The project is significant in terms of scale and complexity and will impact all facets of its operations from customer contracts and dealings to banks risk management processes and earnings. The Group continues to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**New and revised IFRS in issue but not yet effective and not early adopted**

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IAS 16 <i>Property, Plant and Equipment</i> , Proceeds before intended use	1 January 2022
Annual Improvements 2018-2020 cycle	1 January 2022
Amendments to IFRS 3 <i>Business Combination</i>	1 January 2022
Amendments to IAS 37 <i>Onerous Contracts</i> , Cost of fulfilling a contract	1 January 2022
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 <i>Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

**Financial instruments**

***Recognition and measurement***

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:

- Customer financing;
- Balances and wakala deposits with Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; and
- Sharia compliant alternatives of derivatives.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

***Recognition and measurement*** continued

The Group's customer financing comprise the following:

- Murabaha and other Islamic financing; and
- Ijara financing.

Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

***Classification***

***Financial assets at amortised cost***

Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

***Financial assets at fair value through profit or loss ("FVTPL")***

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Other financial assets that do not meet the amortised cost criteria are classified as FVTPL. In addition, certain financial assets that meet the amortised cost criteria but at initial recognition are designated as FVTPL in line with the business model of the Group. As a fair value option, a financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets that are designated as FVTPL on initial recognition as fair value option is not allowed.

***Financial assets at fair value through other comprehensive income ("FVTOCI")***

At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of identified financial instrument that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a Shari'a compliant alternatives of derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

**Recognition and measurement** continued

**Measurement**

*Financial assets or financial liabilities carried at amortised cost*

Financial assets are recorded at amortised cost, which includes Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable. Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Balances and wakala deposits with Islamic banks and other financial institutions are stated at amortised cost less amounts written off and provision for impairment, if any.

Murabaha and mudaraba with financial institutions are stated at amortised cost (which excludes deferred income or expected profits) less provisions for impairment.

Islamic financing consist of murabaha receivables, mudaraba, Istisna'a, Islamic covered cards (murabaha based) and other Islamic financing.

Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

The Ijara is classified as a finance lease, when the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included within 'investment income' in the consolidated income statement.

*Financial assets at fair value through other comprehensive income ("FVTOCI")*

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity.

Where the assets are disposed off, except for sukuk measured at FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. Financial assets (equity instruments) measured at FVTOCI are not required to be tested for impairment.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*Financial assets at fair value through other comprehensive income ("FVTOCI") continued*

For sukuk measured at FVTOCI which are disposed off, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is reclassified from equity to consolidated income statement. Financial assets (Sukuk instruments) measured at FVTOCI are tested for impairment.

*Financial assets at fair value through other comprehensive income ("FVTOCI") continued*

For investments quoted in active market, fair value is determined by reference to quoted market prices.

For other investments, where there is no active market, fair value is normally based on one of the following:

- the expected cash flows discounted at current profit rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent market transactions

Dividends on investment in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of investment.

*(i) Recognition / De-recognition*

The Group initially recognises financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

Financing to customers are recognised on the day they are disbursed. A financial liability is recognised on the date the Group becomes a party to contractual provisions of the instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are sold are de-recognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on de-recognition.

*(ii) Offsetting of financial instruments*

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right and under Sharia'a framework to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**Impairment assessment:**

The Group assesses whether financial assets carried at amortised cost and carried at FVTOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the finance customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the finance customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.



**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*Impairment assessment:* continued

**Measurement of Expected Credit Losses (ECL):**

The impairment of financial assets are calculated in accordance with IFRS 9 expected credit loss (ECL) model. The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and sukuk measured at amortized cost or at fair value through OCI. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

**Stage 1:** 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD).

**Stage 2:** Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) measures. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

**Stage 3:** Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Group has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group developed a statistical model and for other portfolios judgmental models were developed.

**Renegotiated financing facilities**

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the exiting asset, then the expected cash flows arising from the modified financial asset are included in calculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified cash flows, that are discounted at the financial asset at the original effective profit rate and shall recognize the modification gain or loss in the profit or loss.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

**Purchased or originated credit impaired assets (POCI)**

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit income is subsequently recognized based on a credit-adjusted expected profit rate. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

**Covered card facilities**

The Group's product offering includes a variety of covered cards facilities, in which the Group has the right to cancel and/or reduce the facilities at a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

**Write-off**

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**Zakat**

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is responsible of his or her own Zakat. In accordance with the Articles and Memorandum of Association of the Bank, Zakat is computed by the Bank and it is approved by the Fatwa and Shari'a Supervisory Board of the Bank. However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total zakat amount and the Zakat amount per each outstanding share.

Zakat per share is calculated in accordance with AAOIFI's Accounting Standard number 9 & Shari'a Standard number 35, and the Group's Fatwa and Shari'a Supervisory Board Resolutions.

In accordance with the Memorandum of Association, the Group communicates the amount of Zakat per share and it is the responsibility of each shareholder to dispose personally his/her own Zakat (note 33).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**5 INCOME FROM MURABAHA, MUDARABA, IJARA AND OTHER ISLAMIC FINANCING FROM CUSTOMERS**

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Vehicle murabaha	55,980	57,273	112,332	116,174
Goods murabaha	48,263	29,581	75,581	66,851
Share murabaha	216,376	240,867	440,407	490,418
Commodities murabaha – Al Khair	88,907	89,475	177,619	183,702
Islamic covered cards (murabaha)	67,750	67,597	130,841	146,975
Other murabaha	<u>38,669</u>	<u>36,700</u>	<u>91,054</u>	<u>82,273</u>
Total murabaha	515,945	521,493	1,027,834	1,086,393
Mudaraba	-	96	36	192
Wakala	4,948	6,192	10,172	11,498
Ijara	354,237	388,410	702,010	839,858
Istisna'a	<u>9</u>	<u>60</u>	<u>19</u>	<u>125</u>
	<u>875,139</u>	<u>916,251</u>	<u>1,740,071</u>	<u>1,938,066</u>

**6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE**

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Income from sukuk measured at fair value through profit or loss	13,737	17,121	25,872	29,427
Income from sukuk measured at fair value through other comprehensive income	13,017	14,510	27,132	24,685
Realised gain (loss) on sale of investments carried at fair value through profit or loss	9,429	(377)	18,797	(4,763)
Unrealised gain on investments carried at fair value through profit or loss	6,377	41,828	775	2,022
Realised gain on sale of sukuk carried at fair value through other comprehensive income	8,479	3,018	23,698	7,715
Gain (loss) from other investment assets	237	(1,588)	1,031	(6,061)
Dividend income	<u>84</u>	<u>200</u>	<u>91</u>	<u>200</u>
	<u>51,360</u>	<u>74,712</u>	<u>97,396</u>	<u>53,225</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**7 FEES AND COMMISSION INCOME, NET**

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Fees and commission income</b>				
Fees and commission income on cards	<b>198,776</b>	137,833	<b>387,232</b>	321,747
Trade related fees and commission	<b>16,729</b>	15,937	<b>32,741</b>	34,199
Takaful related fees	<b>5,533</b>	33,670	<b>19,101</b>	66,478
Accounts services fees	<b>22,890</b>	17,673	<b>44,984</b>	37,172
Projects and property management fees	<b>10,583</b>	8,509	<b>21,846</b>	19,459
Risk participation and arrangement fees	<b>26,847</b>	26,776	<b>33,204</b>	36,737
Brokerage fees and commission	<b>5,306</b>	5,459	<b>11,927</b>	8,628
Other fees and commissions	<b><u>83,654</u></b>	<u>71,778</u>	<b><u>196,515</u></b>	<u>166,459</u>
Total fees and commission income	<b><u>370,318</u></b>	<u>317,635</u>	<b><u>747,550</u></b>	<u>690,879</u>
<b>Fees and commission expenses</b>				
Card related fees and commission expenses	<b>(134,974)</b>	(99,438)	<b>(255,097)</b>	(244,371)
Other fees and commission expenses	<b><u>(15,328)</u></b>	<u>(12,361)</u>	<b><u>(30,962)</u></b>	<u>(29,368)</u>
Total fees and commission expenses	<b><u>(150,302)</u></b>	<u>(111,799)</u>	<b><u>(286,059)</u></b>	<u>(273,739)</u>
Fees and commission income, net	<b><u>220,016</u></b>	<u>205,836</u>	<b><u>461,491</u></b>	<u>417,140</u>

**8 EMPLOYEES' COSTS**

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Salaries and wages	<b>316,020</b>	351,622	<b>645,472</b>	696,206
End of service benefits	<b>15,002</b>	16,492	<b>30,460</b>	33,378
Other staff expenses	<b><u>21,220</u></b>	<u>13,838</u>	<b><u>41,843</u></b>	<u>39,568</u>
	<b><u>352,242</u></b>	<u>381,952</u>	<b><u>717,775</u></b>	<u>769,152</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

