Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial information for the three month period ended March 31, 2021

بنك أبوظبي التجاري
ADCB

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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 statement of financial position of Abu Dhabi Commercial Bank PJSC ("the Bank") and its subsidiaries (together referred to as "the Group") as at 31 March 2021 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

J Murphy.

Signed by
Joseph Alexander Murphy
Partner
Ernst & Young
Registration No. 492

25 April 2021
Abu Dhabi

Condensed consolidated interim statement of financial position

As at March 31, 2021

	Notes	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Assets			
Cash and balances with central banks, net	5	**17,228,287**	29,601,607
Deposits and balances due from banks, net	6	**21,141,019**	21,535,442
Derivative financial instruments	7	**8,687,310**	11,146,396
Investment securities	8	**91,056,902**	88,205,984
Loans and advances to customers, net	9	**235,724,616**	238,975,702
Investment in associates		**257,070**	255,868
Investment properties	11	**1,677,947**	1,643,956
Other assets, net	12	**10,398,975**	10,081,413
Property and equipment, net		**2,033,463**	2,058,575
Intangible assets, net		**7,366,242**	7,390,291
Assets held for sale		**247,249**	261,067
Total assets		**395,819,080**	411,156,301
Liabilities			
Due to banks	13	**5,178,595**	8,222,071
Derivative financial instruments	7	**8,766,926**	10,855,048
Deposits from customers	14	**238,829,639**	251,395,457
Euro commercial paper	15	**4,834,347**	4,753,593
Borrowings	16	**68,288,954**	65,396,044
Other liabilities	17	**14,190,249**	13,927,975
Liabilities related to assets held for sale		**7,043**	4,725
Total liabilities		**340,095,753**	354,554,913
Equity			
Share capital	18	**6,957,379**	6,957,379
Share premium		**17,878,882**	17,878,882
Other reserves	19	**9,722,255**	9,865,416
Retained earnings		**15,160,408**	15,895,692
Capital notes	20	**6,000,000**	6,000,000
Equity attributable to equity holders of the Bank		**55,718,924**	56,597,369
Non-controlling interests		**4,403**	4,019
Total equity		**55,723,327**	56,601,388
Total liabilities and equity		**395,819,080**	411,156,301

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on April 25, 2021 and signed on its behalf by:

Khaldoon Khalifa Al Mubarak	**Ala'a Eraiqat**	**Deepak Khullar**
Chairman	*Group Chief Executive Officer*	*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, 2021

	Notes	3 months ended March 31 2021 AED'000	2020 AED'000
Interest income	21	**2,268,327**	3,627,995
Interest expense	22	**(544,989)**	(1,414,928)
Net interest income		**1,723,338**	2,213,067
Income from Islamic financing and investing products		**456,123**	767,022
Distribution on Islamic deposits and profit paid to sukuk holders		**(60,147)**	(190,794)
Net income from Islamic financing and investing products		**395,976**	576,228
Total net interest income and income from Islamic financing and investing products		**2,119,314**	2,789,295
Net fees and commission income	23	**443,197**	431,457
Net trading income	24	**154,217**	138,918
Other operating income	25	**205,071**	116,315
Operating income		**2,921,799**	3,475,985
Operating expenses	26	**(1,060,609)**	(1,325,410)
Operating profit before impairment charge		**1,861,190**	2,150,575
Impairment charge	27	**(703,954)**	(1,882,495)
Profit after impairment charge		**1,157,236**	268,080
Share in profit/(loss) of associates		**2,124**	(10,608)
Profit before taxation		**1,159,360**	257,472
Overseas income tax charge		**(27,521)**	(31,719)
Profit for the period from continuing operations		**1,131,839**	225,753
Loss from discontinued operations		**(10,434)**	(16,490)
Profit for the period		**1,121,405**	209,263
Attributable to:			
Equity holders of the Bank		**1,120,977**	207,370
Non-controlling interests		**428**	1,893
Profit for the period		**1,121,405**	209,263
Basic and diluted earnings per share (AED)	28	**0.15**	0.01

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, 2021

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Profit for the period	**1,121,405**	209,263
Items that may be re-classified subsequently to the condensed consolidated interim income statement		
Exchange difference arising on translation of foreign operations (Note 19)	**(3,583)**	(30,658)
Net movement in cash flow hedge reserve (Note 19)	**(27,480)**	30,354
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 19)	**(128,007)**	(4,486,612)
	(159,070)	(4,486,916)
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)	**13,942**	(88,768)
Other comprehensive loss for the period	**(145,128)**	(4,575,684)
Total comprehensive income/(loss) for the period	**976,277**	(4,366,421)
Attributable to:		
Equity holders of the Bank	**975,893**	(4,368,306)
Non-controlling interests	**384**	1,885
Total comprehensive income/(loss) for the period	**976,277**	(4,366,421)

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, 2021

	Share capital	Share premium	Other reserves	Retained earnings	Capital notes	Equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
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**
As at January 1, 2020	6,957,379	17,878,882	9,257,919	15,544,207	6,000,000	55,638,387	19,405	55,657,792
Profit for the period	-	-	-	207,370	-	207,370	1,893	209,263
Other comprehensive loss for the period (Note 19)	-	-	(4,575,676)	-	-	(4,575,676)	(8)	(4,575,684)
Other movements	-	-	946	-	-	946	-	946
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI (Note 19)	-	-	-	21,534	-	21,534	-	21,534
Adjustment arising from changes in non-controlling interests	-	-	1,183	(2,065)	-	(882)	(17,852)	(18,734)
Dividends paid to equity holders of the Bank	-	-	-	(2,643,804)	-	(2,643,804)	-	(2,643,804)
Capital notes coupon paid (Note 28)	-	-	-	(147,317)	-	(147,317)	-	(147,317)
As at March 31, 2020	6,957,379	17,878,882	4,684,372	12,979,925	6,000,000	48,500,558	3,438	48,503,996

Following the Annual General Meeting held on March 24, 2021, the shareholders approved the distribution of proposed cash dividend of AED 1,878,492 thousand for the year 2020, being AED 0.27 dividend per share and representing 27% of the paid up share capital (For the year 2019 – cash dividend of AED 2,643,804 thousand, being AED 0.38 dividend per share and representing 38% 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, 2021

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	**1,148,926**	240,982
Adjustments for:		
Depreciation on property and equipment (Note 26)	**99,280**	101,052
Amortisation of intangible assets (Note 26)	**23,923**	23,541
Net losses/(gains) from investment properties	**543**	(80)
Impairment charge	**783,368**	1,959,160
Share in (profit)/loss of associates	**(2,124)**	10,608
Discount unwind	**(75,123)**	(332,789)
Net gains from disposal of investment securities (Note 25)	**(74,206)**	(45,162)
Interest income on investment securities	**(496,501)**	(596,896)
Dividend income (Note 25)	**(7,422)**	(5,160)
Interest expense on borrowings and euro commercial paper	**232,741**	390,769
Net (gains)/losses from trading securities (Note 24)	**(209)**	5,512
Ineffective portion of hedges – losses/(gains) (Note 7)	**7,823**	(26,991)
Employees' incentive plan expense (Note 19)	**1,364**	946
Cash flows from operating activities before changes in operating assets and liabilities	**1,642,383**	1,725,492
Net movement in balances with central banks	**-**	3,118,250
Net movement in due from banks	**(2,112,243)**	(3,931,124)
Net movement in derivative financial instruments	**(204,048)**	(69,020)
Net purchases of trading securities	**(184,642)**	(79,631)
Net movement in loans and advances to customers	**2,487,083**	(408,103)
Net movement in other assets	**355,668**	(140,215)
Net movement in due to banks	**(2,181,391)**	921,361
Net movement in deposits from customers	**(12,565,607)**	648,115
Net movement in other liabilities	**(352,902)**	(212,450)
Net cash (used in)/from operations	**(13,115,699)**	1,572,675
Overseas income tax paid	**(12,885)**	(16,886)
Net cash (used in)/from operating activities	**(13,128,584)**	1,555,789
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	**4,556,245**	9,548,598
Net purchases of investment securities	**(8,226,611)**	(7,490,739)
Interest received on investment securities	**350,045**	605,415
Dividend received from investment securities (Note 25)	**7,422**	5,160
Dividend received from associates	**922**	9,647
Gross proceeds from disposal of assets held for sale	**77,000**	-
Disposal of investment properties	**7,854**	253
Net purchases of property and equipment	**(48,808)**	(66,067)
Net cash (used in)/from investing activities	**(3,275,931)**	2,612,267
FINANCING ACTIVITIES		
Net movement in euro commercial paper	**79,323**	1,271,392
Net proceeds from borrowings	**7,052,367**	7,722,163
Repayment of borrowings	**(2,917,996)**	(6,383,809)
Net interest received/(paid) on borrowings and euro commercial paper	**187,526**	(67,138)
Payment of lease liabilities	**(29,322)**	(32,198)
Dividends paid to equity holders of the Bank	**(1,878,492)**	(2,643,804)
Acquisition of non-controlling interests	**-**	(18,734)
Capital notes coupon paid (Note 28)	**(90,635)**	(147,317)
Net cash from/(used in) financing activities	**2,402,771**	(299,445)
Net (decrease)/increase in cash and cash equivalents	**(14,001,744)**	3,868,611
Cash and cash equivalents at the beginning of the period	**32,671,851**	22,856,273
Cash and cash equivalents at the end of the period	**18,670,107**	26,724,884

