

ABU DHABI COMMERCIAL BANK PJSC

Review report and condensed
consolidated interim financial
information for the three month
period ended March 31, 2022



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

To the Board of Directors of Abu Dhabi Commercial Bank PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Abu Dhabi Commercial Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2022;
- the condensed consolidated interim income statement for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2022; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2022 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 January 2022. Furthermore, the condensed consolidated interim financial information of the Group as at and for the three-month period ended 31 March 2021 was reviewed by another auditor who expressed an unqualified conclusion on those condensed consolidated interim financial information on 25 April 2021.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates

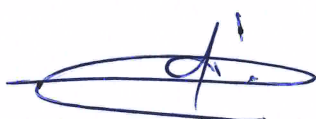
Date: 25 April 2022

Condensed consolidated interim statement of financial position

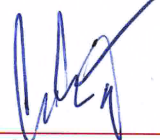
As at March 31, 2022

		As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
	Notes		
Assets			
Cash and balances with central banks, net	4	25,226,225	33,746,202
Deposits and balances due from banks, net	5	36,502,211	26,670,143
Financial assets at fair value through profit or loss	6	2,365,776	1,706,767
Derivative financial instruments	7	7,109,384	6,488,021
Investment securities	8	96,926,751	96,513,292
Loans and advances to customers, net	9	245,797,108	244,282,293
Investment in associates		263,018	262,609
Investment properties	11	1,673,197	1,674,954
Other assets, net	12	20,263,883	19,354,460
Property and equipment, net		2,088,133	2,064,270
Intangible assets, net		7,252,483	7,294,685
Assets held for sale		208,664	220,673
Total assets		445,676,833	440,278,369
Liabilities			
Due to banks	13	7,643,189	7,205,333
Derivative financial instruments	7	7,342,290	6,563,379
Deposits from customers	14	261,890,974	265,052,325
Euro commercial paper	15	7,669,582	6,199,157
Borrowings	16	79,074,322	72,499,337
Other liabilities	17	24,695,249	23,384,164
Liabilities related to assets held for sale		9,467	4,648
Total liabilities		388,325,073	380,908,343
Equity			
Share capital	18	6,957,379	6,957,379
Share premium		17,878,882	17,878,882
Other reserves	19	8,436,010	9,283,381
Retained earnings		18,069,804	19,240,158
Capital notes	20	6,000,000	6,000,000
Equity attributable to equity holders of the Bank		57,342,075	59,359,800
Non-controlling interests		9,685	10,226
Total equity		57,351,760	59,370,026
Total liabilities and equity		445,676,833	440,278,369

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 25, 2022 and signed on its behalf by:



Khaldoon Khalifa Al Mubarak
Chairman



Ala'a Eraiqat
Group Chief Executive Officer



Deepak Khullar
Group Chief Financial Officer

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

Condensed consolidated interim income statement (unaudited)

For the three month period ended March 31, 2022

	Notes	3 months ended March 31	
		2022 AED'000	2021 AED'000
Interest income	21	2,228,089	2,268,327
Interest expense	22	(542,126)	(544,989)
Net interest income		1,685,963	1,723,338
Income from Islamic financing and investing products		522,640	456,123
Distribution on Islamic deposits and profit paid to sukuk holders		(62,197)	(60,147)
Net income from Islamic financing and investing products		460,443	395,976
Total net interest income and income from Islamic financing and investing products		2,146,406	2,119,314
Net fees and commission income	23	487,043	443,197
Net trading income	24	116,694	154,217
Other operating income	25	185,533	205,071
Operating income		2,935,676	2,921,799
Operating expenses	26	(1,117,536)	(1,060,609)
Operating profit before impairment charge		1,818,140	1,861,190
Impairment charge	27	(294,278)	(703,954)
Profit after impairment charge		1,523,862	1,157,236
Share in profit of associates		2,029	2,124
Profit before taxation		1,525,891	1,159,360
Overseas income tax charge		(28,738)	(27,521)
Profit for the period from continuing operations		1,497,153	1,131,839
Loss from discontinued operations		(13,671)	(10,434)
Profit for the period		1,483,482	1,121,405
Attributable to:			
Equity holders of the Bank		1,483,503	1,120,977
Non-controlling interests		(21)	428
Profit for the period		1,483,482	1,121,405
Basic and diluted earnings per share (AED)	28	0.20	0.15

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

Condensed consolidated interim statement of comprehensive income (unaudited)
For the three month period ended March 31, 2022

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Profit for the period	1,483,482	1,121,405
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Net movement in foreign currency translation reserve (Note 19)	(121,196)	(3,583)
Net movement in cash flow hedge reserve (Note 19)	62,536	(27,480)
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 19)	(792,435)	(128,007)
	(851,095)	(159,070)
Items that may not be re-classified subsequently to the condensed consolidated interim income statement		
Net movement in revaluation reserve of equity instruments designated at FVTOCI (Note 19)	9,921	13,942
Other comprehensive loss for the period	(841,174)	(145,128)
Total comprehensive income for the period	642,308	976,277
Attributable to:		
Equity holders of the Bank	642,537	975,893
Non-controlling interests	(229)	384
Total comprehensive income for the period	642,308	976,277

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

Condensed consolidated interim statement of changes in equity (unaudited)

For the three month period ended March 31, 2022

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
As at January 1, 2022	6,957,379	17,878,882	9,283,381	19,240,158	6,000,000	59,359,800	10,226	59,370,026
Profit for the period	-	-	-	1,483,503	-	1,483,503	(21)	1,483,482
Other comprehensive loss for the period (Note 19)	-	-	(840,966)	-	-	(840,966)	(208)	(841,174)
Other movements	-	-	(6,505)	5,264	-	(1,241)	-	(1,241)
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	(1,095)	-	(1,095)	-	(1,095)
Adjustment arising from changes in non-controlling interests	-	-	100	173	-	273	(273)	-
Dividends paid to equity holders of the Bank	-	-	-	(2,574,230)	-	(2,574,230)	-	(2,574,230)
Dividends paid to non-controlling equity holders of subsidiary	-	-	-	-	-	-	(39)	(39)
Capital notes coupon paid (Note 28)	-	-	-	(83,969)	-	(83,969)	-	(83,969)
As at March 31, 2022	6,957,379	17,878,882	8,436,010	18,069,804	6,000,000	57,342,075	9,685	57,351,760
As at January 1, 2021	6,957,379	17,878,882	9,865,416	15,895,692	6,000,000	56,597,369	4,019	56,601,388
Profit for the period	-	-	-	1,120,977	-	1,120,977	428	1,121,405
Other comprehensive loss for the period (Note 19)	-	-	(145,084)	-	-	(145,084)	(44)	(145,128)
Other movements	-	-	1,923	(696)	-	1,227	-	1,227
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	(653)	-	(653)	-	(653)
Dividends paid to equity holders of the Bank	-	-	-	(1,878,492)	-	(1,878,492)	-	(1,878,492)
Reversal of zakat provision	-	-	-	114,215	-	114,215	-	114,215
Capital notes coupon paid (Note 28)	-	-	-	(90,635)	-	(90,635)	-	(90,635)
As at March 31, 2021	6,957,379	17,878,882	9,722,255	15,160,408	6,000,000	55,718,924	4,403	55,723,327

Following the Annual General Meeting held on March 14, 2022, the shareholders approved the distribution of proposed cash dividend of AED 2,574,230 thousand for the year 2021, being AED 0.37 dividend per share and representing 37% of the paid up share capital (For the year 2020 – cash dividend of AED 1,878,492 thousand, being AED 0.27 dividend per share and representing 27% of the paid up share capital).