**9 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Legal and professional expenses	<b>27,014</b>	32,329	<b>42,162</b>	57,217
Premises expenses	<b>16,259</b>	29,261	<b>38,373</b>	53,372
Marketing and advertising expenses	<b>15,954</b>	12,639	<b>28,681</b>	29,599
Communication expenses	<b>21,920</b>	20,095	<b>42,469</b>	39,985
Technology related expenses	<b>46,678</b>	38,745	<b>88,463</b>	76,829
Finance cost on lease liabilities	<b>3,273</b>	3,683	<b>6,470</b>	6,515
Other operating expenses	<b><u>21,582</u></b>	<u>26,188</u>	<b><u>53,182</u></b>	<u>59,687</u>
	<b><u>152,680</u></b>	<u>162,940</u>	<b><u>299,800</u></b>	<u>323,204</u>

**10 PROVISION FOR IMPAIRMENT, NET**

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and other Islamic financing	<b>75,733</b>	87,544	<b>181,079</b>	191,994
Ijara financing	<b>178,068</b>	186,140	<b>208,912</b>	420,332
Recoveries, net of direct write-off	<b>(16,771)</b>	(729)	<b>(14,601)</b>	(15,957)
Others	<b><u>(3,743)</u></b>	<u>48,585</u>	<b><u>(8,586)</u></b>	<u>112,272</u>
	<b><u>233,287</u></b>	<u>321,540</u>	<b><u>366,804</u></b>	<u>708,641</u>

**11 DISTRIBUTION TO DEPOSITORS**

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Saving accounts	<b>49,452</b>	45,099	<b>97,816</b>	90,800
Investment accounts	<b><u>32,099</u></b>	<u>83,713</u>	<b><u>73,461</u></b>	<u>220,886</u>
	<b><u>81,551</u></b>	<u>128,812</u>	<b><u>171,277</u></b>	<u>311,686</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**12 ZAKAT AND TAX**

**Zakat**

In few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these.

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is responsible of his or her own Zakat.

**Tax**

Bank pays tax only on its international branches and subsidiary in accordance with the tax laws prevailing in those countries.

**13 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing the profit for the period are attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of any financial instruments with dilutive effects.

The following reflects the income and shares data used in the earnings per share computations:

		<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>Notes</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period attributable to equity holders - (AED '000)		<b>501,005</b>	317,629	<b>1,108,403</b>	587,087
Less: profit attributable to Tier 1 sukuk:					
- Listed (second issue) - (AED '000)	31	-	-	<b>(98,125)</b>	(98,125)
- Government of Abu Dhabi - (AED '000)	31	<b>(30,830)</b>	(45,979)	<b>(30,830)</b>	(45,979)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		<b><u>470,175</u></b>	<u>271,650</u>	<b><u>979,448</u></b>	<u>442,983</u>
Weighted average number of ordinary shares in issue (000's)		<b><u>3,632,000</u></b>	<u>3,632,000</u>	<b><u>3,632,000</u></b>	<u>3,632,000</u>
Basic and diluted earnings per share (AED)		<b><u>0.129</u></b>	<u>0.075</u>	<b><u>0.270</u></b>	<u>0.122</u>

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised. Profit on Tier 1 sukuk is reflected in the EPS computation on the payment of such profit.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 14 CASH AND BALANCES WITH CENTRAL BANKS

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Cash on hand	1,549,675	1,541,178
Balances with central banks:		
- Current accounts	1,349,855	1,023,920
- Statutory reserve	7,261,028	9,013,897
- Islamic certificate of deposits	<u>9,401,156</u>	<u>8,000,529</u>
	<u>19,561,714</u>	<u>19,579,524</u>

The Bank is required to maintain statutory reserves with the Central Bank of the UAE, Iraq and Sudan on demand, time and other deposits. The statutory reserves are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Bank. Cash on hand and current accounts are not profit-bearing. Islamic certificate of deposits are profit bearing, which is based on entering into international commodities Murabaha transaction in which Central Bank of the UAE and Central Bank of Iraq are the buyers and the Bank is the seller.

The distribution of the cash and balances with central banks by geographic region is as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
UAE	17,953,959	18,217,266
Rest of the Middle East	1,488,936	1,187,942
Others	<u>118,819</u>	<u>174,316</u>
	<u>19,561,714</u>	<u>19,579,524</u>

### 15 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Current accounts	533,461	430,049
Wakala deposits	<u>2,662,146</u>	<u>1,871,662</u>
	3,195,607	2,301,711
Less: provision for impairment	<u>(14,067)</u>	<u>(14,577)</u>
	<u>3,181,540</u>	<u>2,287,134</u>

In accordance with Shari'a principles, deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
30 June 2021 (Unaudited)

**15 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS** continued

The distribution of the balances and wakala deposits with Islamic banks and other financial institutions by geographic region is as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
UAE	<b>910,734</b>	143,180
Rest of the Middle East	<b>1,621,258</b>	1,250,374
Europe	<b>173,064</b>	142,506
Others	<b><u>490,551</u></b>	<u>765,651</u>
	<b><u>3,195,607</u></b>	<u>2,301,711</u>

**16 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Murabaha	<b>858,603</b>	132,912
Less: provision for impairment	<b><u>(185)</u></b>	<u>(48)</u>
	<b><u>858,418</u></b>	<u>132,864</u>

In accordance with Shari'a principles, Mudaraba are with Islamic financial institutions or provided for the activities that are entirely Sharia' compliant.

The distribution of the gross murabaha and mudaraba with financial institutions by geographic region is as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
UAE	<b>777,973</b>	45,096
Rest of the Middle East	<b><u>80,630</u></b>	<u>87,816</u>
	<b><u>858,603</u></b>	<u>132,912</u>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 17 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Vehicle murabaha	4,995,821	5,041,904
Goods murabaha	7,902,676	5,845,608
Share murabaha	15,545,072	16,027,978
Commodities murabaha – Al Khair	7,146,422	7,049,669
Islamic covered cards (murabaha)	9,570,304	11,444,899
Other murabaha	<u>6,136,131</u>	<u>5,686,406</u>
Total murabaha	51,296,426	51,096,464
Mudaraba	27,615	28,379
Wakala	1,262,021	1,096,471
Istisna'a	93,342	93,950
Other financing receivables	<u>51,484</u>	<u>60,676</u>
Total murabaha and other Islamic financing	52,730,888	52,375,940
Less: deferred income on murabaha	<u>(12,501,196)</u>	<u>(14,423,716)</u>
	40,229,692	37,952,224
Less: provision for impairment	<u>(2,136,140)</u>	<u>(1,974,133)</u>
	<u>38,093,552</u>	<u>35,978,091</u>

The distribution of the gross murabaha and other Islamic financing by industry sector and geographic region was as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b>Industry sector:</b>		
Government	297,965	294,591
Public sector	4,402,213	3,263,132
Corporates	2,186,850	2,011,543
Financial institutions	1,925,148	1,441,073
Individuals	31,027,383	30,597,204
Small and medium enterprises	<u>390,133</u>	<u>344,681</u>
	<u>40,229,692</u>	<u>37,952,224</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**17 MURABAHA AND OTHER ISLAMIC FINANCING** continued

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b>Geographic region:</b>		
UAE	34,921,196	34,309,824
Rest of the Middle East	2,655,305	1,584,497
Europe	2,007,893	1,512,329
Others	<u>645,298</u>	<u>545,574</u>
	<u><b>40,229,692</b></u>	<u><b>37,952,224</b></u>

**18 IJARA FINANCING**

This represents net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The documentation includes a separate undertaking from the Bank to sell the leased assets to the lessee upon the maturity of the lease.