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, 2021

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 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	**17,228,559**	29,602,072
Deposits and balances due from banks (excluding loans and advances to banks) (Note 6)	**7,817,831**	10,745,758
Due to banks (Note 13)	**(5,178,595)**	(8,222,071)
	19,867,795	32,125,759
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than three months	**(4,586,010)**	(5,025,020)
Add: Due to banks – with original maturity of more than three months	**3,248,066**	5,429,457
Add: Cash and cash equivalents included in assets held for sale	**140,256**	141,655
Total cash and cash equivalents	**18,670,107**	32,671,851

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

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.

On March 21, 2019, the shareholders of ADCB and Union National Bank PJSC ("UNB") approved the merger of two banks pursuant to Article 283 (1) of UAE Federal Law No. 2 of 2015 and subsequent acquisition of 100% of issued share capital of Al Hilal Bank PJSC ("AHB") by the combined bank. The merger was effected through issuance of 0.5966 new shares in ADCB for every one share of UNB, subject to the terms and conditions of the merger. Following the merger, ADCB and UNB shareholders own approximately 76% and 24% of the combined bank, respectively. On the effective date of the merger, UNB shares were delisted from the Abu Dhabi Securities Exchange. The combined bank retained ADCB's legal registrations.

The combined bank issued a mandatory convertible bond ("bond") of AED 1,000,000 thousand to the shareholder of AHB as consideration to acquire the entire issued share capital of AHB. The bond was converted immediately into 117,647,058 ADCB shares.

The effective date of the above merger and acquisition was May 1, 2019.

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 ADCB for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

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, 2020.

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, 2021 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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 ADCB for the year ended December 31, 2020.

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, 2021

In the current period, the Group has applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 along with amendments with respect to Interest Rate Benchmark Reforms – Phase 2 issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021. 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, 2021.

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 IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.	January 1, 2022
Amendments to IAS 16 'Property, Plant and Equipment' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

2. Summary of significant accounting policies (continued)

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

2.2.2 Standards and Interpretations in issue but not yet effective (continued)

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 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. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of January 1, 2021.	January 1, 2023
Amendments to IFRS 17 'Insurance Contracts' to address concerns and implementation challenges that were 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. Further amendments explain how an entity can identify a material accounting policy.	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". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures (2011)' relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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 the management.

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 Bank. The Bank 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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Following is the list of subsidiaries as at March 31, 2021:

Name of subsidiary	Ownership interest	Incorporation Year	Incorporation Country	Principal activities
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.
Abu Dhabi Commercial Finance Solutions LLC(2)	100%	2005	UAE	Financial investments.
Abu Dhabi Commercial Investment Services LLC(2)	100%	2005	UAE	Financial investments.
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.
Omicron Capital(2)	100%	2014	Cayman Islands	Treasury financing activities.
ADCB Structuring I (Cayman) Limited(2)	100%	2016	Cayman Islands	Treasury financing activities.
Common Services SARL(2)	100%	2018	Luxembourg	Acquisition, holding, management and disposal of participations and interests.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Al Wifaq Finance Company PrJSC	90.08%	2006	UAE	Shari'ah compliant Islamic finance products and services.
Al Wifaq Properties LLC(2)	90.28%	2015	UAE	Property management services.
Union Brokerage LLC(2)	100%	2002	UAE	Agent in trading of financial instruments and stocks.
Injaz Marketing Management LLC(2)	99%	2007	UAE	Marketing management services.
Abu Dhabi Commercial Bank – Egypt (Formerly known as Union National Bank – Egypt)	99.78%	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 (2) (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 Bank 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 Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Bank'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.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

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.

2.4 Business combination under common control

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Currently, there is no specific guidance on accounting for common control transactions under IFRSs, therefore the management needs to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

The Group accounts for business combinations under common control using the acquisition method when there is commercial substance to the transaction. Under acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in condensed consolidated interim income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in condensed consolidated interim income statement as a bargain purchase gain.

2. Summary of significant accounting policies (continued)

2.4 Business combination under common control (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in condensed consolidated interim income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to condensed consolidated interim income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date but does not exceed twelve months.

Impairment testing of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (“CGU”) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in condensed consolidated interim income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Update on prospective changes in reference rate (Ibor)

Effective from January 1, 2020, the Group has implemented amendments to IFRS 9 ‘Financial Instruments’ and IFRS 7 ‘Financial Instruments: Disclosures relating to interest rate benchmark reforms’. Phase 1 of the amendments addresses the hedge accounting requirements arising before interbank offer rate (“Ibor”) and proposed a hedging relief for such pre replacement hedges. The Group has applied the hedging relief available under the amendments such as relief on forward looking analysis during the period of uncertainty beyond the year 2021. The Group’s consolidated financial statements for the year ended December 31, 2020 provides further details on transition to alternative benchmark rates.

Effective from January 1, 2021, Phase 2 amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 relating interest rate benchmark reforms (“the reforms”) requires the Group to introduce disclosures that allow users to understand the nature and extent of risks arising from the Ibor reform to which the Group is exposed to and how the Group manages those risks as well as the Group’s progress in transitioning from interbank offered rates (Ibors) to alternative benchmark rates, and how the Group is managing this transition. The quantitative information as required under Phase 2 of the reforms will be disclosed in the Group’s annual consolidated financial statements for the year ending December 31, 2021.

The impact of the replacement of Ibors with alternative risk-free rates on the Group’s products and services remains a key area of focus. The Group has a significant and growing volume of contracts referencing Ibors, such as Libor and Eibor, extending past 2021 when it is likely that these Ibors will cease being published. Management is running a project to coordinate the Group’s transition activities aiming to minimise the volume of such contracts outstanding upon the cessation of these Ibors, and therefore the associated disruption to financial flows and potential economic losses. The project is significant in terms of scale and complexity and will impact multiple products, currencies, systems and processes. The process of adopting new reference rates exposes the Group to operational and financial risks such as earnings volatility resulting from contract modifications and changes in hedge accounting. The Group continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition; this includes customer communication strategy and hosting key information on the Bank’s website.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group

The Covid-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. While some countries have eased the lockdown, the relaxation has been gradual and, in some cases, they have had to re-impose stricter measures to deal with renewed outbreaks. Credit spreads have jumped and volatility has spiked to levels reminiscent of the global financial crisis with deterioration in market liquidity.

Central banks across the world have stepped in with measures to protect the stability of the global economy with a wide range of measures from easing of interest rates, to asset purchase programmes besides infusing significant liquidity into the economy. By effectively stepping in as “buyers of last resort” and helping contain upward pressures on the cost of credit, central banks are ensuring that households and firms continue to have access to credit at an affordable price. To date, central banks have announced plans to expand their provision of liquidity - including through loans and asset purchases.

In response to this crisis, the Central Bank of UAE (CBUAE) has instituted measures in the UAE to support businesses and households. These measures are expected to remain in place till the date announced by CBUAE as noted below. Some of the measures announced by the CBUAE under Targeted Economic Support Scheme (TESS), which would mitigate the impact of Covid-19 are discussed below:

A. Temporary relief to customers

Temporary relief from the payments of principal and/or interest/profit on outstanding loans for all Covid-19 affected private sector corporates, small and medium enterprises and individuals domiciled in UAE. To incentivize UAE banks to participate in the TESS programme:

- CBUAE has granted an extension of AED 50 billion capital buffer for the entire banking industry till December 31, 2021. This will facilitate additional lending capacity of banks.
- CBUAE has granted an extension of the TESS recovery program zero cost funding facility until June 30, 2022.
- CBUAE has granted extension of the TESS deferrals program until the end of 2021 with a gradual phase-out i.e. not to exceed 50% of the allocated limit for each financial institution by September 30, 2021, with full phase out by December 31, 2021.