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

Condensed consolidated interim statement of cash flows (unaudited)

For the three month period ended March 31, 2022

	3 months ended March 31	
	2022 AED'000	2021 AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	1,512,220	1,148,926
Adjustments for:		
Depreciation on property and equipment (Note 26)	101,799	99,280
Amortisation of intangible assets (Note 26)	23,923	23,923
Net losses from investment properties	-	543
Impairment charge	416,738	783,368
Share in profit of associates	(2,029)	(2,124)
Discount unwind	(77,726)	(75,123)
Net gains from disposal of investment securities (Note 25)	(42,805)	(74,206)
Interest income on investment securities	(520,267)	(496,501)
Dividend income (Note 25)	(6,104)	(7,422)
Interest expense on borrowings and euro commercial paper	233,503	232,741
Net losses/(gains) from financial assets at fair value through profit or loss (Note 24)	19,612	(209)
Ineffective portion of hedges – losses (Note 7)	7,258	7,823
Employees' incentive plan expense (Note 19)	3,769	1,364
Cash flows from operating activities before changes in operating assets and liabilities	1,669,891	1,642,383
Net movement in due from banks	(160,838)	(2,112,243)
Net movement in derivative financial instruments	116,190	(204,048)
Net purchases of financial assets at fair value through profit or loss	(679,877)	(184,642)
Net movement in loans and advances to customers	(2,454,596)	2,487,083
Net movement in other assets	(161,080)	355,668
Net movement in due to banks	1,227,061	(2,181,391)
Net movement in deposits from customers	(1,795,600)	(12,565,607)
Net movement in other liabilities	447,252	(349,094)
Net cash used in operations	(1,791,597)	(13,111,891)
Overseas income tax paid	(23,462)	(12,885)
Net cash used in operating activities	(1,815,059)	(13,124,776)
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	12,387,030	4,556,245
Net purchases of investment securities	(16,037,079)	(8,226,611)
Interest received on investment securities	516,630	350,045
Dividend received from investment securities (Note 25)	6,104	7,422
Dividend received from associates	1,620	922
Gross proceeds from disposal of assets held for sale	-	77,000
Disposal of investment properties	-	7,854
Net purchases of property and equipment	(141,012)	(48,808)
Net cash used in investing activities	(3,266,707)	(3,275,931)
FINANCING ACTIVITIES		
Net movement in euro commercial paper	1,469,277	79,323
Net proceeds from borrowings	20,958,714	7,052,367
Repayment of borrowings	(12,576,987)	(2,917,996)
Net interest received on borrowings and euro commercial paper	175,612	187,526
Payment of lease liabilities	(28,667)	(29,322)
Dividends paid to equity holders of the Bank	(2,574,230)	(1,878,492)
Dividends paid to non-controlling equity holders of subsidiary	(39)	-
Capital notes coupon paid (Note 28)	(83,969)	(90,635)
Net cash from financing activities	7,339,711	2,402,771
Effect of exchange rate changes on cash and cash equivalents	(320,096)	(3,808)
Net increase/(decrease) in cash and cash equivalents	1,937,849	(14,001,744)
Cash and cash equivalents at the beginning of the period	32,435,700	32,671,851
Cash and cash equivalents at the end of the period	34,373,549	18,670,107

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

Condensed consolidated interim statement of cash flows (unaudited) (continued)

For the three month period ended March 31, 2022

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise of following amounts:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Cash and balances with central banks (Note 4)	25,226,558	33,746,694
Deposits and balances due from banks (excluding loans and advances to banks) (Note 5)	14,917,048	5,762,921
Due to banks (Note 13)	(7,643,189)	(7,205,333)
	32,500,417	32,304,282
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than three months	(4,269,370)	(4,791,660)
Add: Due to banks – with original maturity of more than three months	6,011,758	4,784,697
Add: Cash and cash equivalents included in assets held for sale	130,744	138,381
Total cash and cash equivalents	34,373,549	32,435,700

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

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2022

1. General information

Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). The Bank and its subsidiaries (together referred to as the “Group”) is principally engaged in the business of retail, commercial and Islamic banking and provision of other financial services.

The Group’s Islamic banking activities are conducted in accordance with principles of Islamic Shari’ah as interpreted by Internal Shari’ah Supervision Committee (“ISSC”) as well as the standards and resolutions issued by the higher Shari’ah authority of UAE Central Bank.

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: ADCB).

The registered head office of ADCB is at Abu Dhabi Commercial Bank PJSC Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, UAE.

2. Summary of significant accounting policies**2.1 Basis of preparation**

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRSs”), International Financial Reporting Interpretation Committee (IFRIC) Interpretations and applicable requirements of the laws.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group’s consolidated financial statements for the year ended December 31, 2021.

Certain disclosure notes/numbers have been reclassified and rearranged from the Group’s prior period condensed consolidated interim financial information to conform to the current period's presentation.

The results for the three month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirham (AED), which is the Group’s functional and presentation currency and is rounded off to the nearest thousand unless otherwise indicated.

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

The main areas of judgements, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements of the Group for the year ended December 31, 2021.

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2022

In the current period, the Group has applied the amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Standards 2018–2020 issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2022. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group’s future transactions or arrangements.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2022.

2.2.2 Standards and Interpretations in issue but not yet effective

The Group has not early adopted any new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IAS 1 ‘Presentation of Financial Statements’ to address the classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	January 1, 2023
IFRS 17 ‘Insurance Contracts’ which requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.	January 1, 2023
Amendments to IFRS 17 ‘Insurance Contracts’ to address concerns and implementation challenges identified after IFRS 17 was published in 2017.	January 1, 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 ‘Insurance Contracts’ from applying IFRS 9 ‘Financial Instruments’, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity discloses its material accounting policies, instead of its significant accounting policies.	January 1, 2023
The IASB issued ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)’ that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023
The amendments replace the definition of Accounting Estimates (Amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.	January 1, 2023

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by management.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

2. Summary of significant accounting policies (continued)
2.3 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial statements of the Bank and its subsidiaries (collectively referred to as the “Group”).

Subsidiaries

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

The following is the list of subsidiaries as at March 31, 2022:

Name of subsidiary	Ownership interest	Incorporation		Principal activities
		Year	Country	
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Abu Dhabi Commercial Properties LLC	100%	2005	UAE	Real estate property management and advisory services.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC ⁽¹⁾	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities.
ACB LTIP (IOM) Limited	Controlling Interest	2008	Isle of Man	Trust activities.
Abu Dhabi Commercial Bank (UK Representative Office) Limited ⁽²⁾⁽³⁾	100%	2008	United Kingdom	UK representative office and process service agent.
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back office support for the Group.
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back office support for the Group.
Common Services SARL	100%	2018	Luxembourg	Acquisition, holding, management and disposal of participations and interests.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Union Brokerage LLC ⁽²⁾	100%	2002	UAE	Agent in trading of financial instruments and stocks.
Al Wifaq Finance Company PrJSC	90.08%	2006	UAE	Investment in real estate properties and earning rental income.
Abu Dhabi Commercial Bank – Egypt	99.90%	1981	Egypt	Commercial banking services.
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities.
Al Hilal Islamic Bank JSC	100%	2010	Kazakhstan	Islamic banking activities.
Al Hilal Leasing LLP	100%	2011	Kazakhstan	Shari’ah compliant leasing operations.
Al Hilal Auto LLC ⁽³⁾	100%	2009	UAE	Shari’ah compliant trading in new and used cars.
AHB Sukuk Company Limited	Controlling Interest	2011	Cayman Islands	Treasury financing activities.
Alexandria New Medical Centre SAE ⁽³⁾	51.54%	1983	Egypt	Healthcare services.

(1) dormant

(2) under liquidation

(3) discontinued operations/held for sale

The Group does not have any subsidiary with material non-controlling interests.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Funds under management

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the condensed consolidated interim financial information except when the Bank controls the entity, as mentioned above.

Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in condensed consolidated interim income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value when control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Transactions eliminated on consolidation

All intragroup balances, income, expenses and cash flows resulting from intragroup transactions are eliminated on consolidation.