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	9,254,406	10,041,304
Due in the second to fifth year	22,914,581	21,777,280
Due after five years	<u>27,457,455</u>	<u>30,437,991</u>
Total Ijara financing	59,626,442	62,256,575
Less: deferred income	<u>(11,787,869)</u>	<u>(12,802,018)</u>
Net present value of minimum lease payments receivable	47,838,573	49,454,557
Less: provision for impairment	<u>(2,231,827)</u>	<u>(2,023,287)</u>
	<u><b>45,606,746</b></u>	<u><b>47,431,270</b></u>

The distribution of the gross ijara financing by industry sector and geographic region was as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b>Industry sector:</b>		
Government	414,896	-
Public sector	8,900,384	9,578,891
Corporates	16,470,067	17,725,429
Individuals	21,814,463	21,904,338
Small and medium enterprises	93,885	101,598
Non-profit organisations	<u>144,878</u>	<u>144,301</u>
	<u><b>47,838,573</b></u>	<u><b>49,454,557</b></u>

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**18 IJARA FINANCING** continued

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b>Geographic region:</b>		
UAE	<b>46,226,960</b>	47,808,671
Rest of the Middle East	<b>1,143,046</b>	1,017,418
Europe	<b>137,092</b>	381,501
Others	<b><u>331,475</u></b>	<u>246,967</u>
	<b><u>47,838,573</u></b>	<u>49,454,557</u>

**19 INVESTMENT IN SUKUK MEASURED AT AMORTISED COST**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Sukuk - Quoted	<b>10,230,151</b>	10,440,082
Less: provision for impairment	<b><u>(86,070)</u></b>	<u>(89,705)</u>
	<b><u>10,144,081</u></b>	<u>10,350,377</u>

The distribution of the gross investments by geographic region was as follows:

UAE	<b>7,090,711</b>	7,930,840
Rest of the Middle East	<b>2,453,331</b>	2,093,403
Others	<b><u>686,109</u></b>	<u>415,839</u>
	<b><u>10,230,151</u></b>	<u>10,440,082</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**20 INVESTMENTS MEASURED AT FAIR VALUE**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	<b>7,909</b>	5,983
Sukuk	<b><u>2,170,770</u></b>	<u>1,646,428</u>
	<b><u>2,178,679</u></b>	<u>1,652,411</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	<b>25,724</b>	25,693
Sukuk	<b><u>1,771,701</u></b>	<u>1,638,636</u>
	<b><u>1,797,425</u></b>	<u>1,664,329</u>
Unquoted investments		
Sukuk	<b>72,370</b>	72,437
Funds	<b>33,249</b>	34,365
Private equities	<b><u>50,305</u></b>	<u>50,426</u>
	<b><u>155,924</u></b>	<u>157,228</u>
	<b><u>1,953,349</u></b>	<u>1,821,557</u>
	<b>4,132,028</b>	3,473,968
Less: provision for impairment	<b><u>(16,778)</u></b>	<u>(15,774)</u>
<b>Total investments measured at fair value</b>	<b><u>4,115,250</u></b>	<u>3,458,194</u>

The distribution of the gross investments by geographic region was as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
UAE	<b>1,881,574</b>	2,141,586
Rest of the Middle East	<b>1,238,976</b>	623,276
Europe	<b>4,664</b>	383
Others	<b><u>1,006,814</u></b>	<u>708,723</u>
	<b><u>4,132,028</u></b>	<u>3,473,968</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The movement in the carrying amount during the period was as follows:

	<b>30 June 2021 AED '000</b>	<i>Audited 31 December 2020 AED '000</i>
At the beginning of the period	<b>1,317,769</b>	1,296,784
Share of results	<b>94,927</b>	10,781
Dividends received	<b>(8,333)</b>	(10,416)
Foreign currency translation	<b><u>579</u></b>	<u>20,620</u>
	<b>1,404,942</b>	1,317,769
Less: provision for impairment	<b><u>(16,153)</u></b>	<u>(16,107)</u>
At the end of the period	<b><u>1,388,789</u></b>	<u>1,301,662</u>

The movement in the provision for impairment during the period was as follows:

At the beginning of the period	<b>16,107</b>	16,535
Charge (reversals) for the period	<b><u>46</u></b>	<u>(428)</u>
At the end of the period	<b><u>16,153</u></b>	<u>16,107</u>

Details of the Bank's investment in associates and joint ventures at 30 June is as follows:

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<b>2021 %</b>	<b>2020 %</b>	
<b>Associates</b>				
Abu Dhabi National Takaful PJSC	UAE	<b>42</b>	42	Islamic insurance
Bosna Bank International D.D	Bosnia	<b>27</b>	27	Islamic banking
The Residential REIT (IC) Limited	UAE	<b>29</b>	30	Real estate fund
<b>Joint ventures</b>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	<b>49</b>	49	Islamic Banking
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	<b>51</b>	51	Islamic Retail Finance
Arab Link Money Transfer PSC (under liquidation)	UAE	<b>51</b>	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	<b>51</b>	51	Merchant acquiring

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**22 INVESTMENT PROPERTIES**

The movement in investment properties balance during the period was as follows:

	<b>30 June 2021 AED '000</b>	<i>Audited</i> <b>31 December 2020 AED '000</b>
Cost:		
Balance at the beginning of the period	<b>1,507,307</b>	1,529,731
Other adjustments	-	1,694
Disposals	<u><b>(10,897)</b></u>	<u>(24,118)</u>
Gross balance at the end of the period	<b>1,496,410</b>	1,507,307
Less: provision for impairment	<u><b>(119,071)</b></u>	<u>(119,071)</u>
Net balance at the end of the period	<u><b>1,377,339</b></u>	<u>1,388,236</u>
Accumulated depreciation:		
Balance at the beginning of the period	<b>77,889</b>	69,849
Charge for the period	<b>3,213</b>	16,859
Relating to disposals	<u>-</u>	<u>(8,819)</u>
Balance at the end of the period	<u><b>81,102</b></u>	<u>77,889</u>
Net book value at the end of the period	<u><b>1,296,237</b></u>	<u>1,310,347</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 18,558 thousand (30 June 2020: AED 18,947 thousand) for the six months period ended 30 June 2021.

The movement in the provision for impairment during the period was as follows:

	<b>30 June 2021 AED '000</b>	<i>Audited</i> <b>31 December 2020 AED '000</b>
At the beginning of the period	<b>119,071</b>	118,446
Charge for the period	<u>-</u>	<u>625</u>
Balance at the end of the period	<u><b>119,071</b></u>	<u>119,071</u>

The distribution of investment properties by geographic region was as follows:

UAE	<b>1,407,094</b>	1,421,204
Rest of the Middle East	<u><b>8,214</b></u>	<u>8,214</u>
	<u><b>1,415,308</b></u>	<u>1,429,418</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**23 DEVELOPMENT PROPERTIES**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Development properties	<b>837,381</b>	837,381
Less: provision for impairment	<b><u>(123,680)</u></b>	<u>(123,680)</u>
	<b><u>713,701</u></b>	<u>713,701</u>

The movement in the provision for impairment during the period was as follows:

At the beginning of the period	<b>123,680</b>	92,532
Charge for the period	<b><u>-</u></b>	<u>31,148</u>
At the end of the period	<b><u>123,680</u></b>	<u>123,680</u>

Development properties include land with a carrying value of AED 676,320 thousand (2020: AED 676,320 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

**24 OTHER ASSETS**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Acceptances	<b>175,923</b>	258,622
Assets acquired in satisfaction of claims	<b>87,212</b>	88,737
Trade receivables	<b>381,528</b>	243,212
Prepaid expenses	<b>784,304</b>	613,289
Accrued profit	<b>220,767</b>	223,727
Other receivables (note 36)	<b>183,625</b>	183,625
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	<b>-</b>	2,796
Others, net	<b><u>1,293,511</u></b>	<u>1,206,601</u>
	<b><u>3,126,870</u></b>	<u>2,820,609</u>

Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as "Assets acquired in satisfaction of claims". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**25 GOODWILL AND INTANGIBLES**

	<i>Other intangible assets</i>			
	<i>Goodwill</i>	<i>Customer</i>	<i>Core</i>	<i>Total</i>
	<i>AED '000</i>	<i>relationships</i>	<i>deposit</i>	<i>AED '000</i>
		<i>AED '000</i>	<i>AED '000</i>	
At 1 January 2020 - audited	109,888	121,557	24,394	255,839
Amortisation during the year	—	(45,600)	(9,152)	(54,752)
At 1 January 2021 - audited	<b>109,888</b>	<b>75,957</b>	<b>15,242</b>	<b>201,087</b>
Amortisation during the period	—	(22,613)	(4,538)	(27,151)
At 30 June 2021 - unaudited	<b><u>109,888</u></b>	<b><u>53,344</u></b>	<b><u>10,704</u></b>	<b><u>173,936</u></b>

On 6 April 2014, the Bank acquired retail banking business of Barclays Bank in the U.A.E. During the second quarter 2014, the acquisition was approved by the Central Bank of the UAE. Based on the purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible asset and AED 109,888 as goodwill.

**Goodwill**

For the purpose of impairment testing, goodwill is allocated to the Bank's operating divisions which represent the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

**Other intangible assets**

Customer relationships	Customer relationship intangible asset represents the value attributable to the business expected to be generated from customers that existed at the acquisition date. In determining the fair value of customer relationships, covered cards customers were considered separately, given their differing risk profiles, relationships and loyalty. The relationships are expected to generate material recurring income in the form of customer revenues, fees and commissions.
Core deposit	The value of core deposit intangible asset arises from the fact that the expected profit distribution on these deposits, governed by their contractual terms, are expected to be lower than other wholesale or treasury sukuk instruments' expected profit distributions. The spread between the expected profit distributions on these deposits and sukuk instruments represents the value of the core deposit intangible.