B. Liquidity and capital stimulus package

The effects of this crisis on the liquidity/funding and capital risks and profile of the banking system are evolving and subject to ongoing monitoring, as governments around the world intervene to provide various stimulus package to mitigate the adverse effects of the crisis. CBUAE has introduced the following stimulus package relating to liquidity and capital requirements to support the banking industry in the UAE through this disruption, for banks that fully pass on the TESS related benefits to end customers:

- CBUAE has a reduced requirement of maintaining minimum liquidity coverage ratio (LCR) of 70% (from 100%), minimum net funding ratio (NSFR) of 90% (from 100%) and minimum eligible liquid assets ratio (ELAR) of 7% (from 10%). This liquidity can be used to compensate for the effect of posting collateral required by the TESS programme.
- To improve liquidity within UAE banking system, the CBUAE halved the reserve requirement for demand deposit of all banks from 14% to 7%.
- To counter volatility in financial markets and its impact on regulatory capital, CBUAE has issued a new requirement for all banks to apply a prudential filter to IFRS 9 expected credit loss (ECL) provisions. Any increase in the provisioning compared to December 31, 2019 will be partially added back to regulatory capital while IFRS 9 provisions will be gradually phased-in during a five-year period, ending December 31, 2024.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

B. Liquidity and capital stimulus package (continued)

- The CBUAE has allowed banks to tap into capital conservation buffer and domestic systemically important banks (D-SIB) to the extent of 60% and 100% respectively till December 31, 2021.
- Planned implementation of certain Basel III capital requirements will be postponed till end of 2021 (Basel III part 2) and second quarter of 2022 (Basel III part 3).

Although the measures mentioned above are not exhaustive and may not fully counteract the impact of Covid-19 in the short run, they will mitigate the long-term negative impact of the epidemic.

In response to this crisis, the Bank continues to monitor and respond to all liquidity and funding requirements through its Liquidity Contingency Plan and stress tests reflecting the current economic scenarios. As at the reporting date, the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.

IASB Guidance and Joint Guidance issued by the Central Bank of UAE, Dubai Financial Services Authority (the "DFSA") and the Financial Services Regulatory Authority (the "FSRA")

The Bank recognises any changes made to ECL to estimate the overall impact of Covid-19 will be subject to very high levels of uncertainty as little reasonable and supportable forward-looking information is currently available on which to base those changes. This makes it even more important that ECL process remains robust since any significant overstatement of ECL could lead to unnecessary tightening in credit conditions which may not have a salutary economic impact. Accordingly, IASB and regulatory bodies in the UAE have proposed certain measures to manage the impact of economic uncertainty on ECL while remaining compliant with IFRS.

On March 27, 2020, the IASB issued a guidance note on accounting for expected credit losses in the light of current uncertainty arising from the Covid-19 pandemic. The guidance note states that IFRS 9 requires the application of judgement and both requires and allows entities to adjust their approach to determining ECLs in different circumstances. A number of assumptions and linkages underlying the way ECLs have been implemented to date may no longer hold in the current environment. Entities should not continue to apply their existing ECL methodology mechanically.

On April 22, 2020, the Central Bank of UAE issued guidance on treatment of IFRS 9 ECL in context of the Covid-19 crises. The guidance requires banks to identify customers who are temporarily and mildly impacted by Covid-19 (Group 1) and those who are significantly impacted by Covid-19 in the long term (Group 2). The guidance also requires the Bank to review the credit conversion factor, staging and run scenarios to ascertain the impact of the macro-economic variables. ADCB has taken necessary steps to comply with this guidance.

On October 27, 2020, CBUAE has issued further guidelines that required moving all accounts that are significantly impacted by Covid-19 (Group 2) to stage 2. The revised guidelines required banks to disclose all deferrals provided to all customers irrespective of whether these deferrals were provided under TESS scheme or outside of the TESS scheme.

Further, to assess significant increase in credit risk (SICR) IFRS 9 requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument. Both the assessment of SICR and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. Entities are required to develop estimates based on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, consideration should be given both to the effects of Covid-19 and the significant government support measures being undertaken.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

IASB Guidance and Joint Guidance issued by the Central Bank of UAE, Dubai Financial Services Authority (the "DFSA") and the Financial Services Regulatory Authority (the "FSRA") (continued)

In line with the IASB guidance, the Central Bank of UAE, DFSA and FSRA introduced a joint guidance which stipulates the following considerations while measuring ECLs:

- a temporary moratorium on payments, or a waiver of a breach of covenant, in itself is not considered an SICR trigger in the current environment. This would also be the case even if a moratorium results in a loss for the Bank (e.g., if interest payments are reduced or waived), if it is provided irrespective of the borrowers' individual circumstances.
- due to the current unusual circumstances the 30 days past due (DPD) backstop assumption in some cases has been rebutted.
- the Bank distinguishes between obligors whose long-term credit risk is unlikely to be significantly affected by Covid-19 from those who may be more permanently impacted. Obligors operating in certain industries are likely to be more affected compared to others. These factors are considered to determine whether there is a case of SICR.
- most modifications of contracts as a result of Covid-19 are not substantial modifications.

Impact of Covid-19 on ADCB Group

ADCB's corporate portfolio is primarily UAE focused, therefore the Central Bank TESS programme directly aids most of the corporate portfolios with the exception of government-related enterprises which the Group believes will be able to manage this crisis based on their ownership and economic importance to the country. All customers who have availed of TESS deferral, have been classified as Group 1 or Group 2 as per the Central Bank definitions. Customers have been provided deferrals under TESS and the subsequent repayment/account performance post the end of the deferral period is monitored.

ADCB's Retail portfolio continues to see more immediate term impact on account of reduced pay/job-losses/cash flow stress in businesses. ADCB is fully committed to help these customers through this turbulent period as directed by the CBUAE. Small and medium enterprises (SME) customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank.

Al Hilal Bank, a fully owned subsidiary of ADCB, has a retail portfolio primarily of UAE Nationals employed in government owned entities. This is a segment that we believe will be insulated from job cuts and salary reductions, and as such the impact on this portfolio would be considerably muted.

Impact on ECL

ADCB's IFRS 9 framework is implemented and is based on robust internal models. ADCB's Group Risk Management has independent model development and model validation teams who oversee the re-development/calibration and model validations on policy defined frequencies. ADCB also relies on external model validation for ensuring the ECL outputs are relevant and reflect the latest portfolio risk composition.

ADCB has recently updated its macro-economic variables. These changes ensures that the ECL charge fully reflects the current prevailing macro-economic scenario. The impact of these changes is included in the net impairment charges of AED 704 million.

Given that ADCB's portfolio is largely UAE based, all the government support measures will help mitigate the impact of ECL on its portfolio.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Governance updates related to TESS

The Group has implemented robust governance around TESS deferrals. TESS deferrals follow a credit approval process and are approved after proper evaluation of customer needs, past performance and impact of Covid-19 on customer's credit worthiness. In line with the Joint Guidance, the risk policy team has issued guidelines to ensure that TESS deferrals adhere to the prescribed CBUAE rules. All deferrals are tracked by credit operations with adequate checks and balances. TESS deferrals are monitored on a weekly basis by Group Risk division to ensure compliance with the CBUAE rules and Joint Guidance. The decisions on macro-economic adjustments, grouping, etc. are all documented via policies and approved by the relevant risk committees.

Payment deferrals

The Group has drawn AED 8,881,745 thousand of the TESS related funds allocated to it, of which AED 3,214,373 thousand has been repaid up to date of approval of these financial statements. Further, the Group has extended AED 11,468,137 thousand to the customers by means of payment deferrals under TESS, of which AED 5,850,648 thousand has been subsequently settled by customers as at March 31, 2021. Payment deferrals were given to corporate, SME and retail customers in line with the CBUAE regulations ensuring that the customers impacted by Covid-19 are supported by temporary payment deferrals.