Investment in associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The condensed consolidated interim financial information includes the Group's share of the profit or loss and other comprehensive income of investment in associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

3. IBOR reform Phase 2

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The Group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Group reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Group is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

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

	Non-derivative financial assets Carrying value	Non-derivative financial liabilities Carrying value	Hedging derivatives Nominal amount	Other derivatives Nominal amount
As at March 31, 2022 (unaudited)	AED'000	AED'000	AED'000	AED'000
USD LIBOR 1 month	11,947,935	1,466,579	282,065	4,122,998
USD LIBOR 3 months	25,939,225	8,362,791	54,668,744	177,138,489
USD LIBOR 6 months	7,791,032	202,333	1,082,438	7,292,253
USD LIBOR 12 months	87,253	-	-	-

4. Cash and balances with central banks, net

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Cash on hand	1,794,096	2,340,940
Balances with central banks (*)	10,117,447	17,964,095
Reserves maintained with central banks	12,553,655	12,211,940
Certificate of deposits with central banks	761,360	1,229,719
Gross cash and balances with central banks	25,226,558	33,746,694
Less: Allowance for impairment (Note 10)	(333)	(492)
Total cash and balances with central banks, net	25,226,225	33,746,202
The geographical concentration is as follows:		
Within the UAE	23,601,833	31,637,652
Outside the UAE	1,624,725	2,109,042
	25,226,558	33,746,694
Less: Allowance for impairment (Note 10)	(333)	(492)
	25,226,225	33,746,202

(*) includes overnight deposit amounting to AED 8,600,000 thousand placed with CBUAE at 0.40% p.a. (December 31, 2021 – AED 16,400,000 thousand placed with CBUAE at 0.15% p.a.)

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

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

Reserves maintained with central banks represent deposits with the central banks at stipulated percentages of its demand, savings, time and other deposits. These are available for day-to-day operations only under certain specified conditions.

5. Deposits and balances due from banks, net

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Nostro balances	4,488,972	431,749
Margin deposits	1,331,270	1,188,560
Time deposits	7,255,585	3,587,111
Murabaha placements	1,841,221	555,501
Loans and advances to banks	21,631,957	20,948,828
Gross deposits and balances due from banks	36,549,005	26,711,749
Less: Allowance for impairment (Note 10)	(46,794)	(41,606)
Total deposits and balances due from banks, net	36,502,211	26,670,143
The geographical concentration is as follows:		
Within the UAE	5,742,394	4,465,396
Outside the UAE	30,806,611	22,246,353
	36,549,005	26,711,749
Less: Allowance for impairment (Note 10)	(46,794)	(41,606)
	36,502,211	26,670,143

6. Financial assets at fair value through profit or loss

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Debt securities	1,226,838	542,455
Equity securities	16,551	42,250
Structured funding arrangements	1,122,387	1,122,062
Total financial assets at fair value through profit or loss	2,365,776	1,706,767
The geographical concentration is as follows:		
Within the UAE	588,122	571,837
Outside the UAE	1,777,654	1,134,930
	2,365,776	1,706,767

The Group entered into structured funding arrangements where the funding was provided against certain reference assets received under the arrangement and held by the Group. The risk and rewards relating to these reference assets remain with the counterparty. The fair value of these reference assets amount to AED 1,482,247 thousand (December 31, 2021 - AED 1,717,844 thousand). Further, the Group also received cash collateral of AED 228,314 thousand (December 31, 2021 - AED nil) against the structure. The structuring arrangement and reference assets received are governed under International Swaps and Derivatives Association (ISDA) agreements.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

7. Derivative financial instruments

The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

	Fair values		Notional AED'000
	Assets AED'000	Liabilities AED'000	
As at March 31, 2022 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	388,150	352,473	266,296,616
Interest rate and cross currency swaps	3,975,693	3,568,058	187,083,241
Interest rate and commodity options	659,525	728,881	60,352,801
Total return swaps	2,975	-	435,870
Futures (exchange traded)	11,479	5,570	27,117,870
Commodity and energy swaps	91,260	90,078	452,042
Swaptions	148,393	137,423	62,283,317
Total derivatives held or issued for trading	5,277,475	4,882,483	604,021,757
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	1,565,195	1,975,466	83,642,922
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	122,932	93,047	6,912,978
Forward foreign exchange contracts	27,319	391,294	15,157,570
Total derivatives held as cash flow hedges	150,251	484,341	22,070,548
Derivatives held as net investment hedges			
Foreign exchange derivatives	116,463	-	1,112,924
Total derivative financial instruments	7,109,384	7,342,290	710,848,151
As at December 31, 2021 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	389,608	270,803	259,030,691
Interest rate and cross currency swaps	4,099,259	3,843,012	204,615,356
Interest rate and commodity options	480,517	396,789	62,995,505
Total return swap	5,976	-	724,610
Futures (exchange traded)	966	1,387	1,469,203
Commodity and energy swaps	39,307	38,208	355,897
Swaptions	284,929	201,139	72,731,314
Total derivatives held or issued for trading	5,300,562	4,751,338	601,922,576
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	1,096,016	1,405,105	80,526,321
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	62,767	134,695	4,830,450
Forward foreign exchange contracts	28,676	268,216	11,676,637
Total derivatives held as cash flow hedges	91,443	402,911	16,507,087
Derivatives held as net investment hedges			
Foreign exchange derivatives	-	4,025	281,475
Total derivative financial instruments	6,488,021	6,563,379	699,237,459

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk. The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 7,258 thousand (for the three month period ended March 31, 2021 – net losses of AED 7,823 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2022, the Group received cash collateral of AED 2,254,186 thousand (December 31, 2021 – AED 752,114 thousand) and bonds with fair value of AED 267,034 thousand (December 31, 2021 – AED 252,669 thousand) against net positive derivative exposure.

As at March 31, 2022, the Group placed cash collateral of AED 988,127 thousand (December 31, 2021 – AED 1,080,496 thousand) and bonds with fair value of AED 3,004,037 thousand (December 31, 2021 – AED 3,192,063 thousand) against net negative derivative exposure. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

8. Investment securities

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
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As at March 31, 2022 (unaudited)
At fair value through other comprehensive income (FVTOCI)
Quoted:

Government securities	14,015,380	11,574,100	9,739,558	35,329,038
Bonds – Public sector	6,926,256	2,593,920	4,921,864	14,442,040
Bonds – Banks and financial institutions	3,149,055	369,744	2,647,241	6,166,040
Bonds – Corporate	922,191	365,656	318,186	1,606,033
Equities and funds (**)	215,824	33,835	395,174	644,833
Total quoted	25,228,706	14,937,255	18,022,023	58,187,984

Unquoted:

Bonds – Banks and financial institutions	-	546,597	-	546,597
Equities and funds	137,056	1,371	23,525	161,952
Total unquoted	137,056	547,968	23,525	708,549

Total investment securities at fair value through other comprehensive income

25,365,762	15,485,223	18,045,548	58,896,533
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At amortised cost
Quoted:

Government securities	7,724,147	8,733,920	9,014,142	25,472,209
Bonds – Public sector	4,358,271	1,507,068	2,664,243	8,529,582
Bonds – Banks and financial institutions	622,554	276,283	680,188	1,579,025
Bonds – Corporate	2,369,991	65,775	39,035	2,474,801
Total quoted	15,074,963	10,583,046	12,397,608	38,055,617

Less: Allowance for impairment (Note 10)

(2,509)	(4,071)	(18,819)	(25,399)
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Total investment securities at amortised cost

15,072,454	10,578,975	12,378,789	38,030,218
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Total investment securities	40,438,216	26,064,198	30,424,337	96,926,751
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As at December 31, 2021 (audited)
At fair value through other comprehensive income (FVTOCI)
Quoted:

Government securities	15,448,001	13,574,703	11,110,925	40,133,629
Bonds – Public sector	7,738,714	2,756,645	5,231,215	15,726,574
Bonds – Banks and financial institutions	4,349,722	480,626	2,973,316	7,803,664
Bonds – Corporate	1,191,443	691,201	187,531	2,070,175
Equities and funds (**)	209,807	35,233	406,528	651,568
Total quoted	28,937,687	17,538,408	19,909,515	66,385,610

Unquoted:

Equities and funds	137,496	1,375	25,598	164,469
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Total investment securities at fair value through other comprehensive income