**26 DUE TO FINANCIAL INSTITUTIONS**

	<i>30 June</i>	<i>Audited</i>
	<i>2021</i>	<i>31 December</i>
	<i>AED '000</i>	<i>AED '000</i>
Current accounts	<b>1,715,796</b>	2,795,295
Funding under the CBUAE TESS	—	665,000
Investment deposits	<b><u>862,938</u></b>	<u>280,356</u>
	<b>2,578,734</b>	3,740,651
Current account – Central Bank of UAE	<b><u>56,987</u></b>	<u>32,594</u>
	<b><u>2,635,721</u></b>	<u>3,773,245</u>

Funding under the CBUAE Targeted Economic Support Scheme (TESS) program availed by the Group amounts to nil (2020: AED 665,000 thousand) which has been fully utilized to provide payment relief to the impacted customers.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**27 DEPOSITORS' ACCOUNTS**

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Current accounts	<b>33,015,395</b>	31,512,411
Investment accounts	<b>71,426,469</b>	69,079,821
Profit equalisation reserve	<b><u>716,666</u></b>	<u>683,896</u>
	<b><u>105,158,530</u></b>	<u>101,276,128</u>

The movement in the profit equalisation reserve during the period was as follows:

At the beginning of the period	<b>683,896</b>	677,848
Share of profit for the period	<b>32,770</b>	41,822
Payment made during the period	<b><u>-</u></b>	<u>(35,774)</u>
At the end of the period	<b><u>716,666</u></b>	<u>683,896</u>

The distribution of the gross depositors' accounts by industry sector was as follows:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Government	<b>11,280,678</b>	9,892,653
Public sector	<b>6,750,008</b>	7,639,002
Corporates	<b>4,110,770</b>	6,028,698
Financial institutions	<b>2,240,046</b>	1,393,956
Individuals	<b>67,314,213</b>	64,388,678
Small and medium enterprises	<b>10,294,179</b>	9,265,891
Non-profit organisations	<b><u>3,168,636</u></b>	<u>2,667,250</u>
	<b><u>105,158,530</u></b>	<u>101,276,128</u>

The Bank invests all of its investment accounts including saving accounts, adjusted for UAE, Iraq and Sudan Central Bank reserve requirements and the Group's liquidity requirements.

With respect to investment deposits, the Bank is liable only in case of misconduct, negligence or breach of contract otherwise it is on the account of the fund's provider (Rab Al Mal) or the principal (the Muwakkil).

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 28 OTHER LIABILITIES

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Accounts payable	344,252	339,269
Acceptances	175,923	258,622
Lease liabilities	293,037	265,549
Accrued profit for distribution to depositors and sukuk holders	162,050	210,342
Bankers' cheques	539,301	542,148
Provision for staff benefits and other expenses	361,326	414,079
Retentions payable	10,925	11,005
Advances from customers	64,241	60,008
Accrued expenses	360,134	415,256
Unclaimed dividends	92,375	93,249
Deferred income	108,611	108,017
Charity account	193	2,531
Donation account	29,632	18,627
Zakat Payable	-	193,758
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	323	-
Others	<u>733,965</u>	<u>672,421</u>
	<b><u>3,276,288</u></b>	<b><u>3,604,881</u></b>

### 29 SHARE CAPITAL

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b>Authorised share capital:</b>		
4,000,000 thousand (2020: 4,000,000 thousand) ordinary shares of AED 1 each (2020: AED 1 each)	<b><u>4,000,000</u></b>	<b><u>4,000,000</u></b>
<b>Issued and fully paid share capital:</b>		
3,632,000 thousand (2020: 3,632,000 thousand) ordinary shares of AED 1 each (2020: AED 1 each)	<b><u>3,632,000</u></b>	<b><u>3,632,000</u></b>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**30 OTHER RESERVES**

	<i>Cumulative changes in fair values AED '000</i>	<i>Land revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserve AED '000</i>	<i>Impairment reserve - Specific AED '000</i>	<i>Impairment reserve - General AED '000</i>	<i>Total AED '000</i>
<b>At 1 January 2021 - audited</b>	<b>(143,746)</b>	<b>192,700</b>	<b>(861,367)</b>	<b>-</b>	<b>61,662</b>	<b>395,985</b>	<b>(354,766)</b>
Net movement in valuation of equity investment carried at FVTOCI	635	-	-	-	-	-	635
Net movement in valuation of investment in sukuk carried at FVTOCI	1,567	-	-	-	-	-	1,567
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(23,698)	-	-	-	-	-	(23,698)
Exchange differences arising on translation of foreign operations	-	-	(1,683)	-	-	-	(1,683)
Gain on hedge of foreign operations	-	-	2,317	-	-	-	2,317
Fair value loss on cash flow hedges	-	-	-	(949)	-	-	(949)
Net movement in impairment reserve – Specific	-	-	-	-	44,237	-	44,237
Net movement in impairment reserve – General	-	-	-	-	-	128,718	128,718
<b>At 30 June 2021 - unaudited</b>	<b>(165,242)</b>	<b>192,700</b>	<b>(860,733)</b>	<b>(949)</b>	<b>105,899</b>	<b>524,703</b>	<b>(203,622)</b>
At 1 January 2020 - audited	(169,102)	192,700	(791,145)	2,336	-	403,436	(361,775)
Net movement in valuation of equity investment carried at FVTOCI	93	-	-	-	-	-	93
Net movement in valuation of investment in sukuk carried at FVTOCI	247	-	-	-	-	-	247
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(7,715)	-	-	-	-	-	(7,715)
Exchange differences arising on translation of foreign operations	-	-	(23,216)	-	-	-	(23,216)
Gain on hedge of foreign operations	-	-	17,281	-	-	-	17,281
Fair value gain on cash flow hedges	-	-	-	1,687	-	-	1,687
Net movement in impairment reserve – General	-	-	-	-	-	83,725	83,725
At 30 June 2020 - unaudited	(176,470)	192,700	(797,080)	4,023	-	487,161	(289,673)

**31 TIER 1 SUKUK**

	<i>Audited 30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
Tier 1 sukuk – Listed (second issue)	2,754,375	2,754,375
Tier 1 sukuk – Government of Abu Dhabi	2,000,000	2,000,000
	<b>4,754,375</b>	<b>4,754,375</b>

**Tier 1 sukuk – Listed (second issue)**

On 20 September 2018, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (second issue) (the "Sukuk") amounting to AED 2,754,375 thousand (USD 750 million). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 19 August 2018. Issuance costs amounting to AED 19,373 thousand were incurred at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank upon its conclusion subject to the terms and conditions of the mudaraba. The sukuk is listed on the Irish stock exchange and is callable by the Bank after period ending on 20 September 2023 (the "First Call Date") or any achieved profit payment date thereafter subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 7.125%, such achieved profit is payable during the initial period of five years semi-annually in arrears. After the initial period, and for every 5<sup>th</sup> year thereafter, resets to a new expected mudaraba profit rate based on the then 5 year US treasury rate plus an expected margin of 4.270%. Profit distributions will be reported in the consolidated statement of changes in equity.

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**31 TIER 1 SUKUK continued**

**Tier 1 sukuk – Listed (second issue) continued**

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of the next following payment of expected mudaraba profit distribution.

**Tier 1 sukuk – Government of Abu Dhabi**

On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk-Gov") to the Department of Finance of the Government of Abu Dhabi, with a principal amount of AED 2,000,000 thousand. Issuance of this Sukuk-Gov was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk-Gov is callable by the Bank subject to certain conditions. The Sukuk-Gov bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of two consecutive expected mudaraba profit distribution.

**32 CONTINGENT LIABILITIES AND COMMITMENTS**

Credit related commitments include commitments to extend Islamic credit facilities, standby letters of credit, guarantees, which are designed to meet the requirements of the Bank's customers.

Commitments to extend Islamic credit facilities represent contractual commitments under Islamic financing contracts. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**32 CONTINGENT LIABILITIES AND COMMITMENTS** continued

The Bank has the following credit related contingencies, commitments and other capital commitments:

	<i>30 June 2021 AED '000</i>	<i>Audited 31 December 2020 AED '000</i>
<b><i>Contingent liabilities</i></b>		
Letters of credit	<b>5,762,572</b>	6,898,871
Letters of guarantee	<b><u>5,911,477</u></b>	<u>6,254,485</u>
	<b><u>11,674,049</u></b>	<u>13,153,356</u>
<b><i>Commitments</i></b>		
Undrawn facilities commitments	<b>747,335</b>	582,694
Future capital expenditure	<b>203,275</b>	172,206
Investment and development properties	<b><u>5,007</u></b>	<u>4,986</u>
	<b><u>955,617</u></b>	<u>759,886</u>
	<b><u>12,629,666</u></b>	<u>13,913,242</u>

**33 ZAKAT**

As the Bank is not required to pay Zakat by laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, accordingly the responsibility of paying Zakat is that of the shareholders. Based on the management valuation of the Bank's net assets, which are subject to Zakat, the share value, for Zakat purposes based on Gregorian year, was estimated at AED 259,128 thousand (2019: AED 255,539 thousand) and accordingly, Zakat is estimated at AED 0.07135 (2019: AED 0.07036) per outstanding share.