Summary of payment deferrals (including TESS and other deferrals):

	As at March 31, 2021 (unaudited)		
	Wholesale banking AED'000	Retail banking AED'000	Total AED'000
TESS deferrals extended	10,197,937	1,270,200	11,468,137
Other deferrals extended	2,156,055	356	2,156,411
Total payment deferrals extended	12,353,992	1,270,556	13,624,548
Less: Payment deferrals repaid	(6,089,671)	(626,808)	(6,716,479)
Payment deferrals outstanding	6,264,321	643,748	6,908,069

Summary of payment deferrals, exposure and outstanding impairment allowance by product:

	As at March 31, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Overdrafts (corporates)	43,146	932,075	3,284
Retail loans	643,748	3,512,463	437,841
Corporate loans	5,546,567	51,036,140	971,120
Other facilities	674,608	655,584	20,221
Total	6,908,069	56,136,262	1,432,466

Product wise classification of retail loans:

	As at March 31, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Personal loans (including credit cards)	618,841	2,672,320	395,437
Mortgage loans	18,114	755,243	31,115
Auto loans	6,793	84,900	11,289
Total	643,748	3,512,463	437,841

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Payment deferrals (continued)

Summary of payment deferrals, exposure and outstanding impairment allowance by economic sector:

	As at March 31, 2021 (unaudited)		
Economic activity sector	**Payment deferrals AED'000**	**Exposure AED'000**	**Impairment allowance AED'000**
Agriculture	2,666	2,666	-
Energy	81,283	483,914	5,049
Trading	462,701	638,334	16,630
Real estate investment	2,889,414	21,609,220	465,597
Hospitality	756,401	7,814,534	256,224
Transport and communication	72,187	483,102	12,433
Personal	816,901	4,334,947	435,986
Government and public sector enterprises	363,769	2,941,989	1,408
Financial institutions (*)	553,029	9,255,825	72,247
Manufacturing	103,069	514,384	138,767
Services	93,605	319,586	9,456
Others	713,044	7,737,761	18,669
Total	**6,908,069**	**56,136,262**	**1,432,466**

(*) includes investment companies

Joint Guidance requires that all customers who avail payment deferrals are to be grouped into two categories:

Group 1

Customers that are temporarily and mildly impacted by the Covid-19 crisis. For these customers, the payment deferrals are believed to be effective and thus the economic value of the facilities are not expected to be materially affected. These customers are expected to face liquidity constraints without substantial changes in their creditworthiness.

Group 2

Customers that are expected to face substantial changes in their credit worthiness beyond liquidity issues.

To comply with the above requirements, the Group reviewed the top 70% of its wholesale exposures on a case-by-case basis to ensure the correct classification of Group 1 and 2 exposures. For the remainder of the portfolio, the Group has adopted an approach based on industry sector, current internal rating and loan-to-value criteria for asset backed financing. The grouping policy was reviewed and approved by the Management Risk & Credit Committee of the Bank.

Based on the above considerations, customers availing payment deferrals have been categorised as follows:

		As at March 31, 2021 (unaudited)				
Segment	**Group**	**Number of customers**	**Payment deferrals AED'000**	**Exposure AED'000**	**Impairment allowance AED'000**	**Collaterals AED'000**
Wholesale banking (*)	Group 1	272	4,551,941	46,347,995	286,024	68,685,204
	Group 2	395	1,712,380	6,275,804	708,601	5,529,666
		667	6,264,321	52,623,799	994,625	74,214,870
Retail banking	Group 1	11,145	183,693	2,557,886	18,770	797,018
	Group 2	15,008	460,055	954,577	419,071	446,916
		26,153	643,748	3,512,463	437,841	1,243,934
Total		**26,820**	**6,908,069**	**56,136,262**	**1,432,466**	**75,458,804**

(*) for the purpose of this disclosure, high net worth clients and their businesses are included in wholesale banking

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Payment deferrals (continued)

The Group has aligned its internal policies on ECL and staging in line with "Joint Guidance Note to Banks and Finance Companies on treatment of IFRS 9 expected credit loss provisions in the UAE in the context of the Covid-19 crisis" ("Joint Guidance") dated April 4, 2020.

The Group has taken the following steps to ensure that the ECL practices remain prudent in light of the payment deferrals provided to the customer.

- **Changes in macro-economic variables**

  The Group runs ECL models based on forward looking assumptions. However, based on the CBUAE directives, latest macro-economic variables and projections have been updated in ECL models to reflect the current economic situation. In addition to this, the Bank continues to hold overlays that have been set aside to cover Covid-19 impact.

- **Probability of default (Rating changes)**

  The Group continues to rate its customers using its internal models and customers with weak financial profiles will have rating downgrades thereby impacting their probability of default (PD) and ECL. This is to ensure any additional ECL required due to PD deterioration is taken into the ECL calculation.

  Average PD and loss given default (LGD) of customers availing deferral benefits:

	Weighted average PD		Weighted average LGD	
Group	**Wholesale banking**	**Retail banking**	**Wholesale banking**	**Retail banking**
Group 1	**3.91%**	**1.88%**	**16.88%**	**64.40%**
Group 2	**21.81%**	**50.91%**	**21.58%**	**62.35%**
Segment average	**6.04%**	**15.13%**	**17.44%**	**63.85%**

- **Migration of staging**

  The CBUAE regulations allows the staging of the Group 1 customers to remain unchanged for the duration of the crisis. Similarly, the Group 2 customers will not be normally migrated to stage 3 based on their financial performance as the impact of Covid-19 is not expected to be permanent in nature. The Bank has applied these principles, however some of the customer's stage has been downgraded post the end of the deferral period. In addition, as per CBUAE guidelines, Group 2 customers who were under stage 1 have been migrated to stage 2.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Payment deferrals (continued)

The stage wise classification of customers availing payment deferrals (by business segment):

			As at March 31, 2021 (unaudited)		
Segment	**Stage**	**Group**	**Payment deferrals AED'000**	**Exposure AED'000**	**Impairment Allowance AED'000**
Wholesale banking	Stage 1	Group 1	**4,224,782**	**44,394,305**	**215,585**
		Group 2	**-**	**-**	**-**
			4,224,782	**44,394,305**	**215,585**
	Stage 2	Group 1	**327,159**	**1,953,690**	**70,439**
		Group 2	**1,365,743**	**5,277,086**	**611,773**
			1,692,902	**7,230,776**	**682,212**
	Stage 3	Group 1	**-**	**-**	**-**
		Group 2	**312,069**	**773,971**	**91,846**
			312,069	**773,971**	**91,846**
	POCI	Group 1	**-**	**-**	**-**
		Group 2	**34,568**	**224,747**	**4,982**
			34,568	**224,747**	**4,982**
Total			**6,264,321**	**52,623,799**	**994,625**
Retail banking	Stage 1	Group 1	**183,693**	**2,557,886**	**18,770**
		Group 2	**-**	**-**	**-**
			183,693	**2,557,886**	**18,770**
	Stage 2	Group 1	**-**	**-**	**-**
		Group 2	**172,806**	**484,386**	**147,745**
			172,806	**484,386**	**147,745**
	Stage 3	Group 1	**-**	**-**	**-**
		Group 2	**287,249**	**470,191**	**271,326**
			287,249	**470,191**	**271,326**
Total			**643,748**	**3,512,463**	**437,841**
Grand total			**6,908,069**	**56,136,262**	**1,432,466**

As per CBUAE guidance, the Group has extended payment deferrals under TESS only to stage 1 and stage 2 loans. Certain exposures had been subsequently migrated to stage 3 in exceptional circumstances where customer's debt servicing capacity was expected to be permanently impaired.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Payment deferrals (continued)

Stage migration of exposure since January 1, 2021, of customers benefiting from payment deferrals (by business segment):

Wholesale banking	Stage 1 AED'000	Stage 2 AED'000	Stage 3(*) AED'000	POCI AED'000	Total AED'000
As at January 1, 2021	44,845,870	7,246,711	423,405	223,995	52,739,981
- Transfer from stage 1 to stage 2	(589,600)	589,600	-	-	-
- Transfer from stage 1 to stage 3	(2,057)	-	2,057	-	-
- Transfer from stage 2 to stage 1	245,940	(245,940)	-	-	-
- Transfer from stage 2 to stage 3	-	(364,187)	364,187	-	-
- Transfer from stage 3 to stage 2	-	1,000	(1,000)	-	-
Changes in exposure within same stage	(105,848)	3,592	(14,678)	752	(116,182)
As at March 31, 2021 (unaudited)	44,394,305	7,230,776	773,971	224,747	52,623,799

Retail banking	Stage 1 AED'000	Stage 2 AED'000	Stage 3(*) AED'000	POCI AED'000	Total AED'000
As at January 1, 2021	2,863,412	650,713	164,613	-	3,678,738
- Transfer from stage 1 to stage 2	(190,831)	190,831	-	-	-
- Transfer from stage 1 to stage 3	(75,706)	-	75,706	-	-
- Transfer from stage 2 to stage 1	22,076	(22,076)	-	-	-
- Transfer from stage 2 to stage 3	-	(329,896)	329,896	-	-
- Transfer from stage 3 to stage 2	-	3,578	(3,578)	-	-
Changes in exposure within same stage	(61,065)	(8,764)	(96,446)	-	(166,275)
As at March 31, 2021 (unaudited)	2,557,886	484,386	470,191	-	3,512,463

(*) as per CBUAE guidance, the Group has extended payment deferrals under TESS only to stage 1 and stage 2 loans. Certain exposures had been subsequently migrated to stage 3 in exceptional circumstances where customer's debt servicing capacity was expected to be permanently impaired.