29,075,183	17,539,783	19,935,113	66,550,079
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At amortised cost
Quoted:

Government securities	7,556,567	6,865,396	6,269,409	20,691,372
Bonds – Public sector	2,486,167	1,510,897	2,238,701	6,235,765
Bonds – Banks and financial institutions	191,801	18,230	533,945	743,976
Bonds – Corporate	2,253,339	38,696	19,774	2,311,809
Total quoted	12,487,874	8,433,219	9,061,829	29,982,922

Less: Allowance for impairment (Note 10)

(2,306)	(2,274)	(15,129)	(19,709)
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Total investment securities at amortised cost

12,485,568	8,430,945	9,046,700	29,963,213
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Total investment securities	41,560,751	25,970,728	28,981,813	96,513,292
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(*) Gulf Cooperation Council

(**) includes investments in perpetual bonds issued by other banks

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

8. Investment securities (continued)

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

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
At fair value through other comprehensive income (FVTOCI)		
Sukuk investments	12,525,779	13,494,673
Equities	16,179	9,290
	12,541,958	13,503,963
At amortised cost		
Sukuk investments	2,887,323	2,420,935
Less: Allowance for impairment	(2,288)	(2,241)
	2,885,035	2,418,694
Net Islamic investing assets	15,426,993	15,922,657

As at March 31, 2022, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 124,190 thousand (December 31, 2021 – AED 107,651 thousand) (Note 10) is included in revaluation reserve of investments carried at FVTOCI and recognised in other comprehensive income.

The Group hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and currency swaps and designates these as fair value and cash flow hedges, respectively. The net positive fair value of these swaps at March 31, 2022 was AED 1,048,851 thousand (December 31, 2021 – net negative fair value AED 994,544 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at March 31, 2022 (unaudited)		As at December 31, 2021 (audited)	
	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	27,113,015	25,972,889	23,554,252	21,008,821

Further, the Group pledged investment securities with fair value amounting to AED 3,640,958 thousand (December 31, 2021 – AED 3,535,307 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remains with the Group.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

9. Loans and advances to customers, net

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Overdrafts (retail and corporate)	8,231,524	8,403,787
Retail loans – mortgages	11,327,565	11,214,834
Retail loans – others	31,538,958	31,669,107
Corporate loans	186,203,444	184,602,615
Credit cards	4,002,532	4,127,291
Other facilities	15,317,173	15,095,043
Gross loans and advances to customers	256,621,196	255,112,677
Less: Allowance for impairment (Note 10)	(10,824,088)	(10,830,384)
Total loans and advances to customers, net	245,797,108	244,282,293

On March 25, 2022, an existing non-performing loan advanced to a customer in the Emirate of Abu Dhabi has been transferred to a new entity controlled by the financiers. ADCB has board representation in the newly formed entity. The existing loan has been exchanged for notes carrying a cash interest, payment in kind and variable interest and is expected to be settled through sale of operating assets transferred to the new entity and to maximise the recovery of the Group's exposure. This transaction has had no material impact on impairments. Subsequent to this transfer, a new working capital facility of AED 605,963 thousand was extended to the same customer.

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

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Murabaha	22,200,021	21,476,214
Ijara financing	16,392,417	16,236,052
Salam	1,124,571	1,368,544
Others	408,770	375,506
Gross Islamic financing assets	40,125,779	39,456,316
Less: Allowance for impairment	(1,838,677)	(1,794,576)
Net Islamic financing assets	38,287,102	37,661,740

The Group hedges certain fixed rate and floating rate loans and advances to customers for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net positive fair value of these swaps at March 31, 2022 was AED 2,746 thousand (December 31, 2021 - net negative fair value of AED 7,091 thousand).

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

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

The economic activity sector composition of the loans and advances to customers is as follows:

	As at March 31, 2022 (unaudited)			As at December 31, 2021 (audited)		
	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	113,156	81,855	195,011	40,638	134,697	175,335
Energy	1,545,113	7,253,143	8,798,256	1,558,735	4,774,130	6,332,865
Trading	8,124,222	4,043,578	12,167,800	7,332,355	4,403,215	11,735,570
Real estate investment	59,213,820	1,089,343	60,303,163	59,600,419	862,715	60,463,134
Hospitality	10,367,821	408,576	10,776,397	10,467,533	499,428	10,966,961
Transport and communication	1,784,791	1,173,101	2,957,892	1,928,265	1,221,525	3,149,790
Personal	51,786,810	1,765,375	53,552,185	51,638,942	1,942,860	53,581,802
Government and public sector entities	63,007,643	3,306,442	66,314,085	65,063,724	2,059,992	67,123,716
Financial institutions (*)	12,816,916	4,783,602	17,600,518	13,221,475	4,970,315	18,191,790
Manufacturing	4,156,325	3,364,455	7,520,780	3,923,447	3,190,148	7,113,595
Services	5,953,878	325,046	6,278,924	5,829,119	448,755	6,277,874
Others	9,622,590	533,595	10,156,185	9,644,053	356,192	10,000,245
Gross loans and advances to customers	228,493,085	28,128,111	256,621,196	230,248,705	24,863,972	255,112,677
Less: Allowance for impairment (Note 10)			(10,824,088)			(10,830,384)
Total loans and advances to customers, net			245,797,108			244,282,293

(*) includes investment companies

Stage wise loans and advances to customers and associated impairment allowance is as follows:

	As at March 31, 2022 (unaudited)		As at December 31, 2021 (audited)	
	Gross loans and advances to customers AED'000	Allowance for impairment AED'000	Gross loans and advances to customers AED'000	Allowance for impairment AED'000
Stage 1	219,039,622	747,717	215,923,239	720,459
Stage 2	17,830,513	3,335,253	20,215,770	3,267,946
Stage 3	15,890,926	6,271,086	14,923,704	6,363,607
Purchased or originated credit-impaired	3,860,135	470,032	4,049,964	478,372
Total	256,621,196	10,824,088	255,112,677	10,830,384

The Group entered into structured financing agreements whereby certain loans and advances to customers were transferred and held by counterparties. The risks and rewards relating to the loans transferred remains with the Group. The structured financing and loans transferred are governed under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at March 31, 2022 (unaudited)		As at December 31, 2021 (audited)	
	Nominal value of pledged loans AED'000	Carrying value of associated liabilities AED'000	Nominal value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	1,101,900	771,330	1,101,900	771,330

The Group also received cash collateral of AED 8,595 thousand (December 31, 2021 - AED nil) under this repurchase agreement.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

10. Impairment allowances

The movement in impairment allowances is as follows:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Opening balance	11,522,456	12,329,269
Charge for the period/year	416,738	3,333,952
Recoveries/modifications during the period/year	(122,460)	(687,764)
Net charge for the period/year	294,278	2,646,188
Adjustments to gross carrying value for the period/year	81,078	491,374
Net amounts written-off during the period/year	(294,602)	(3,944,375)
Impact of currency translation	(33,866)	-
Total impairment allowances	11,569,344	11,522,456

Allocation of impairment allowances is as follows:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Balances with central banks (Note 4)	333	492
Deposits and balances due from banks (Note 5)	46,794	41,606
Investment securities at amortised cost (Note 8)	25,399	19,709
Investment securities designated at FVTOCI (Note 8) (*)	124,190	107,651
Loans and advances to customers (Note 9)	10,824,088	10,830,384
Other assets (Note 12)	23,004	19,389
Letters of credit, guarantees and other commitments (Note 17)	525,536	503,225
Total impairment allowances	11,569,344	11,522,456

(*) recognised under "Revaluation reserve of investments designated at FVTOCI".

11. Investment properties

	AED'000
As at January 1, 2021	1,643,956
Additions during the year	42,400
Disposals during the year	(24,957)
Revaluation of investment properties	13,548
Impact of currency translation	7
As at December 31, 2021 (audited)	1,674,954
Impact of currency translation	(1,757)
As at March 31, 2022 (unaudited)	1,673,197

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

11. Investment properties (continued)
Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- ▶ **Direct comparable method:** This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- ▶ **Investment method:** This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

Investment properties of the Group are primarily located within the UAE.