However, in few jurisdictions, Zakat of the Bank's branches is mandatory by law either by taking provision or paying to a respective governmental entity responsible for Zakat. Therefore, the Bank has acted according to the law and paid the Zakat to these entities on behalf of the Shareholders and deducted the amount paid from the above total Zakat amount and accordingly adjusted the Zakat amount per each outstanding share.

Tier 1 Sukuk Zakat, based on Gregorian year, was estimated at AED 85,571 thousand (2019: AED 86,012 thousand) and accordingly, Zakat is estimated at AED 0.01800 (2019: AED 0.01809) per each AED dirham invested in Tier 1 Sukuk.

To assist the investors in ADIB Tier 1 Sukuk, the Bank has calculated their above Zakat amount. The payment of such Zakat amount is solely the responsibility of the investors in these Tier 1 Sukuk.

**34 COMPLIANCE RISK REVIEW**

In 2014 ADIB became aware of certain financial transactions relating to U.S. dollar payments that potentially breached U.S. sanctions laws in effect at that time. After learning of these potential breaches, ADIB appointed external legal advisers to assist it in reviewing these transactions and reviewing its compliance with U.S. sanctions laws and its compliance processes generally. Following this review, ADIB submitted its findings to relevant regulators in the UAE and the USA in early 2017. This review also assisted ADIB in identifying additional steps to ensure compliance with applicable sanctions laws, and ADIB enhanced its processes accordingly. As at 30 June 2021, the relevant regulators have not responded following receipt of ADIB's findings and, as such, the likely outcome of their review remains unknown.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**35 CASH AND CASH EQUIVALENTS**

	<i>30 June 2021 AED '000</i>	<i>30 June 2020 AED '000</i>
Cash and balances with central banks, short term	<b>7,999,648</b>	9,969,564
Balances and wakala deposits with Islamic banks and other financial institutions, short term	<b>1,444,256</b>	1,559,710
Murabaha and mudaraba with financial institutions, short term	<b>515,709</b>	4,033
Due to financial institutions, short term	<b>(2,545,632)</b>	(2,648,088)
	<b><u>7,413,981</u></b>	<b><u>8,885,219</u></b>

**36 RELATED PARTY TRANSACTIONS**

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising major shareholders, directors, associates and joint ventures, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. During 2016, related party financing were renegotiated based on the terms approved by the Board of Directors and are free of any specific provision for impairment. Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 9.9% (2020: 0% to 9.9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the period have ranged from 0% to 2.0% per annum (2020: 0% to 2.0% per annum).

During the period, significant transactions with related parties included in the condensed consolidated interim income statement were as follows:

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<b>30 June 2021 - unaudited</b>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<b><u>8,551</u></b>	<u>—</u>	<b><u>8,551</u></b>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<b><u>26,271</u></b>	<b><u>18</u></b>	<u>—</u>	<b><u>33,426</u></b>	<b><u>59,715</u></b>
Fees and commission income, net	<u>—</u>	<b><u>2</u></b>	<b><u>141</u></b>	<b><u>590</u></b>	<b><u>733</u></b>
Operating expenses	<u>—</u>	<b><u>252</u></b>	<u>—</u>	<u>—</u>	<b><u>252</u></b>
Distribution to depositors and sukuk holders	<b><u>28</u></b>	<b><u>3</u></b>	<b><u>458</u></b>	<b><u>4</u></b>	<b><u>493</u></b>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 36 RELATED PARTY TRANSACTIONS continued

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<i>30 June 2020 - unaudited</i>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>10,387</u>	<u>-</u>	<u>10,387</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>26,113</u>	<u>1,252</u>	<u>-</u>	<u>36,286</u>	<u>63,651</u>
Fees and commission income, net	<u>-</u>	<u>-</u>	<u>883</u>	<u>1,145</u>	<u>2,028</u>
Operating expenses	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Distribution to depositors and sukuk holders	<u>422</u>	<u>3</u>	<u>419</u>	<u>4</u>	<u>848</u>

The related party balances included in the condensed consolidated interim statement of financial position were as follows:

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<i>30 June 2021 - unaudited</i>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	<b>319,549</b>	-	<b>319,549</b>
Murabaha and mudaraba with financial institutions	-	-	<b>80,110</b>	-	<b>80,110</b>
Murabaha, mudaraba, ijara and other Islamic financing	<b>2,677,640</b>	<b>1,633</b>	-	<b>3,244,685</b>	<b>5,923,958</b>
Other assets	<u>183,625</u>	<u>-</u>	<u>531,525</u>	<u>654</u>	<u>715,804</u>
	<u>2,861,265</u>	<u>1,633</u>	<u>931,184</u>	<u>3,245,339</u>	<u>7,039,421</u>
Due to financial institutions	-	-	<b>6,753</b>	-	<b>6,753</b>
Depositors' accounts	<b>156,371</b>	<b>9,501</b>	<b>233,590</b>	<b>39,381</b>	<b>438,843</b>
Other liabilities	<u>-</u>	<u>64</u>	<u>53</u>	<u>656</u>	<u>773</u>
	<u>156,371</u>	<u>9,565</u>	<u>240,396</u>	<u>40,037</u>	<u>446,369</u>
Contingencies	<u>-</u>	<u>-</u>	<u>17,010</u>	<u>82,699</u>	<u>99,709</u>
<i>31 December 2020 - audited</i>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	319,585	-	319,585
Murabaha and mudaraba with financial institutions	-	-	88,105	-	88,105
Murabaha, mudaraba, ijara and other Islamic financing	2,651,377	56,147	-	3,189,047	5,896,571
Other assets	<u>183,625</u>	<u>-</u>	<u>517,890</u>	<u>8,271</u>	<u>709,786</u>
	<u>2,835,002</u>	<u>56,147</u>	<u>925,580</u>	<u>3,197,318</u>	<u>7,014,047</u>
Due to financial institutions	-	-	5,128	-	5,128
Depositors' accounts	129,170	7,987	253,856	34,790	425,803
Other liabilities	<u>1</u>	<u>-</u>	<u>23</u>	<u>8,272</u>	<u>8,296</u>
	<u>129,171</u>	<u>7,987</u>	<u>259,007</u>	<u>43,062</u>	<u>439,227</u>
Contingencies	<u>-</u>	<u>-</u>	<u>19,601</u>	<u>91,510</u>	<u>111,111</u>

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**36 RELATED PARTY TRANSACTIONS** continued

The Bank and its major shareholder jointly own a controlling stake in Abu Dhabi Islamic Bank – Egypt (S.A.E.) ("ADIB-Egypt") and have a formal joint control arrangement for their investment in ADIB-Egypt (note 21).

**Compensation of key management personnel**

The compensation of key management personnel during the period was as follows:

	<i>Six months ended 30 June 2021 AED '000</i>	<i>Six months ended 30 June 2020 AED '000</i>
Salaries and other benefits	<b>11,615</b>	15,218
Employees' end of service benefits	<b><u>845</u></b>	<u>1,236</u>
	<b><u>12,460</u></b>	<u>16,454</u>

During 2021, AED 7,350 thousand payable to Board of Directors pertaining to the year ended 31 December 2020 was approved by the shareholders at the Annual General Assembly held on 04<sup>th</sup> April 2021.

**37 SEGMENT INFORMATION**

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

Global Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahat, Ijara, Islamic covered card and funds transfer facilities and trade finance facilities.

Global Wholesale banking – Principally handling financing and other credit facilities and deposits and current accounts for corporate and institutional customers.

Private banking - Principally handling financing and other credit facilities, deposits and current accounts for high net worth individual customers.

Treasury – Principally handling money market, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

Real estate – Subsidiaries of the Bank handling the acquisition, selling, development and leasing including both land and buildings, management and resale of properties and all associated activities.