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)

Payment deferrals (continued)

The internal rating classification of customers availing payment deferrals as at March 31, 2021 (unaudited):

	Group 1			Group 2			Total		
Internal Rating	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Grades 1-4	877,163	9,736,170	3,435	98,640	503,974	1,306	975,803	10,240,144	4,741
Grades 5-6	3,220,326	33,649,215	162,623	521,232	3,089,517	414,834	3,741,558	36,738,732	577,457
Grade 7	415,690	2,805,116	114,278	740,944	1,663,125	192,140	1,156,634	4,468,241	306,418
Grade 8-10	-	-	-	341,793	983,524	85,155	341,793	983,524	85,155
Unrated	222,455	2,715,380	24,458	469,826	990,241	434,237	692,281	3,705,621	458,695
Total	**4,735,634**	**48,905,881**	**304,794**	**2,172,435**	**7,230,381**	**1,127,672**	**6,908,069**	**56,136,262**	**1,432,466**

5. Cash and balances with central banks, net

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash on hand	**1,653,746**	1,682,035
Balances with central banks (*)	**4,048,999**	17,608,390
Reserves maintained with central banks	**10,988,589**	10,083,446
Certificate of deposits with central banks	**537,225**	228,201
Gross cash and balances with central banks	**17,228,559**	29,602,072
Less: Allowance for impairment (Note 10)	**(272)**	(465)
Total cash and balances with central banks, net	**17,228,287**	29,601,607
The geographical concentration is as follows:		
Within the UAE	**15,885,291**	28,592,453
Outside the UAE	**1,343,268**	1,009,619
	17,228,559	29,602,072
Less: Allowance for impairment (Note 10)	**(272)**	(465)
	17,228,287	29,601,607

(*) includes overnight deposits amounting to AED 2,200,000 thousand (December 31, 2020 – AED 17,000,000 thousand) placed with CBUAE at 0.10% p.a.

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.

6. Deposits and balances due from banks, net

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Nostro balances	**549,822**	1,194,880
Margin deposits	**1,280,310**	2,735,002
Time deposits	**3,967,549**	5,071,201
Wakala placements	**1,469,200**	1,744,675
Murabaha placements	**550,950**	-
Loans and advances to banks	**13,387,670**	10,836,253
Gross deposits and balances due from banks	**21,205,501**	21,582,011
Less: Allowance for impairment (Note 10)	**(64,482)**	(46,569)
Total deposits and balances due from banks, net	**21,141,019**	21,535,442
The geographical concentration is as follows:		
Within the UAE	**4,528,153**	6,535,296
Outside the UAE	**16,677,348**	15,046,715
	21,205,501	21,582,011
Less: Allowance for impairment (Note 10)	**(64,482)**	(46,569)
	21,141,019	21,535,442

7. Derivative financial instruments

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

	Fair values		
	Assets AED'000	Liabilities AED'000	Notional AED'000
As at March 31, 2021 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	**613,279**	**386,802**	**314,701,260**
Interest rate and cross currency swaps	**5,620,628**	**5,445,765**	**232,048,174**
Interest rate and commodity options	**751,645**	**583,201**	**63,027,643**
Total return swaps	**-**	**444**	**288,740**
Commodity and energy swaps	**121,895**	**113,924**	**1,425,843**
Swaptions	**195,461**	**108,735**	**72,718,052**
Total derivatives held or issued for trading	**7,302,908**	**6,638,871**	**684,209,712**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**1,303,546**	**2,004,453**	**74,246,930**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**29,964**	**90,384**	**2,972,806**
Forward foreign exchange contracts	**50,892**	**33,218**	**4,974,156**
Total derivatives held as cash flow hedges	**80,856**	**123,602**	**7,946,962**
Total derivative financial instruments	**8,687,310**	**8,766,926**	**766,403,604**
As at December 31, 2020 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	526,498	421,507	304,195,751
Interest rate and cross currency swaps	6,298,336	6,258,030	232,437,104
Interest rate and commodity options	895,776	656,480	64,008,310
Forward rate agreements	76	482	7,248,120
Commodity and energy swaps	136,202	126,151	1,563,427
Swaptions	577,111	493,621	72,938,327
Total derivatives held or issued for trading	8,433,999	7,956,271	682,391,039
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	2,340,794	2,774,791	73,023,342
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	57,361	110,585	3,942,375
Forward foreign exchange contracts	314,242	13,401	9,297,535
Total derivatives held as cash flow hedges	371,603	123,986	13,239,910
Total derivative financial instruments	11,146,396	10,855,048	768,654,291

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 7,823 thousand (for the three month period ended March 31, 2020 – net gains of AED 26,991 thousand) has been recognised in the condensed consolidated interim income statement.

As at March 31, 2021, the Group received cash collateral of AED 652,587 thousand (December 31, 2020 - AED 1,690,099 thousand) and bonds with fair value of AED 677,951 thousand (December 31, 2020 – AED 922,863 thousand) against net positive derivative exposure.

As at March 31, 2021, the Group placed cash collateral of AED 1,263,988 thousand (December 31, 2020 – AED 2,748,588 thousand) and bonds with fair value of AED 2,766,080 thousand (December 31, 2020 - AED 3,313,735 thousand) against net negative derivative exposure. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

8. Investment securities

	UAE AED'000	Other GCC(*) Countries AED'000	Rest of the world AED'000	Total AED'000
As at March 31, 2021 (unaudited)				
At fair value through profit and loss (FVTPL)				
Quoted:				
Government securities	-	182,465	-	182,465
Bonds – Public sector	2,267	-	-	2,267
Total investment securities at fair value through profit and loss	**2,267**	**182,465**	**-**	**184,732**
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	15,894,703	13,799,989	9,367,504	39,062,196
Bonds – Public sector	8,651,885	1,943,226	4,524,814	15,119,925
Bonds – Banks and financial institutions	4,488,215	625,090	3,931,007	9,044,312
Bonds – Corporate	1,115,398	393,261	193,230	1,701,889
Equity instruments (**)	190,539	34,525	312,729	537,793
Mutual funds	-	-	91,765	91,765
Total quoted	**30,340,740**	**16,796,091**	**18,421,049**	**65,557,880**
Unquoted:				
Equity instruments	158,971	-	37,366	196,337
Mutual funds	-	1,341	355	1,696
Total unquoted	**158,971**	**1,341**	**37,721**	**198,033**
Total investment securities at fair value through other comprehensive income	**30,499,711**	**16,797,432**	**18,458,770**	**65,755,913**
At amortised cost				
Quoted:				
Government securities	5,809,717	5,246,148	4,635,503	15,691,368
Bonds – Public sector	2,647,486	1,518,387	2,292,522	6,458,395
Bonds – Banks and financial institutions	158,119	18,364	535,397	711,880
Bonds – Corporate	2,246,941	-	19,983	2,266,924
Total quoted	**10,862,263**	**6,782,899**	**7,483,405**	**25,128,567**
Less: Allowance for impairment (Note 10)	(2,531)	(1,265)	(8,514)	(12,310)
Total investment securities at amortised cost	**10,859,732**	**6,781,634**	**7,474,891**	**25,116,257**
Total investment securities	**41,361,710**	**23,761,531**	**25,933,661**	**91,056,902**

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

8. Investment securities (continued)

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at December 31, 2020 (audited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	16,752,097	14,404,246	7,742,358	38,898,701
Bonds – Public sector	9,822,747	1,914,715	4,312,979	16,050,441
Bonds – Banks and financial institutions	3,993,676	590,994	4,340,036	8,924,706
Bonds – Corporate	1,113,847	394,689	194,624	1,703,160
Equity instruments (**)	261,336	110,077	312,901	684,314
Mutual funds	-	-	84,853	84,853
Total quoted	31,943,703	17,414,721	16,987,751	66,346,175
Unquoted:				
Equity instruments	166,548	-	37,550	204,098
Mutual funds	-	1,337	546	1,883
Total unquoted	166,548	1,337	38,096	205,981
Total investment securities at fair value through other comprehensive income	32,110,251	17,416,058	17,025,847	66,552,156
At amortised cost				
Quoted:				
Government securities	5,009,526	4,368,820	4,150,655	13,529,001
Bonds – Public sector	2,536,387	1,253,712	2,206,558	5,996,657
Bonds – Banks and financial institutions	149,026	-	366,395	515,421
Bonds – Corporate	1,604,541	-	20,054	1,624,595
Total quoted	9,299,480	5,622,532	6,743,662	21,665,674
Less: Allowance for impairment (Note 10)	(2,253)	(1,512)	(8,081)	(11,846)
Total investment securities at amortised cost	9,297,227	5,621,020	6,735,581	21,653,828
Total investment securities	41,407,478	23,037,078	23,761,428	88,205,984

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

As at March 31, 2021, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 262,966 thousand (December 31, 2020 - AED 229,820 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 negative fair value of these swaps at March 31, 2021 was AED 1,482,126 thousand (December 31, 2020 – net negative fair value AED 2,753,972 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

8. Investment securities (continued)

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, 2021 (unaudited)		As at December 31, 2020 (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	**20,050,180**	**17,815,312**	15,060,298	13,027,819

Further, the Group pledged investment securities with fair value amounting to AED 2,828,560 thousand (December 31, 2020 – AED 3,313,735 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remains with the Group.