12. Other assets, net

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Interest receivable	2,147,197	2,434,494
Prepayments	204,138	98,438
Acceptances (Note 17)	17,163,816	16,238,756
Others	771,736	602,161
Gross other assets	20,286,887	19,373,849
Less: Allowance for impairment (Note 10)	(23,004)	(19,389)
Total other assets, net	20,263,883	19,354,460

13. Due to banks

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Vostro balances	1,514,805	2,421,042
Margin deposits	2,233,159	583,704
Time deposits	3,895,225	4,200,587
Total due to banks	7,643,189	7,205,333

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net fair value of these swaps at March 31, 2022 was AED nil (December 31, 2021 – net negative fair value of AED 890 thousand).

Notes to the condensed consolidated interim financial information
 For the three month period ended March 31, 2022

14. Deposits from customers

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Time deposits	110,918,713	111,728,428
Current account deposits	115,128,915	117,905,965
Savings deposits	33,280,201	33,153,628
Long term government deposits	287,653	291,740
Margin deposits	2,275,492	1,972,564
Total deposits from customers	261,890,974	265,052,325

Islamic deposits included in the above table are as follows:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Current account deposits	11,439,661	10,904,289
Margin deposits	197,694	308,690
Mudaraba savings deposits	17,460,923	17,031,181
Mudaraba term deposits	1,954,050	1,899,618
Murabaha term deposits	2,217,565	1,066,481
Wakala deposits	7,787,542	6,176,291
Total Islamic deposits	41,057,435	37,386,550

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net negative fair value of these swaps at March 31, 2022 was AED 267,595 thousand (December 31, 2021 – net negative fair value of AED 227,866 thousand).

15. Euro commercial paper

The details of euro commercial paper (“ECP”) issuances under the Bank’s ECP programme are as follows:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Currency		
US dollar (USD)	2,957,327	2,817,652
Euro (EUR)	3,267,025	2,173,567
Great Britain pound (GBP)	1,445,230	1,207,938
Total euro commercial paper	7,669,582	6,199,157

The Group hedges certain ECP for foreign currency exchange rate risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these hedge contracts as at March 31, 2022 was AED 91,267 thousand (December 31, 2021 - net negative fair value of AED 7,405 thousand).

The effective interest rate on zero coupon ECPs issued ranges between negative 0.557% p.a. to positive 1.585% p.a. (December 31, 2021 – between negative 0.78% p.a. to positive 0.385% p.a.).

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

16. Borrowings

The details of borrowings as at March 31, 2022 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	692,245	-	555,203	584,792	1,832,240
	Chinese renminbi (CNH)	320,069	244,675	531,645	-	1,096,389
	Euro (EUR)	81,314	81,615	-	-	162,929
	Swiss franc (CHF)	694,313	1,404,451	-	-	2,098,764
	Japanese yen (JPY)	69,442	-	-	-	69,442
	Hong Kong dollar (HKD)	-	179,708	69,998	-	249,706
	US dollar (USD)	5,004,649	3,894,707	1,939,730	23,011,400	33,850,486
	Great Britain pound (GBP)	265,514	185,653	-	-	451,167
	Indonesian rupiah (IDR)	-	-	-	526,509	526,509
		7,127,546	5,990,809	3,096,576	24,122,701	40,337,632
Islamic sukuk notes	US dollar (USD)	-	1,853,661	-	-	1,853,661
Bilateral loans	US dollar (USD)	1,285,237	4,099,109	731,979	-	6,116,325
	Kazakhstan tenge (KZT)	-	-	61,392	20,464	81,856
Certificate of deposits issued	Great Britain pound (GBP)	186,551	-	-	-	186,551
	US dollar (USD)	890,013	-	-	-	890,013
	Euro (EUR)	102,013	-	-	-	102,013
Subordinated notes – fixed rate	US dollar (USD)	2,762,054	-	-	-	2,762,054
Borrowings through repurchase agreements	US dollar (USD)	17,905,315	7,791,072	202,333	-	25,898,720
	UAE dirham (AED)(*)	835,035	-	-	-	835,035
	Egyptian pound (EGP)	62	2,018	-	8,382	10,462
Total borrowings		31,093,826	19,736,669	4,092,280	24,151,547	79,074,322

(*) represents interest free borrowings from CBUAE under its Targeted Economic Support Scheme (TESS) recovery program

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at March 31, 2022 was AED 1,437,098 thousand.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

16. Borrowings (continued)

The details of borrowings as at December 31, 2021 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	750,714	-	-	602,302	1,353,016
	Chinese renminbi (CNH)	319,454	244,485	372,491	-	936,430
	Euro (EUR)	82,980	84,630	-	-	167,610
	Swiss franc (CHF)	-	2,150,195	-	-	2,150,195
	Japanese yen (JPY)	73,232	-	-	-	73,232
	Hong Kong dollar (HKD)	217,094	184,265	72,963	-	474,322
	US dollar (USD)	1,488,025	7,463,715	2,733,885	21,419,823	33,105,448
	Great Britain pound (GBP)	273,068	194,511	-	-	467,579
	Indonesian rupiah (IDR)	-	-	-	540,411	540,411
		3,204,567	10,321,801	3,179,339	22,562,536	39,268,243
Islamic sukuk notes	US dollar (USD)	-	1,856,612	-	-	1,856,612
Bilateral loans	US dollar (USD)	2,018,092	2,712,240	731,798	-	5,462,130
	Kazakhstan tenge (KZT)	-	-	-	86,429	86,429
Certificate of deposits issued	Great Britain pound (GBP)	69,217	-	-	-	69,217
	US dollar (USD)	1,174,288	-	-	-	1,174,288
Subordinated notes – fixed rate	US dollar (USD)	-	2,802,267	-	-	2,802,267
Borrowings through repurchase agreements	US dollar (USD)	13,880,359	7,052,268	202,333	-	21,134,960
	UAE dirham (AED)(*)	632,362	-	-	-	632,362
	Egyptian pound (EGP)	145	2,810	-	9,874	12,829
Total borrowings		20,979,030	24,747,998	4,113,470	22,658,839	72,499,337

(*) represents interest free borrowings from CBUAE under its Targeted Economic Support Scheme (TESS) recovery program

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net positive fair value of these swaps as at December 31, 2021 was AED 617,239 thousand.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

16. Borrowings (continued)

Interest is payable in arrears and the contractual coupon rates or internal rate of return on zero coupon issuances as at March 31, 2022 (unaudited) are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	Fixed rate of 3.75% p.a. and quarterly coupons of 138 basis points over bank bill swap rate	-	Fixed rate of 3.10% p.a. and quarterly coupons between 90 to 94 basis points over bank bill swap rate	Fixed rate between 2.696 % p.a. to 4.50% p.a.
	CNH	Fixed rate between 3.00% p.a. to 4.82% p.a.	Fixed rate between 3.33% p.a. to 4.6% p.a.	Fixed rate between 3.20% p.a. to 3.415% p.a.	-
	EUR	Fixed rate of 0.038% p.a.	Fixed rate of 0.75% p.a.	-	-
	CHF	Fixed rate of 0.385% p.a.	Fixed rate between 0.05% p.a. to 0.735% p.a.	-	-
	JPY	Fixed rate of 0.445% p.a.	-	-	-
	HKD	-	Fixed rate between 2.84% p.a. to 2.87% p.a.	Fixed rate of 1.34% p.a.	-
	USD	Fixed rate of 4% p.a. and quarterly coupons between 88 to 115 basis points over Libor	Quarterly coupons between 110 to 155 basis points over Libor and quarterly coupons between 129 to 146 basis points over SOFR (Secured Overnight Financing Rate).	Fixed rate between 1.63% p.a. to 1.72% p.a. and quarterly coupons of 88 basis points over SOFR.	Fixed rate between 3.50% p.a. to 5.10% p.a., zero coupon with an internal rate of return between 3.271% p.a. to 5.785% p.a. and quarterly coupons of 140 basis points over Libor.
	GBP	Fixed rate between 1.95% p.a. to 2.03% p.a.	Fixed rate of 0.95% p.a.	-	-
	IDR	-	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.
Islamic sukuk notes	USD	-	Fixed rate of 4.375% p.a.	-	-
Bilateral loans	USD	Monthly coupons between 63 to 85 basis points over Libor	Monthly coupons between 60 to 95 basis points over Libor and monthly coupon of 32.5 basis points over SOFR	Monthly coupons of 100 basis points over Libor	-
	KZT	-	-	Fixed rate of 9.50% p.a.	Fixed rate of 8.50% p.a.
Certificate of deposits issued	GBP	Zero coupon with an internal rate of return between 0.375% p.a. to 1.474% p.a.	-	-	-
	USD	Zero coupon with an internal rate of return between 0.27% p.a. to 0.89% p.a.	-	-	-
	EUR	Zero coupon with an internal rate of return of negative 0.24% p.a.	-	-	-
Subordinated notes	USD	Fixed rate of 4.50% p.a.	-	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 0.33% p.a. to 1.03% p.a., SOFR plus spread between 30 to 45 basis points and quarterly coupons of 45 basis points over Libor	Quarterly coupons between 40 to 50 basis points over Libor	Semi-annual coupons between negative 20 to negative 18 basis points over Libor	-
	EGP	Fixed rate of 3.00% p.a.	Fixed rate of 3.00% p.a.	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) include AED 20,365,080 thousand accreting notes for maturities ranging from 30 years to 40 years with internal rate of return ranging from 3.271% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th or 10th year from issue date.