Other operations - Other operations comprises mainly of Head Office, subsidiaries, associates and joint ventures other than above categories including unallocated costs.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 June 2021 (Unaudited)

### 37 SEGMENT INFORMATION continued

	<i>Global Retail banking AED '000</i>	<i>Global Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Treasury AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
<b>30 June 2021 - unaudited</b>							
<b>Revenue and results</b>							
Segment revenues, net	1,528,984	423,362	67,412	411,773	28,998	183,747	2,644,276
Operating expenses excluding provision for impairment, net	(918,171)	(137,096)	(29,495)	(20,411)	(29,748)	(26,770)	(1,161,691)
Operating profit (margin)	610,813	286,266	37,917	391,362	(750)	156,977	1,482,585
Provision for impairment, net	(54,758)	(187,264)	2,172	(1,161)	-	(125,793)	(366,804)
Profit (loss) for the period – before zakat and tax	556,055	99,002	40,089	390,201	(750)	31,184	1,115,781
Zakat and tax	-	(4,592)	(2,395)	-	-	-	(6,987)
Profit (loss) for the period – after zakat and tax	556,055	94,410	37,694	390,201	(750)	31,184	1,108,794
Non-controlling interest	-	-	-	-	-	(391)	(391)
<b>Profit (loss) for the period attributable to equity holders of the Bank</b>	<b>556,055</b>	<b>94,410</b>	<b>37,694</b>	<b>390,201</b>	<b>(750)</b>	<b>30,793</b>	<b>1,108,403</b>
<b>Assets</b>							
Segmental assets	54,181,243	36,696,852	4,496,389	26,237,823	2,059,807	6,936,352	130,608,466
<b>Liabilities</b>							
Segmental liabilities	74,859,103	22,795,984	5,870,312	3,030,467	248,772	4,265,901	111,070,539
<b>30 June 2020 - unaudited</b>							
<b>Revenue and results</b>							
Segment revenues, net	1,583,758	443,215	60,625	235,475	29,704	203,809	2,556,586
Operating expenses excluding provision for impairment, net	(961,217)	(165,732)	(27,021)	(20,955)	(33,067)	(50,382)	(1,258,374)
Operating profit (margin)	622,541	277,483	33,604	214,520	(3,363)	153,427	1,298,212
Provision for impairment, net	(88,478)	(490,910)	(11,839)	(3,112)	-	(114,302)	(708,641)
Profit (loss) for the period – before zakat and tax	534,063	(213,427)	21,765	211,408	(3,363)	39,125	589,571
Zakat and tax	-	(1,950)	-	-	-	-	(1,950)
<b>Profit (loss) for the period – after zakat and tax</b>	<b>534,063</b>	<b>(215,377)</b>	<b>21,765</b>	<b>211,408</b>	<b>(3,363)</b>	<b>39,125</b>	<b>587,621</b>
Non-controlling interest	-	-	-	-	-	(534)	(534)
<b>Profit (loss) for the period attributable to equity holders of the Bank</b>	<b>534,063</b>	<b>(215,377)</b>	<b>21,765</b>	<b>211,408</b>	<b>(3,363)</b>	<b>38,591</b>	<b>587,087</b>
<b>31 December 2020 - audited</b>							
<b>Assets</b>							
Segmental assets	53,559,868	36,017,012	4,376,098	24,884,974	2,135,387	6,842,799	127,816,138
<b>Liabilities</b>							
Segmental liabilities	71,403,278	22,787,507	5,405,937	4,700,564	249,473	4,107,495	108,654,254

### Geographical information

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates and subsidiaries; and international area represents the operations of the Bank that originates from its branches in Iraq, Qatar and Sudan and through its subsidiaries and associates outside U.A.E. Given that, UAE contributes the majority of the revenues and the Group's total assets in UAE represent a significant portion of its total assets and liabilities, hence no further geographical analysis of segment revenues, expenses, operating profit (margin), assets and liabilities is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**38 RISK MANAGEMENT**

**38.1 Credit quality per stage for financial assets**

The details of gross exposure of financial assets and their expected credit losses per stages was as follows:

	Gross Exposure				Expected Credit Losses - (ECL)			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>30 June 2021 - unaudited</b>								
Balances and wakala deposits with								
Islamic banks and other financial institutions	3,019,285	176,322	-	3,195,607	404	13,663	-	14,067
Murabaha and mudaraba with financial institutions	858,603	-	-	858,603	185	-	-	185
Murabaha and other Islamic financing	35,493,837	1,770,494	2,965,361	40,229,692	191,779	215,730	1,728,631	2,136,140
Ijara financing	36,216,138	6,802,137	4,820,298	47,838,573	115,000	231,664	1,885,163	2,231,827
Investment in sukuk measured at amortised cost	10,104,887	-	125,264	10,230,151	16,116	-	69,954	86,070
Investments measured at fair value	1,843,821	-	250	1,844,071	16,679	-	99	16,778
Other assets	732,000	-	-	732,000	1,431	-	-	1,431
	<u>88,268,571</u>	<u>8,748,953</u>	<u>7,911,173</u>	<u>104,928,697</u>	<u>341,594</u>	<u>461,057</u>	<u>3,683,847</u>	<u>4,486,498</u>
Contingent liabilities and commitments	<u>10,852,070</u>	<u>1,398,353</u>	<u>170,961</u>	<u>12,421,384</u>	<u>4,519</u>	<u>51,886</u>	<u>59,332</u>	<u>115,737</u>
	<u>99,120,641</u>	<u>10,147,306</u>	<u>8,082,134</u>	<u>117,350,081</u>	<u>346,113</u>	<u>512,943</u>	<u>3,743,179</u>	<u>4,602,235</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

38 RISK MANAGEMENT continued

38.1 Credit quality per stage for financial assets continued

	Gross Exposure				Expected Credit Losses - (ECL)			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<i>31 December 2020 - audited</i>								
Balances and wakala deposits with								
Islamic banks and other financial institutions	1,982,126	319,585	-	2,301,711	98	14,479	-	14,577
Murabaha and mudaraba with financial institutions	54,753	78,159	-	132,912	24	24	-	48
Murabaha and other Islamic financing	33,362,644	1,596,250	2,993,330	37,952,224	192,821	225,817	1,555,495	1,974,133
Ijara financing	38,983,893	5,775,370	4,695,294	49,454,557	139,221	256,352	1,627,714	2,023,287
Investment in sukuk measured at amortised cost	10,174,709	140,120	125,253	10,440,082	18,326	2,352	69,027	89,705
Investments measured at fair value	1,685,741	18,045	7,287	1,711,073	12,186	695	2,893	15,774
Other assets	<u>335,943</u>	<u>355,085</u>	<u>-</u>	<u>691,748</u>	<u>751</u>	<u>783</u>	<u>-</u>	<u>1,534</u>
	<u>86,579,809</u>	<u>8,283,334</u>	<u>7,821,164</u>	<u>102,684,307</u>	<u>363,427</u>	<u>500,502</u>	<u>3,255,129</u>	<u>4,119,058</u>
Contingent liabilities and commitments	<u>12,337,040</u>	<u>1,230,089</u>	<u>168,921</u>	<u>13,736,050</u>	<u>7,151</u>	<u>49,523</u>	<u>64,588</u>	<u>121,262</u>
	<u>98,916,849</u>	<u>9,513,423</u>	<u>7,990,085</u>	<u>116,420,357</u>	<u>370,578</u>	<u>550,025</u>	<u>3,319,717</u>	<u>4,240,320</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### **38 RISK MANAGEMENT continued**

#### **38.2 Covid-19 and Expected Credit Loss (ECL)**

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimize the impact on individuals and corporates.

On 27 March 2020, IASB issued a guidance note, advising that both the assessment Significant Increase in Credit Risk ("SICR") and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, considerations should be given both to the effects of COVID-19 and significant government support measures being undertaken. It is difficult at this time to incorporate the specific effects of COVID-19 and government support measures on reasonable and supportable basis.

In line with other global regulators, the Central Bank of the UAE ("CB UAE"), under the Targeted Economic Support Scheme ('TESS'), has facilitated the provisions of temporary relief from the payments of principal and / or profit on customer financing for all the affected private sector corporates, SMEs and individuals with specific conditions. Additionally, the program seeks to facilitate additional financing and liquidity capacity of banks, through the relief of existing capital and liquidity buffers.

In the determination of Q2 2021 ECL, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the Covid-19 pandemic and taken in to account the economic support and relief measures of governments and central banks. The Group has also considered the notices issued by the Central Bank of UAE with regards to the Targeted Economic Support Scheme (TESS) and guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020.

##### **38.2.1 Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9**

Under IFRS 9, financial instruments are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a SICR since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Group continues to assess financing customers for other indicators of unlikelihood to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

In the absence of sufficient and timely data to update the credit ratings, which are a core element of assessing SICR, for the purpose of Q2 2021 reporting, the Group has applied variety of factors to quantify the potential impact.