9. Loans and advances to customers, net

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Overdrafts (retail and corporate)	**9,633,641**	9,834,901
Retail loans – mortgages	**10,359,633**	10,409,790
Retail loans – others	**32,685,785**	32,767,086
Corporate loans	**179,348,303**	183,898,332
Credit cards	**4,116,394**	4,252,266
Other facilities	**11,066,995**	9,290,855
Gross loans and advances to customers	**247,210,751**	250,453,230
Less: Allowance for impairment (Note 10)	**(11,486,135)**	(11,477,528)
Total loans and advances to customers, net	**235,724,616**	238,975,702

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

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Murabaha	**22,339,626**	22,070,964
Ijara financing	**17,767,331**	18,427,085
Salam	**2,902,585**	3,624,170
Others	**851,548**	434,459
Gross Islamic financing assets	**43,861,090**	**44,556,678**
Less: Allowance for impairment	**(1,875,757)**	(1,804,555)
Net Islamic financing assets	**41,985,333**	42,752,123

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

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 negative fair value of these swaps at March 31, 2021 was AED 12,904 thousand (December 31, 2020 - net positive fair value of AED 36,933 thousand).

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

	As at March 31, 2021 (unaudited)			As at December 31, 2020 (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	**289,332**	**125,201**	**414,533**	276,765	128,612	405,377
Energy	**1,236,557**	**2,415,542**	**3,652,099**	1,237,753	4,461,593	5,699,346
Trading	**7,628,915**	**2,561,281**	**10,190,196**	6,817,285	2,267,950	9,085,235
Real estate investment	**66,578,455**	**1,271,719**	**67,850,174**	71,399,603	1,236,474	72,636,077
Hospitality	**10,403,358**	**501,153**	**10,904,511**	10,409,772	510,032	10,919,804
Transport and communication	**2,682,426**	**1,294,348**	**3,976,774**	2,592,290	1,343,401	3,935,691
Personal	**52,870,659**	**1,646,362**	**54,517,021**	53,349,371	1,501,343	54,850,714
Government and public sector entities	**53,439,877**	**870,986**	**54,310,863**	53,062,107	589,341	53,651,448
Financial institutions (*)	**14,324,934**	**4,205,782**	**18,530,716**	14,687,727	3,065,521	17,753,248
Manufacturing	**3,885,572**	**2,993,623**	**6,879,195**	4,280,826	1,758,761	6,039,587
Services	**5,897,252**	**459,799**	**6,357,051**	5,604,901	303,227	5,908,128
Others	**9,317,187**	**310,431**	**9,627,618**	9,259,063	309,512	9,568,575
Gross loans and advances to customers	**228,554,524**	**18,656,227**	**247,210,751**	232,977,463	17,475,767	250,453,230
Less: Allowance for impairment (Note 10)			**(11,486,135)**			(11,477,528)
Total loans and advances to customers, net			**235,724,616**			238,975,702

(*) includes investment companies

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

	As at March 31, 2021 (unaudited)		As at December 31, 2020 (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	**206,152,242**	**737,164**	208,716,317	815,455
Stage 2	**19,941,268**	**3,359,550**	21,625,097	3,343,489
Stage 3	**17,024,182**	**6,967,808**	15,793,116	6,750,936
Purchased or originated credit-impaired	**4,093,059**	**421,613**	4,318,700	567,648
Total	**247,210,751**	**11,486,135**	250,453,230	11,477,528

10. Impairment allowances

The movement in impairment allowances is as follows:

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Opening balance	**12,329,269**	9,095,681
Charge for the period/year	**801,944**	4,747,215
Recoveries/modifications during the period/year	**(97,990)**	(772,976)
Net charge for the period/year	**703,954**	3,974,239
Adjustments to gross carrying value for the period/year	**6,445**	892,122
Net amounts written-off during the period/year	**(645,227)**	(1,632,773)
Total impairment allowances	**12,394,441**	12,329,269

Allocation of impairment allowances is as follows:

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	**272**	465
Deposits and balances due from banks (Note 6)	**64,482**	46,569
Investment securities (Note 8) (*)	**275,276**	241,666
Loans and advances to customers (Note 9)	**11,486,135**	11,477,528
Other assets (Note 12)	**16,795**	18,127
Letters of credit, guarantees and other commitments (Note 17)	**551,481**	544,914
Total impairment allowances	**12,394,441**	12,329,269

(*) impairment allowance amounting to AED 262,966 thousand (December 31, 2020 - AED 229,820 thousand) is included in revaluation reserve of investments designated at FVTOCI and recognised in other comprehensive income

11. Investment properties

	AED'000
As at January 1, 2020	1,693,707
Disposal during the year	(4,574)
Revaluation of investment properties	(45,388)
Impact of currency translation	211
As at December 31, 2020 (audited)	**1,643,956**
Addition during the period	**42,400**
Disposals during the period	**(8,397)**
Impact of currency translation	**(12)**
As at March 31, 2021 (unaudited)	**1,677,947**

Additions during the period represent real estate acquired on settlement of certain loans and advances. These being non-cash transactions have not been reflected in the condensed consolidated interim statement of cash flows.

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 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest receivable	**2,411,479**	2,612,413
Advance tax	**2,692**	2,148
Prepayments	**125,672**	90,767
Acceptances (Note 17)	**7,259,664**	6,809,348
Others	**616,263**	584,864
Gross other assets	**10,415,770**	10,099,540
Less: Allowance for impairment (Note 10)	**(16,795)**	(18,127)
Total other assets, net	**10,398,975**	10,081,413

13. Due to banks

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Vostro balances	**1,398,243**	1,536,263
Margin deposits	**314,437**	1,335,846
Time deposits	**3,465,915**	5,349,962
Total due to banks	**5,178,595**	8,222,071

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 positive fair value of these swaps at March 31, 2021 was AED 6,865 thousand (December 31, 2020 – net positive fair value of AED 7,794 thousand).

14. Deposits from customers

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Time deposits	**100,504,888**	123,588,063
Current account deposits	**103,195,166**	94,158,197
Savings deposits	**32,980,833**	31,375,845
Long term government deposits	**291,740**	315,678
Margin deposits	**1,857,012**	1,957,674
Total deposits from customers	**238,829,639**	251,395,457

Islamic deposits included in the above table are as follows:

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Mudaraba term deposits	**1,874,094**	1,792,638
Murabaha term deposits	**553,532**	-
Wakala deposits	**5,995,530**	9,790,404
Current account deposits	**12,451,814**	12,285,859
Mudaraba savings deposits	**16,005,452**	15,052,588
Margin deposits	**208,568**	222,789
Total Islamic deposits	**37,088,990**	39,144,278

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 positive fair value of these swaps at March 31, 2021 was AED 26,146 thousand (December 31, 2020 – net positive fair value of AED 174,740 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 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Currency		
US dollar (USD)	**3,153,325**	2,279,854
UAE dirham (AED)	**199,926**	199,934
Euro (EUR)	**874,545**	1,547,128
Swiss franc (CHF)	**-**	375,830
Great Britain pound (GBP)	**606,551**	350,847
Total euro commercial paper	**4,834,347**	4,753,593

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, 2021 was AED 5,346 thousand (December 31, 2020 - net positive fair value of AED 118,510 thousand).

The effective interest rate on zero coupon ECPs issued ranges between negative 0.560% p.a. to positive 0.546% p.a. (December 31, 2020 – between negative 0.548% p.a. to positive 2.010% p.a.).