The subordinated fixed rate note qualifies as Tier 2 capital and is eligible for grandfathering at the rate of 10% per annum in accordance with capital guidance issued by the UAE Central Bank. Further, the subordinated fixed rate note has entered its five years to maturity and is being amortised at the rate of 20% per annum till its maturity in 2023 (Note 31).

Refer note 8 and note 9 for details of bonds and loans pledged as collateral against borrowings through repurchase agreements. Further, the Group placed cash collateral of AED 579,713 thousand (December 31, 2021 - AED 169,873 thousand) against margin calls.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

17. Other liabilities

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Interest payable	682,181	676,841
Recognised liability for defined benefit obligation	607,276	594,717
Deferred income	813,459	807,322
Acceptances (Note 12)	17,163,816	16,238,756
Impairment allowance on letters of credit, guarantees and other commitments (Note 10)	525,536	503,225
Others(*)	4,902,981	4,563,303
Total other liabilities	24,695,249	23,384,164

(*) includes AED 275,182 thousand pertaining to finance lease liability as at March 31, 2022 (December 31, 2021 – AED 286,322 thousand).

18. Share capital

	Authorised	Issued and fully paid	
		As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
	AED'000	AED'000	AED'000
Ordinary shares of AED 1 each	10,000,000	6,957,379	6,957,379

As at March 31, 2022, Mubadala Investment Company holds 60.20% (December 31, 2021 – 60.20%) of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

19. Other reserves (unaudited)

Reserves movement for the three month period ended March 31, 2022:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2022	(76,712)	3,478,690	3,478,690	2,000,000	150,000	(68,673)	(67,912)	389,298	9,283,381	194	9,283,575
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(235,750)	-	-	(235,750)	(204)	(235,954)
Net gains on hedge of net investment in foreign operations	-	-	-	-	-	114,758	-	-	114,758	-	114,758
Net fair value changes on cash flow hedges	-	-	-	-	-	-	50,649	-	50,649	-	50,649
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	11,887	-	11,887	-	11,887
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(783,492)	(783,492)	(4)	(783,496)
Changes in allowance for expected credit losses on debt instrument designated at FVOCI	-	-	-	-	-	-	-	16,541	16,541	-	16,541
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(25,480)	(25,480)	-	(25,480)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	8,826	8,826	-	8,826
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	1,095	1,095	-	1,095
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(120,992)	62,536	(782,510)	(840,966)	(208)	(841,174)
Acquisition of shares	(5,010)	-	-	-	-	-	-	-	(5,010)	-	(5,010)
Adjustment arising from changes in non-controlling interests	-	-	-	-	-	61	-	39	100	(100)	-
Fair value adjustments	(5,264)	-	-	-	-	-	-	-	(5,264)	-	(5,264)
Shares – vested portion	3,769	-	-	-	-	-	-	-	3,769	-	3,769
As at March 31, 2022	(83,217)	3,478,690	3,478,690	2,000,000	150,000	(189,604)	(5,376)	(393,173)	8,436,010	(114)	8,435,896

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

19. Other reserves (unaudited) (continued)

Reserves movement for the three month period ended March 31, 2021:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2021	(26,869)	3,478,690	3,478,690	2,000,000	150,000	(56,156)	(33,464)	874,525	9,865,416	264	9,865,680
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(3,581)	-	-	(3,581)	(2)	(3,583)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	30,002	-	30,002	-	30,002
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(57,482)	-	(57,482)	-	(57,482)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(114,738)	(114,738)	(42)	(114,780)
Changes in allowance for expected credit losses on debt instrument designated at FVOCI	-	-	-	-	-	-	-	30,490	30,490	-	30,490
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(43,717)	(43,717)	-	(43,717)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	13,289	13,289	-	13,289
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	653	653	-	653
Total other comprehensive loss for the period	-	-	-	-	-	(3,581)	(27,480)	(114,023)	(145,084)	(44)	(145,128)
Fair value adjustments	559	-	-	-	-	-	-	-	559	-	559
Shares – vested portion	1,364	-	-	-	-	-	-	-	1,364	-	1,364
As at March 31, 2021	(24,946)	3,478,690	3,478,690	2,000,000	150,000	(59,737)	(60,944)	760,502	9,722,255	220	9,722,475

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20. Capital notes

In February 2009, the Department of Finance, Government of Abu Dhabi subscribed to ADCB's Tier I regulatory capital notes with a principal amount of AED 4,000,000 thousand (the "ADCB Notes"). Pursuant to merger with Union National Bank ("UNB"), the Bank also assumed erstwhile UNB's Tier I regulatory capital notes with a principal amount of AED 2,000,000 thousand (together with the ADCB Notes, the "Notes"). Further, vide written resolutions of the Department of Finance, Government of Abu Dhabi dated December 15, 2021, the Notes were amended to comply with the Standards and Guidance for Capital Adequacy of Banks in the UAE issued by the Central Bank of UAE under Notice No. 4980/2020 (November 2020), which included the introduction of a "write-down at the point of non-viability (PONV)" clause.

The PONV clause introduced into the terms and conditions can be triggered by the CBUAE. If the CBUAE notifies the Bank that it is, or will become, non-viable without (i) a write-down; or (ii) a public sector injection of capital, the Note holders' rights under the Notes shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the write-down amount determined by the CBUAE. This could result in the Notes being written down to zero and the Notes being cancelled.