As required by the TESS, the Group has also initiated a programme of payment relief for its impacted customers by deferring installment due for a period of one month to six months. These payment reliefs are considered as short-term liquidity to address financing customers cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, where the impact on customer's business is expected to be short term, as these are being made available to assist financing customers affected by the Covid-19 outbreak to resume regular payments. For all other customers, the Group continues to consider severity and extent of potential Covid-19 impact on economic sector and future outlook, cash flow and financial strength, agility and change in risk profile along with the past track record in determining SICR. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

As per the disclosure requirements of the Central Bank of UAE in the context of Covid-19, for the UAE operations, the Group has divided its customers benefitting from payment deferrals into two groups (Group 1 and Group 2). Customers not expected to face substantial changes in their creditworthiness, beyond liquidity issues caused by the Covid-19 crisis, have been retained in the same Stage as before entry into TESS scheme and categorized in Group 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**38 RISK MANAGEMENT** continued

**38.2 Covid-19 and Expected Credit Loss (ECL)** continued

**38.2.1 Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9** continued

Customers expected to be significantly impacted by Covid-19 in the long term and that are expected to face substantial deterioration in their creditworthiness have been categorized as Group 2. These customers have been assigned to Stage 2. In exceptional circumstances, Stage 3 migration may have also been triggered where a customer's business, income streams and installment payment capacity were expected to be permanently impaired. Such customers have also been categorized in Group 2 with the respective ECL overlay.

The Group will continue to work with CB UAE and other regulatory authorities to refine and operationalize relief schemes being deployed to assist clients impacted by COVID-19.

**38.2.2 Reasonableness of Forward Looking Information and probability weights**

In view of wide spread impact of COVID 19 on customer's change in credit profile and overall impact on forward looking macroeconomic indicators, any changes in ECL models and estimate will be subject to high degree of uncertainty.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally on a monthly basis.

As per the CBUAE guidelines on the IFRS 9 under COVID 19, the Group has used the latest macroeconomic data and scenarios for Q2 2021 ECL estimates. The Group estimated Q2 2021 ECL using baseline, upside and downside scenarios with 40%, 30% and 30% weightings respectively.

The Bank has reviewed the potential impact of COVID-19 on inputs and assumptions for IFRS 9 ECL measurement on the basis of available information. In view of very fluid and developing considerations, ascertaining reliability and reasonableness of any forward looking information is challenging. Notwithstanding this, recognizing the likely impacts of the crises on market-credit environment, the Group has assessed the impact of an increased probability for the pessimistic scenario in ECL management.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**38 RISK MANAGEMENT** continued

**38.2 Covid-19 and Expected Credit Loss (ECL) continued**

**38.2.3 Analysis of customers benefiting from payment deferrals**

**Deferral amount, Exposure at Default (EAD) and related Expected Credit Losses (ECL) for customers benefitting from payment deferrals**

The table below contains analysis of the deferral amount, Exposure at Default (EAD) and Expected Credit Losses (ECL) benefitting from deferrals under CBUAE TESS program as of 30 June 2021:

	<i>Number of customers</i>	<i>Deferral amount AED '000</i>	<i>Exposure at default (EAD) AED '000</i>	<i>Expected credit losses (ECL) AED '000</i>
<b>Retail banking:</b>				
<i>Stage 1</i>				
- Group 1	160,149	1,176,973	9,099,994	40,938
- Group 2	<u>41</u>	<u>712</u>	<u>-</u>	<u>-</u>
	<b>160,190</b>	<b>1,177,685</b>	<b>9,099,994</b>	<b>40,938</b>
<i>Stage 2</i>				
- Group 1	2,842	39,335	407,734	43,418
- Group 2	<u>238</u>	<u>6,944</u>	<u>85,204</u>	<u>4,132</u>
	<b>3,080</b>	<b>46,279</b>	<b>492,938</b>	<b>47,550</b>
<i>Stage 3</i>				
- Group 1	1,536	14,917	121,282	54,671
- Group 2	<u>110</u>	<u>5,380</u>	<u>54,992</u>	<u>15,305</u>
	<b>1,646</b>	<b>20,297</b>	<b>176,274</b>	<b>69,976</b>
<b>Total Retail banking</b>	<b>164,916</b>	<b>1,244,261</b>	<b>9,769,206</b>	<b>158,464</b>
<b>Wholesale banking:</b>				
<i>Stage 1</i>				
- Group 1	142	272,889	249,565	2,255
- Group 2	<u>41</u>	<u>32,405</u>	<u>122,591</u>	<u>166</u>
	<b>183</b>	<b>305,294</b>	<b>372,156</b>	<b>2,421</b>
<i>Stage 2</i>				
- Group 1	23	151,187	869,950	7,152
- Group 2	<u>7</u>	<u>57,808</u>	<u>365,109</u>	<u>955</u>
	<b>30</b>	<b>208,995</b>	<b>1,235,059</b>	<b>8,107</b>
<i>Stage 3</i>				
- Group 1	31	4,635	20,680	4,953
- Group 2	<u>17</u>	<u>807</u>	<u>4,165</u>	<u>1,079</u>
	<b>48</b>	<b>5,442</b>	<b>24,845</b>	<b>6,032</b>
<b>Total Wholesale banking</b>	<b>261</b>	<b>519,731</b>	<b>1,632,060</b>	<b>16,560</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**38 RISK MANAGEMENT** continued

**38.2 Covid-19 and Expected Credit Loss (ECL)** continued

**38.2.3 Analysis of customers benefiting from payment deferrals** continued

As per the requirements of the Central Bank of UAE, the Group has divided its customers benefitting from payment deferrals into two groups as follows:

**Group 1:** includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the Covid-19 crisis.

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter.

**Group 2:** includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals.

For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration. The Group continues to monitor the creditworthiness of these customers, particularly indications of potential inability to pay any of their obligations as and when they become due.

The impact of Covid-19 crisis continues to filter through into the real economy. In view of this, the Group has taken a proactive approach and on an ongoing basis for all customers, the Group continues to consider the severity and extent of potential Covid-19 impact on economic sectors and outlook, cash flow, financial strength, agility and change in risk profile along with the past track record and ongoing adaptation. Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Group's assessment of the customers' creditworthiness, staging and grouping as of the reporting date.

**Stage migrations of EAD and ECL since 31 December 2020 for customers benefiting from payment deferrals**

	<i>30 June 2021 - IFRS 9 (EAD)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Retail banking:</b>				
<b>At 1 January 2021</b>	<b>13,279,561</b>	<b>574,226</b>	<b>42,503</b>	<b>13,896,290</b>
Transferred from Stage 1	(260,958)	184,100	76,858	-
Transferred from Stage 2	68,313	(131,877)	63,564	-
Transferred from Stage 3	10	19,720	(19,730)	-
Other movements	<u>(3,986,932)</u>	<u>(153,231)</u>	<u>13,079</u>	<u>(4,127,084)</u>
<b>At 30 June 2021</b>	<b><u>9,099,994</u></b>	<b><u>492,938</u></b>	<b><u>176,274</u></b>	<b><u>9,769,206</u></b>
<b>Wholesale banking:</b>				
<b>At 1 January 2021</b>	<b>1,613,031</b>	<b>245,888</b>	<b>1,080</b>	<b>1,859,999</b>
Transferred from Stage 1	(824,349)	824,349	-	-
Transferred from Stage 2	122,591	(122,591)	-	-
Other movements	<u>(539,117)</u>	<u>287,413</u>	<u>23,765</u>	<u>(227,939)</u>
<b>At 30 June 2021</b>	<b><u>372,156</u></b>	<b><u>1,235,059</u></b>	<b><u>24,845</u></b>	<b><u>1,632,060</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**38 RISK MANAGEMENT** continued

**38.2 Covid-19 and Expected Credit Loss (ECL)** continued

**38.2.3 Analysis of customers benefiting from payment deferrals** continued

Stage migrations of EAD and ECL since 31 December 2020 for customers benefiting from payment deferrals continued

	<i>30 June 2021 - IFRS 9 (ECL)</i>			
	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Retail banking:</b>				
<b>At 1 January 2021</b>	<b>63,573</b>	<b>69,562</b>	<b>44,863</b>	<b>177,998</b>
Transferred from Stage 1	(44,920)	14,611	30,309	-
Transferred from Stage 2	711	(29,451)	28,740	-
Transferred from Stage 3	-	226	(226)	-
Other movements	<u>21,574</u>	<u>(7,398)</u>	<u>(33,710)</u>	<u>(19,534)</u>
<b>At 30 June 2021</b>	<b><u>40,938</u></b>	<b><u>47,550</u></b>	<b><u>69,976</u></b>	<b><u>158,464</u></b>
<b>Wholesale banking:</b>				
<b>At 1 January 2021</b>	<b>5,044</b>	<b>3,541</b>	<b>4,904</b>	<b>13,489</b>
Transferred from Stage 1	(7,348)	7,348	-	-
Transferred from Stage 2	166	(166)	-	-
Other movements	<u>4,559</u>	<u>(2,616)</u>	<u>1,128</u>	<u>3,071</u>
<b>At 30 June 2021</b>	<b><u>2,421</u></b>	<b><u>8,107</u></b>	<b><u>6,032</u></b>	<b><u>16,560</u></b>