16. Borrowings

The details of borrowings as at March 31, 2021 (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)	169,955	709,862	-	656,352	1,536,169
	Chinese renminbi (CNH)	-	419,541	124,238	-	543,779
	Euro (EUR)	-	85,908	88,774	-	174,682
	Swiss franc (CHF)	312,093	1,072,368	1,007,627	-	2,392,088
	Japanese yen (JPY)	82,882	75,953	-	-	158,835
	Hong Kong dollar (HKD)	372,046	111,185	149,786	-	633,017
	US dollar (USD)	3,373,664	5,617,652	3,399,225	20,333,778	32,724,319
	Great Britain pound (GBP)	81,030	280,848	-	-	361,878
	Indonesian rupiah (IDR)	-	-	-	522,855	522,855
		4,391,670	8,373,317	4,769,650	21,512,985	39,047,622
Islamic sukuk notes	US dollar (USD)	-	1,865,394	-	-	1,865,394
Bilateral loans	US dollar (USD)	183,552	4,725,083	731,247	-	5,639,882
	Kazakhstan tenge (KZT)	-	-	-	90,153	90,153
Certificate of deposits issued	US dollar (USD)	330,458	-	-	-	330,458
	Euro (EUR)	651,051	-	-	-	651,051
Subordinated notes – fixed rate	US dollar (USD)	-	2,849,082	-	-	2,849,082
Borrowings through repurchase agreements	US dollar (USD)	6,865,746	2,605,367	2,375,183	202,333	12,048,629
	UAE dirham (AED)(*)	5,751,816	-	-	-	5,751,816
	Egyptian pound (EGP)	-	4,626	-	10,241	14,867
Total borrowings		18,174,293	20,422,869	7,876,080	21,815,712	68,288,954

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

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 March 31, 2021 was AED 723,712 thousand.

16. **Borrowings** (continued)

The details of borrowings as at December 31, 2020 (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)	86,254	810,625	-	717,488	1,614,367
	Chinese renminbi (CNH)	135,726	311,634	236,149	-	683,509
	Euro (EUR)	-	89,946	92,803	-	182,749
	Swiss franc (CHF)	335,032	732,097	1,509,728	-	2,576,857
	Japanese yen (JPY)	88,977	81,594	-	-	170,571
	Hong Kong dollar (HKD)	152,495	333,728	152,671	-	638,894
	US dollar (USD)	2,301,758	6,248,522	3,892,008	21,364,661	33,806,949
	Great Britain pound (GBP)	80,576	279,579	-	-	360,155
	Indonesian rupiah (IDR)	-	-	-	577,122	577,122
		3,180,818	8,887,725	5,883,359	22,659,271	40,611,173
Islamic sukuk notes	US dollar (USD)	-	1,868,272	-	-	1,868,272
Bilateral loans	US dollar (USD)	183,447	4,723,374	731,068	-	5,637,889
	Kazakhstan tenge (KZT)	-	-	-	89,091	89,091
Certificate of deposits issued	US dollar (USD)	1,163,680	-	-	-	1,163,680
	Euro (EUR)	135,460	-	-	-	135,460
Subordinated notes – fixed rate	US dollar (USD)	-	2,862,660	-	-	2,862,660
Borrowings through repurchase agreements	US dollar (USD)	1,981,860	4,521,945	-	202,333	6,706,138
	UAE dirham (AED)(*)	6,306,165	-	-	-	6,306,165
	Egyptian pound (EGP)	-	5,093	-	10,423	15,516
Total borrowings		12,951,430	22,869,069	6,614,427	22,961,118	65,396,044

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

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, 2020 was AED 2,229,616 thousand.

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, 2021 (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 between 3.73% p.a. to 3.92% p.a.	Fixed rate of 3.75% p.a. and quarterly coupons with 138 basis points over bank bill swap rate (BBSW).	-	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 of 3.33% p.a.	-
	EUR	-	Fixed rate of 0.038% p.a.	Fixed rate of 0.75% p.a.	-
	CHF	Zero coupon with an internal rate of return of negative 0.05% p.a.	Fixed rate between 0.385% p.a. to 0.735% p.a.	Fixed rate between 0.05% p.a. to 0.51% p.a.	-
	JPY	Fixed rate of 0.445% p.a.	Fixed rate of 0.445% p.a.	-	-
	HKD	Fixed rate between 2.69% p.a. to 3.20% p.a.	Fixed rate of 2.84% p.a.	Fixed rate between 1.34% p.a. to 2.87% p.a.	-
	USD	Fixed rate of 2.75% p.a. and quarterly coupons 80 to 140 basis points over Libor.	Fixed rate of 4% p.a. and quarterly coupons 88 to 155 basis points over Libor.	Quarterly coupons 103 to 120 basis points over Libor.	Fixed rate between 4.65% 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 140 basis points over Libor (*).
	GBP	Fixed rate of 1.40% p.a.	Fixed rate between 1.95% p.a. to 2.03% p.a.	-	-
	IDR	-	-	-	Fixed rate between 7.5% p.a. to 8.16% p.a.
Islamic sukuk notes	USD	-	Fixed rate of 4.375% p.a.	-	-
Bilateral loans	USD	Monthly coupons of 63 basis points over Libor.	Monthly coupons between 50 to 95 basis points over Libor.	Monthly coupon of 100 basis points over Libor.	-
	KZT	-	-	-	Fixed rate of 9.5% p.a.
Certificate of deposits issued	USD	Zero coupon with an internal rate of return between 0.182% p.a. to 0.294% p.a.	-	-	-
	EUR	Zero coupon with an internal rate of return between negative 0.5252% p.a. to negative 0.456% p.a.	-	-	-
Subordinated notes – fixed rate	USD	-	Fixed rate of 4.5% p.a.	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 0.33% p.a. to 0.60% p.a. and quarterly coupons 45 to 50 basis points over Libor.	Quarterly coupons of 45 to 50 basis points over Libor.	Quarterly coupons of 50 basis points over Libor.	Semi-annual coupons between negative 20 to 18 basis points over Libor.
	EGP	-	Fixed rate of 3.0% p.a.	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) include AED 19,470,675 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 fifth year to maturity and is being amortised at the rate of 20% per annum till its maturity in 2023 (Note 31).

17. Other liabilities

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest payable	**700,801**	916,464
Recognised liability for defined benefit obligation	**635,257**	630,203
Deferred income	**856,829**	891,883
Acceptances (Note 12)	**7,259,664**	6,809,348
Impairment allowance on letters of credit, guarantees and other commitments (Note 10)	**551,481**	544,914
Others(*)	**4,186,217**	4,135,163
Total other liabilities	**14,190,249**	13,927,975

(*) includes AED 191,410 thousand pertaining to finance lease liability as at March 31, 2021 (December 31, 2020 – AED 192,363 thousand)

18. Share capital

	Authorised	Issued and fully paid	
		As at March 31 2021 unaudited	As at December 31 2020 audited
	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, 2021, Abu Dhabi Investment Council Company PJSC held 60.20% (December 31, 2020 – 60.20%) of the Bank's issued and fully paid up share capital.

19. **Other reserves** (unaudited)

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	-	-	-	-	-	-	-	(84,248)	(84,248)	(42)	(84,290)
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

(*) includes impairment charge for the period (Note 27)

19. **Other reserves** (unaudited) (continued)

Reserves movement for the three month period ended March 31, 2020:

	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, 2020	(30,105)	3,276,767	3,276,767	2,000,000	150,000	(54,521)	22,727	616,284	9,257,919	2,422	9,260,341
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(30,663)	-	-	(30,663)	5	(30,658)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	36,387	-	36,387	-	36,387
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(6,033)	-	(6,033)	-	(6,033)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(4,465,508)	(4,465,508)	(13)	(4,465,521)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(21,091)	(21,091)	-	(21,091)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(67,234)	(67,234)	-	(67,234)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(21,534)	(21,534)	-	(21,534)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(30,663)	30,354	(4,575,367)	(4,575,676)	(8)	(4,575,684)
Acquisition of non-controlling interest	-	-	-	-	-	36	-	1,147	1,183		1,183
Shares – vested portion	946	-	-	-	-	-	-	-	946	-	946
As at March 31, 2020	(29,159)	3,276,767	3,276,767	2,000,000	150,000	(85,148)	53,081	(3,957,936)	4,684,372	2,414	4,686,786

(*) includes impairment charge for the period (Note 27)

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 "Notes").

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. Redemption is only at the option of the Bank. 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 payable semi-annually until February 2014, and 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.

Pursuant to merger, the Bank assumed erstwhile UNB's Tier I regulatory capital notes with a principal amount of AED 2,000,000 thousand. The terms and conditions applicable to these notes are similar to the Notes issued by ADCB.

Further, AHB's Tier I regulatory capital notes amounting to AED 1,836,500 thousand assumed on the date of acquisition, were settled in June 2019.