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. With the consent of the CBUAE, the Notes may be called by the Bank in February 2027 or on any interest payment date thereafter. The holders of the Notes have no right to call for redemption. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari-passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bore interest at the rate of 6% per annum from their issue date to the first reset date (which was in February 2014), and currently bear a floating interest rate of 6 month-Eibor plus 2.3% per annum thereafter. However, the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari-passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

21. Interest income (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Loans and advances to banks	121,153	68,976
Loans and advances to customers	1,706,647	1,737,710
Investment securities	400,289	461,641
Total interest income	2,228,089	2,268,327

22. Interest expense (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Deposits from banks	6,127	9,581
Deposits from customers	317,950	314,877
Euro commercial paper	6,993	5,225
Borrowings (*)	211,056	215,306
Total interest expense	542,126	544,989

(*) includes AED 5,558 thousand (for the three month period ended March 31, 2021: AED 3,312 thousand) for interest expense on lease liabilities

23. Net fees and commission income (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Fees and commission income		
Card related fees	269,783	225,272
Loan processing fees	160,439	148,794
Accounts related fees	46,390	44,774
Trade finance commission	134,459	119,937
Insurance commission	3,279	6,121
Asset management and investment services	21,153	19,433
Brokerage fees	3,746	2,581
Other fees	151,487	109,494
Total fees and commission income	790,736	676,406
Fees and commission expense	(303,693)	(233,209)
Net fees and commission income	487,043	443,197

24. Net trading income (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Net gains from dealing in derivatives	20,582	17,043
Net gains from dealing in foreign currencies	115,724	136,965
Net (losses)/gains from financial assets at fair value through profit or loss	(19,612)	209
Net trading income	116,694	154,217

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

25. Other operating income (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Property management income	37,914	36,905
Rental income	19,949	20,301
Net gains from disposal of investment securities	42,805	74,206
Net gains arising from retirement of hedges	63,845	61,208
Dividend income	6,104	7,422
Others	14,916	5,029
Total other operating income	185,533	205,071

26. Operating expenses (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Staff expenses	628,299	602,585
General administrative expenses	363,515	334,821
Depreciation on property and equipment	101,799	99,280
Amortisation of intangible assets	23,923	23,923
Total operating expenses	1,117,536	1,060,609

27. Impairment charge (unaudited)

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Financial instruments carried at amortised cost – net charge(*)	374,517	763,509
Debt instruments designated at FVTOCI – net charge	19,590	31,709
Commitment and contingent liabilities – net charge	22,631	6,726
Less: Recoveries/modifications during the period	(122,460)	(97,990)
Total impairment charge (Note 10)	294,278	703,954

(*) includes net charge of AED 5,689 thousand (for the three month period ended March 31, 2021: AED 465 thousand) on investment securities at amortised cost

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

28. Earnings per share (unaudited)**Basic and diluted earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	3 months ended March 31	
	2022 AED'000	2021 AED'000
Profit for the period attributable to the equity holders of the Bank	1,483,503	1,120,977
Less: Coupons paid on capital notes (Note 20)	(83,969)	(90,635)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	1,399,534	1,030,342
	<u>Number of shares in thousand</u>	
Weighted average number of shares in issue throughout the period	6,957,379	6,957,379
Less: Weighted average number of shares resulting from employees' incentive plan shares	(11,597)	(4,190)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	6,945,782	6,953,189
Add: Weighted average number of shares resulting from employees' incentive plan shares	11,597	4,190
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	6,957,379	6,957,379
Basic earnings per share (AED) (a)/(b)	0.20	0.15
Diluted earnings per share (AED) (a)/(c)	0.20	0.15

29. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Letters of credit	10,797,123	10,928,787
Guarantees	52,036,951	50,851,169
Commitments to extend credit – revocable (*)	14,743,573	14,582,222
Commitments to extend credit – irrevocable	18,451,899	21,055,873
Total commitments on behalf of customers	96,029,546	97,418,051
Commitments for future capital expenditure	590,523	853,069
Commitments to invest in investment securities	218,492	15,854
Total commitments and contingent liabilities	96,838,561	98,286,974

(*) includes AED 7,574,830 thousand (December 31, 2021: AED 7,323,450 thousand) for undrawn credit card limits

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2022

30. Operating segments

The Group has four reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM"), is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

The following summary describes the operations in each of the Group's reportable segments:

Consumer banking - comprises of retail, wealth management, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with retail customers and corporate and private accounts of high net worth individuals and fund management activities.

Wholesale banking - comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Islamic financing, infrastructure and asset finance, government and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers.

Investments and treasury - comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertakes the Group's funding and centralised risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Property management - comprises of real estate management and engineering service operations of subsidiaries and rental income earned from properties of the Group.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

30. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments:

	3 months period ended March 31, 2022 (unaudited)					3 months period ended March 31, 2021 (unaudited)				
	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	724,137	530,154	426,022	5,650	1,685,963	789,966	462,622	462,175	8,575	1,723,338
Net income from Islamic financing and investing products	251,792	77,725	130,926	-	460,443	244,966	95,446	54,675	889	395,976
Total net interest income and income from Islamic financing and investing products	975,929	607,879	556,948	5,650	2,146,406	1,034,932	558,068	516,850	9,464	2,119,314
Non-interest income	257,247	290,599	172,286	69,138	789,270	219,817	258,905	254,865	68,898	802,485
Operating income	1,233,176	898,478	729,234	74,788	2,935,676	1,254,749	816,973	771,715	78,362	2,921,799
Operating expenses	(712,093)	(287,902)	(73,326)	(44,215)	(1,117,536)	(671,450)	(282,031)	(68,407)	(38,721)	(1,060,609)
Operating profit before impairment charge	521,083	610,576	655,908	30,573	1,818,140	583,299	534,942	703,308	39,641	1,861,190
Impairment (charge)/release	(91,953)	(208,977)	6,652	-	(294,278)	(337,333)	(337,627)	(28,994)	-	(703,954)
Profit after impairment charge	429,130	401,599	662,560	30,573	1,523,862	245,966	197,315	674,314	39,641	1,157,236
Share in profit of associates	2,029	-	-	-	2,029	2,124	-	-	-	2,124
Profit before taxation	431,159	401,599	662,560	30,573	1,525,891	248,090	197,315	674,314	39,641	1,159,360
Overseas income tax charge	(5,427)	(11,126)	(12,185)	-	(28,738)	(3,449)	(4,139)	(19,933)	-	(27,521)
Loss from discontinued operations	(233)	(13,438)	-	-	(13,671)	(1,181)	(9,253)	-	-	(10,434)
Profit for the period	425,499	377,035	650,375	30,573	1,483,482	243,460	183,923	654,381	39,641	1,121,405

	As at March 31, 2022 (unaudited)					As at December 31, 2021 (audited)				
Total assets	106,432,736	190,072,118	147,454,001	1,717,978	445,676,833	109,625,904	185,155,652	143,781,827	1,714,986	440,278,369
Total liabilities	100,712,684	130,470,659	156,483,755	657,975	388,325,073	96,783,683	131,382,759	152,063,395	678,506	380,908,343

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

30. Operating segments (continued)**Other disclosures**

The following is an analysis of the total operating income of each segment between income from external parties and inter-segment.

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Consumer banking	1,334,178	1,375,587	(101,002)	(120,838)
Wholesale banking	1,088,481	1,017,057	(190,003)	(200,084)
Investments and treasury	443,870	460,209	285,364	311,506
Property management	69,147	68,946	5,641	9,416
Total operating income	2,935,676	2,921,799	-	-

Geographical information

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the UAE branches and subsidiaries. International area represents the operations of the Group that originates from its branches and subsidiaries outside UAE. The information regarding the Group's revenue from continuing operations and non-current assets by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	3 months ended March 31		3 months ended March 31	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Income				
Net interest income and income from Islamic financing and investing products	2,021,243	2,025,870	125,163	93,444
Non-interest income	728,709	778,865	60,561	23,620

	Domestic		International	
	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Non-current assets				
Investment in associates	263,018	262,609	-	-
Investment properties	1,663,003	1,663,003	10,194	11,951
Property and equipment, net	1,805,615	1,814,261	282,518	250,009
Intangible assets, net	7,138,420	7,162,342	114,063	132,343

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

31. Capital adequacy ratio

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

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 18)	6,957,379	6,957,379
Share premium	17,878,882	17,878,882
Other reserves (Note 19)	8,917,776	9,038,707
Retained earnings	17,804,701	19,062,924
Non-controlling interests	1,060	9,325
Regulatory deductions and adjustments		
Intangible assets, net	(7,252,483)	(7,294,685)
Cash flow hedge reserve (Note 19)	(5,376)	(67,912)
Employee's incentive plan shares, net (Note 19)	(83,217)	(76,712)
Revaluation reserve of investments designated at FVTOCI (Note 19)	(393,173)	175,184
Other deductions	(279,262)	-
Less: Proposed dividend	-	(2,574,230)
Total CET1 capital	43,546,287	43,108,862
Additional tier 1 (AT1) capital		
Capital notes (Note 20)	6,000,000	6,000,000
Total AT1 capital	6,000,000	6,000,000
Total tier 1 capital	49,546,287	49,108,862
Tier 2 capital		
Eligible general provision	3,738,043	3,763,456
Subordinated notes (Note 16)	243,643	324,354
Total tier 2 capital	3,981,686	4,087,810
Total regulatory capital	53,527,973	53,196,672
Risk-weighted assets		
Credit risk	299,043,459	301,076,491
Market risk	13,498,860	9,406,226
Operational risk	21,529,955	22,542,856
Total risk-weighted assets	334,072,274	333,025,573
CET1 ratio	13.03%	12.94%
AT1 ratio	1.80%	1.81%
Tier 1 ratio	14.83%	14.75%
Tier 2 ratio	1.19%	1.22%
Capital adequacy ratio	16.02%	15.97%