Change in ECL charge by products for Retail banking and wholesale banking customers benefiting from payment deferrals:

	<i>30 June 2021 - IFRS 9 (ECL)</i>			
	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Retail banking:</b>				
<b>At 1 January 2021</b>	<b>60,449</b>	<b>49,301</b>	<b>60,142</b>	<b>169,892</b>
Vehicle murabaha	(321)	(192)	2,272	1,759
Islamic covered cards (murabaha)	1	8	-	9
Other murabaha	(17,780)	(6,305)	(10,288)	(34,373)
Ijara	<u>(1,411)</u>	<u>4,738</u>	<u>17,850</u>	<u>21,177</u>
<b>At 30 June 2021</b>	<b><u>40,938</u></b>	<b><u>47,550</u></b>	<b><u>69,976</u></b>	<b><u>158,464</u></b>
<b>Wholesale banking:</b>				
<b>At 1 January 2021</b>	<b>4,410</b>	<b>4,176</b>	<b>4,904</b>	<b>13,490</b>
Corporates	<u>(1,989)</u>	<u>3,931</u>	<u>1,128</u>	<u>3,070</u>
<b>At 30 June 2021</b>	<b><u>2,421</u></b>	<b><u>8,107</u></b>	<b><u>6,032</u></b>	<b><u>16,560</u></b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**39 CAPITAL ADEQUACY RATIO**

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (“CET1”), Additional Tier 1 (“AT1”) and Total Capital.

The additional capital buffers (Capital Conservation Buffer (“CCB”) and Countercyclical Capital Buffer (“CCyB”) - maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

For 2020 and onwards, CCB will be required to be maintained at 2.5% (2020: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2021 (2020: Nil).

As per the Central Bank regulation for Basel III, the minimum capital requirement as at 30 June 2021 is 13.0% inclusive of capital conservation buffer of 2.5%. However, effective from 15 March 2020 until 31 December 2021, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% without supervisory consequences, as part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis. Further, CBUAE has issued guidance on Accounting Provisions and Capital Requirements - Transitional Arrangement dated 22 April 2020. The Prudential Filter allows banks to add back increases in IFRS9 ECL provision, stage 1 and 2, from 31 December 2019 to the regulatory capital and transition over 5 years.

	<i>Basel III</i>	
	<i>30 June 2021 AED ‘000</i>	<i>Audited 31 December 2020 AED ‘000</i>
<b>Capital base</b>		
Common Equity Tier 1	13,631,079	12,884,982
Additional Tier 1 capital	<u>4,754,375</u>	<u>4,754,375</u>
Tier 1 capital	18,385,454	17,639,357
Tier 2 capital	<u>1,110,599</u>	<u>1,079,597</u>
<b>Total capital base</b>	<u>19,496,053</u>	<u>18,718,954</u>
<b>Risk weighted assets</b>		
Credit risk	88,847,911	86,367,747
Market risk	2,970,636	2,546,050
Operational risk	<u>10,513,631</u>	<u>10,659,881</u>
<b>Total risk weighted assets</b>	<u>102,338,178</u>	<u>99,573,678</u>
<b>Capital ratios</b>		
Common Equity Tier 1 ratio	<u>13.32%</u>	<u>12.94%</u>
Total Tier 1 capital ratio	<u>17.97%</u>	<u>17.71%</u>
Total capital ratio	<u>19.05%</u>	<u>18.80%</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 40 DIVIDENDS

During 2021, cash dividend of 20.58% of the paid up capital relating to year ended 31 December 2020 amounting to AED 747,343 thousand, was paid after the approval by the shareholders at the Annual General Assembly held on 4<sup>th</sup> April 2021.

During 2020, cash dividend of 27.38% of the paid up capital relating to year ended 31 December 2019 amounting to AED 994,313 thousand, was paid after the approval by the shareholders in the Annual General Assembly held on 29<sup>th</sup> March 2020.

### 41 SEASONALITY OF RESULTS

The nature of Group's business is such that the income and expenditure are incurred in a manner, which is not impacted by any forms of seasonality. These condensed consolidated interim financial statements were prepared based upon accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

### 42 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### **Fair value measurement recognized in the consolidated statement of financial position**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

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

*Level 2:* other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

*Level 3:* techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**42 FAIR VALUE OF FINANCIAL INSTRUMENTS** continued

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>30 June 2021 - unaudited</b>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
<i>Quoted investments</i>				
Equities	7,909	-	-	7,909
Sukuk	<u>2,170,770</u>	<u>-</u>	<u>-</u>	<u>2,170,770</u>
	<u>2,178,679</u>	<u>-</u>	<u>-</u>	<u>2,178,679</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	25,724	-	-	25,724
Sukuk	<u>1,771,701</u>	<u>-</u>	<u>-</u>	<u>1,771,701</u>
	<u>1,797,425</u>	<u>-</u>	<u>-</u>	<u>1,797,425</u>
<i>Unquoted investments</i>				
Sukuk	-	-	72,370	72,370
Funds	-	-	33,249	33,249
Private equities	-	-	50,305	50,305
	<u>-</u>	<u>-</u>	<u>155,924</u>	<u>155,924</u>
	<u>1,797,425</u>	<u>-</u>	<u>155,924</u>	<u>1,953,349</u>
	<u>3,976,104</u>	<u>-</u>	<u>155,924</u>	<u>4,123,028</u>
<b>Financial Liabilities</b>				
Shari'a compliant alternatives of swap (note 28)	<u>-</u>	<u>323</u>	<u>-</u>	<u>323</u>
<b>Assets for which fair values are disclosed:</b>				
Investment properties	<u>-</u>	<u>-</u>	<u>1,043,637</u>	<u>1,043,637</u>
Investment carried at amortised cost - Sukuk	<u>10,364,876</u>	<u>-</u>	<u>-</u>	<u>10,364,876</u>
Assets acquired in satisfaction of claims	<u>-</u>	<u>130,900</u>	<u>-</u>	<u>130,900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

42 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Fair value measurement recognized in the interim consolidated statement of financial position continued

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<b>31 December 2020 - audited</b>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
<i>Quoted investments</i>				
Equities	5,983	-	-	5,983
Sukuk	<u>1,646,428</u>	<u>-</u>	<u>-</u>	<u>1,646,428</u>
	<u>1,652,411</u>	<u>-</u>	<u>-</u>	<u>1,652,411</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	25,693	-	-	25,693
Sukuk	<u>1,638,636</u>	<u>-</u>	<u>-</u>	<u>1,638,636</u>
	<u>1,664,329</u>	<u>-</u>	<u>-</u>	<u>1,664,329</u>
<i>Unquoted investments</i>				
Sukuk	-	-	72,437	72,437
Funds	-	-	34,365	34,365
Private equities	<u>-</u>	<u>-</u>	<u>50,426</u>	<u>50,426</u>
	<u>-</u>	<u>-</u>	<u>157,228</u>	<u>157,228</u>
	<u>1,664,329</u>	<u>-</u>	<u>157,228</u>	<u>1,821,557</u>
	<u>3,316,740</u>	<u>-</u>	<u>157,228</u>	<u>3,473,968</u>
Shari'a compliant alternatives of swap (note 24)	<u>-</u>	<u>2,796</u>	<u>-</u>	<u>2,796</u>
<b>Assets for which fair values are disclosed:</b>				
Investment properties	<u>-</u>	<u>-</u>	<u>1,517,814</u>	<u>1,517,814</u>
Investment carried at amortised cost - Sukuk	<u>10,679,678</u>	<u>-</u>	<u>-</u>	<u>10,679,678</u>
Assets acquired in satisfaction of claims	<u>-</u>	<u>134,080</u>	<u>-</u>	<u>134,080</u>

There were no transfers between level 1, 2 and 3 during the period (2020: Nil).

A significant part of the investments classified under Level 3 are valued using inputs from investment managers and in the opinion of the management it is not practical to disclose the sensitivity of inputs to the valuation techniques used.

The following table shows a reconciliation of the opening and closing amount of level 3 of financial assets which are recorded at fair value:

	<b>30 June 2021 AED '000</b>	<b>Audited 31 December 2020 AED '000</b>
At the beginning of the period	<b>157,228</b>	171,717
Net settlements	(726)	(2,990)
Loss recorded in equity	<u>(578)</u>	<u>(11,499)</u>
At the end of the period	<b><u>155,924</u></b>	<b><u>157,228</u></b>