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

32. Related party transactions

The Group enters into transactions with the parent and its related entities, associates, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities) in the ordinary course of business at commercial interest and commission rates.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the directors, chief executive officer and his direct reports.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Parent and ultimate controlling party

Mubadala Investment Company holds 60.20% (December 31, 2021 – 60.20%) of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC (Note 18). The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

For details of related party balances as at December 31, 2021, refer note 37 in the consolidated financial statements for the year ended December 31, 2021. For related party transactions for the three month ended March 31, 2021, refer note 32 in the condensed consolidated interim financial information for the period ended March 31, 2021. The related party balances as at March 31, 2022 and transactions for the three month period ended on that date are similar in nature and magnitude.

Related party balances and transactions of the Group included in the condensed consolidated interim statement of financial position and condensed consolidated interim income statement are as follows:

	Ultimate controlling party and its related parties AED'000	Directors and their related parties AED'000	Key management personnel AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at March 31, 2022 (unaudited)					
Deposits and balances due from banks	39,893	-	-	-	39,893
Financial assets at fair value through profit or loss	538,580	-	-	-	538,580
Derivative financial instruments – assets	775,159	154,067	-	-	929,226
Investment securities	24,417,148	-	-	242,585	24,659,733
Loans and advances to customers	48,352,214	4,435,960	34,109	150,944	52,973,227
Other assets	398,621	3,884	37	4,807	407,349
Derivative financial instruments – liabilities	1,028,804	19,395	-	-	1,048,199
Deposits from customers	84,814,471	430,044	85,097	53,740	85,383,352
Other liabilities	149,991	36	19,983	2,667	172,677
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	10,774,157	9,928	3,484	919	10,788,488
Transactions for the three month period ended March 31, 2022 (unaudited)					
Interest income, Islamic financing income, fees and other income	347,224	24,304	234	6,827	378,589
Interest expense and Islamic profit distribution	71,251	79	18	-	71,348
Net loss from dealing in derivatives	718,562	45,677	-	-	764,239
Share in profit of associates	-	-	-	2,029	2,029
Coupons paid on capital notes	83,969	-	-	-	83,969

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

32. Related party transactions (continued)

Remuneration of key management employees and Board of Directors fees and expenses for the three month period ended March 31, 2022 (unaudited) are as follows:

	AED'000
Short term benefits	9,782
Post-employment benefits	706
Variable pay benefits	32,469
Total remuneration	42,957
Board of Directors fees and expenses	7,793

In addition to the above, the key management personnel were granted long term deferred compensation including share based payments of AED 29,169 thousand.

33. Fair value hierarchy**Fair value measurements recognised in the condensed consolidated interim financial information**

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as OTC derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities and borrowings.

Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk and funding costs. Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. Credit value adjustment is calculated by multiplying the probability of default (PD), the loss given default (LGD) and the expected exposure at the time of default.

Notes to the condensed consolidated interim financial informationFor the three month period ended March 31, 2022

33. Fair value hierarchy (continued)**Valuation techniques using observable inputs – Level 2 (continued)**

Collateral and netting arrangements are taken into account where applicable. The Group applies credit value adjustments to all relevant (not collateralised) over-the-counter positions with the exception of positions settled through central clearing houses.

Funding value adjustment (FVA) reflects the impact of funding associated with collateralised and partly collateralised OTC positions. The Group calculates the FVA by applying estimated future funding costs to the expected future exposure that the Group will be required to fund as a result of the uncollateralised component of the over the counter portfolio (i.e., the uncollateralised component of a collateralised portfolio and the entire uncollateralised portfolio).

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Financial instruments under this category mainly includes private equity instruments and funds. The carrying values of these investments are adjusted as follows:

- a) Private equity instruments – using the latest available net book value; and
- b) Funds – based on the net asset value provided by the fund manager.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The significant unobservable inputs used in the fair value measurement of the Group's investment properties are rental income and capitalisation rates. Significant decrease in rental income, or increase in capitalisation rates, in isolation would result in a significant lower fair value measurement. Generally, a change in the assumption used for rental income should be accompanied by a change in the assumption for capitalisation rates in the same direction as increase in rental income increases the expectations of the seller to earn from the investment property. Therefore, the effects of these changes partially offset each other. Refer note 11 in respect of valuation methodology used for investment properties.

Notes to the condensed consolidated interim financial information

For the three month period ended March 31, 2022

33. Fair value hierarchy (continued)

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial information does not materially differ from their fair values.

		Level 1	Level 2	Level 3		
		Quoted	Observable	Significant		
		market	inputs	unobservable		
		prices	inputs	inputs		
		AED'000	AED'000	AED'000	Total	Carrying
	Notes				fair value	value
					AED'000	AED'000
As at March 31, 2022 (unaudited)						
Assets at fair value						
Financial assets at fair value through profit or loss	6	597,568	1,768,208	-	2,365,776	2,365,776
Derivative financial instruments	7	11,479	7,097,905	-	7,109,384	7,109,384
Investment securities	8					
- At fair value through other comprehensive income		53,909,259	4,825,322	161,952	58,896,533	58,896,533
- At amortised cost		36,381,866	-	-	36,381,866	38,030,218
Investment properties	11	-	-	1,673,197	1,673,197	1,673,197
Total		90,900,172	13,691,435	1,835,149	106,426,756	108,075,108
Liabilities at fair value						
Derivative financial instruments	7	5,570	7,336,720	-	7,342,290	7,342,290
Liabilities at amortised cost						
Euro commercial paper	15	-	7,666,531	-	7,666,531	7,669,582
Borrowings	16	15,429,650	61,677,392	-	77,107,042	79,074,322
Total		15,435,220	76,680,643	-	92,115,863	94,086,194
As at December 31, 2021 (audited)						
Assets at fair value						
Financial assets at fair value through profit or loss	6	584,705	1,122,062	-	1,706,767	1,706,767
Derivative financial instruments	7	966	6,487,055	-	6,488,021	6,488,021
Investment securities	8					
- At fair value through other comprehensive income		61,322,931	5,062,679	164,469	66,550,079	66,550,079
- At amortised cost		29,674,807	-	-	29,674,807	29,963,213
Investment properties	11	-	-	1,674,954	1,674,954	1,674,954
Total		91,583,409	12,671,796	1,839,423	106,094,628	106,383,034
Liabilities at fair value						
Derivative financial instruments	7	1,387	6,561,992	-	6,563,379	6,563,379
Liabilities at amortised cost						
Euro commercial paper	15	-	6,200,006	-	6,200,006	6,199,157
Borrowings	16	16,399,128	54,482,036	-	70,881,164	72,499,337
Total		16,400,515	67,244,034	-	83,644,549	85,261,873

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

Notes to the condensed consolidated interim financial information

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33. Fair value hierarchy (continued)

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

	As at March 31 2022 unaudited AED'000	As at December 31 2021 audited AED'000
Opening balance	164,469	205,981
Purchases, net during the period/year	-	19,165
Disposals including capital refunds during the period/year	(1,036)	(6,907)
Adjustment through other comprehensive income during the period/year	(1,481)	(53,770)
Closing balance	161,952	164,469

Net loss of AED 337 thousand (for the three month period ended March 31, 2021 – net gain of AED 3,060 thousand) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

34. Legal proceedings

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