21. Interest income (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Loans and advances to banks	**68,976**	194,373
Loans and advances to customers	**1,737,710**	2,806,077
Investment securities	**461,641**	627,545
Total interest income	**2,268,327**	3,627,995

22. Interest expense (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Deposits from banks	**9,581**	21,351
Deposits from customers	**314,877**	976,979
Euro commercial paper	**5,225**	13,826
Borrowings (*)	**215,306**	402,772
Total interest expense	**544,989**	1,414,928

(*) includes AED 3,312 thousand (for the three month period ended March 31, 2020: AED 3,764 thousand) for interest expense on lease liabilities

23. Net fees and commission income (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Fees and commission income		
Card related fees	**225,272**	238,719
Loan processing fees	**148,794**	152,046
Accounts related fees	**44,774**	44,029
Trade finance commission	**119,937**	127,158
Insurance commission	**6,121**	15,668
Asset management and investment services	**19,433**	15,501
Brokerage fees	**2,581**	1,809
Other fees	**109,494**	86,052
Total fees and commission income	**676,406**	680,982
Fees and commission expense	**(233,209)**	(249,525)
Net fees and commission income	**443,197**	431,457

24. Net trading income (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Net gains from dealing in derivatives	**17,043**	757
Net gains from dealing in foreign currencies	**136,965**	143,673
Net gains/(losses) from trading securities	**209**	(5,512)
Net trading income	**154,217**	138,918

25. Other operating income (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Property management income	**36,905**	37,050
Rental income	**20,301**	20,780
Net gains from disposal of investment securities	**74,206**	45,162
Net gains/(losses) arising from retirement of hedges	**61,208**	(415)
Dividend income	**7,422**	5,160
Others	**5,029**	8,578
Total other operating income	**205,071**	116,315

26. Operating expenses (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Staff expenses	**602,585**	687,773
General administrative expenses	**334,821**	513,044
Depreciation	**99,280**	101,052
Amortisation of intangible assets	**23,923**	23,541
Total operating expenses	**1,060,609**	1,325,410

27. Impairment charge (unaudited)

	3 months ended March 31	
	2021	2020
	AED'000	AED'000
Financial instruments carried at amortised cost – net charge(*)	**763,509**	1,983,586
Debt instruments designated at FVTOCI – net charge	**31,709**	24,071
Commitment and contingent liabilities – net charge/(net release)	**6,726**	(48,497)
Less: Recoveries/modifications during the period	**(97,990)**	(76,665)
Total impairment charge (Note 10)	**703,954**	1,882,495

(*) includes net charge of AED 465 thousand (for the three month period ended March 31, 2020: AED nil) on investment securities at amortised cost

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	
	2021	2020
	AED'000	AED'000
Profit for the period attributable to the equity holders of the Bank	**1,120,977**	207,370
Less: Coupons paid on capital notes (Note 20)	**(90,635)**	(147,317)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	**1,030,342**	60,053
	Number of shares in thousand	
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	**(4,190)**	(6,329)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	**6,953,189**	6,951,050
Add: Weighted average number of shares resulting from employees' incentive plan shares	**4,190**	6,329
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)	**0.15**	0.01
Diluted earnings per share (AED) (a)/(c)	**0.15**	0.01

29. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Letters of credit	**8,477,061**	4,926,407
Guarantees	**51,709,895**	53,481,072
Commitments to extend credit – revocable (*)	**14,066,404**	15,337,714
Commitments to extend credit – irrevocable	**20,010,987**	19,281,493
Total commitments on behalf of customers	**94,264,347**	93,026,686
Commitments for future capital expenditure	**592,139**	506,647
Commitments to invest in investment securities	**15,856**	3,012
Total commitments and contingent liabilities	**94,872,342**	93,536,345

(*) includes AED 7,350,623 thousand (December 31, 2020: AED 7,259,002 thousand) for undrawn credit card limits

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 funds 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.

30. Operating segments (continued)

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.

The following is an analysis of the Group's revenue and results by operating segments for the three month 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
Net interest income	789,966	462,622	462,175	8,575	1,723,338
Net income from Islamic financing and investing products	244,966	95,446	54,675	889	395,976
Total net interest income and income from Islamic financing and investing products	1,034,932	558,068	516,850	9,464	2,119,314
Non-interest income	219,817	258,905	254,865	68,898	802,485
Operating income	1,254,749	816,973	771,715	78,362	2,921,799
Operating expenses	(671,450)	(282,031)	(68,407)	(38,721)	(1,060,609)
Operating profit before impairment charge	583,299	534,942	703,308	39,641	1,861,190
Impairment charge	(337,333)	(337,627)	(28,994)	-	(703,954)
Profit after impairment charge	245,966	197,315	674,314	39,641	1,157,236
Share in profit of associates	2,124	-	-	-	2,124
Profit before taxation	248,090	197,315	674,314	39,641	1,159,360
Overseas income tax charge	(3,449)	(4,139)	(19,933)	-	(27,521)
Loss from discontinued operations	(1,181)	(9,253)	-	-	(10,434)
Profit for the period	243,460	183,923	654,381	39,641	1,121,405

As at March 31, 2021 (unaudited)					
Total assets	108,689,356	160,770,569	124,566,937	1,792,218	395,819,080
Total liabilities	98,220,340	92,700,415	148,453,208	721,790	340,095,753

30. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended March 31, 2020 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	968,758	586,963	649,247	8,099	2,213,067
Net income from Islamic financing and investing products	340,362	129,589	104,269	2,008	576,228
Total net interest income and income from Islamic financing and investing products	1,309,120	716,552	753,516	10,107	2,789,295
Non-interest income	225,712	248,225	150,036	62,717	686,690
Operating income	1,534,832	964,777	903,552	72,824	3,475,985
Operating expenses	(861,560)	(321,768)	(89,737)	(52,345)	(1,325,410)
Operating profit before impairment charge	673,272	643,009	813,815	20,479	2,150,575
Impairment (charge)/release	(359,215)	(1,523,376)	96	-	(1,882,495)
Profit/(loss) after impairment charge	314,057	(880,367)	813,911	20,479	268,080
Share in loss of associates	(10,608)	-	-	-	(10,608)
Profit/(loss) before taxation	303,449	(880,367)	813,911	20,479	257,472
Overseas income tax charge	(3,266)	(5,155)	(23,298)	-	(31,719)
Profit/(loss) from discontinued operations	1,667	(18,157)	-	-	(16,490)
Profit/(loss) for the period	301,850	(903,679)	790,613	20,479	209,263
As at December 31, 2020 (audited)					
Total assets	109,176,079	160,736,291	139,518,474	1,725,457	411,156,301
Total liabilities	94,638,057	102,498,044	156,735,846	682,966	354,554,913

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	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000
Consumer banking	**1,375,587**	1,909,279	**(120,838)**	(374,447)
Wholesale banking	**1,017,057**	1,393,734	**(200,084)**	(428,957)
Investments and treasury	**460,209**	112,377	**311,506**	791,175
Property management	**68,946**	60,595	**9,416**	12,229
Total operating income	**2,921,799**	3,475,985	**-**	-

30. Operating segments (continued)

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**	
	2021	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000
Income				
Net interest income and income from Islamic financing and investing products	**2,025,870**	2,719,162	**93,444**	70,133
Non-interest income	**778,865**	668,939	**23,620**	17,751

	Domestic		**International**	
	As at March 31 2021 unaudited AED'000	As at December 31 2020 audited AED'000	**As at March 31 2021 unaudited AED'000**	As at December 31 2020 audited AED'000
Non-current assets				
Investment in associates	**257,070**	255,868	**-**	-
Investment properties	**1,666,015**	1,631,673	**11,932**	12,283
Property and equipment, net	**1,862,339**	1,886,698	**171,124**	171,877
Intangible assets, net	**7,234,111**	7,258,033	**132,131**	132,258

31. Capital adequacy ratio

The ratio calculated in accordance with Basel III guidelines is as follows:

	As at March 31 2021 unaudited AED'000	As at December 31 2020 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)	**9,047,643**	9,051,224
Retained earnings	**15,023,597**	15,783,861
Non-controlling interests	**4,403**	4,019
Regulatory deductions and adjustments		
Intangible assets, net	**(7,366,242)**	(7,390,291)
Cash flow hedge reserve (Note 19)	**(60,944)**	(33,464)
Employee's incentive plan shares, net (Note 19)	**(24,946)**	(26,869)
Revaluation reserve of investments designated at FVTOCI (Note 19)	**342,226**	393,536
Total CET1 capital	**41,801,998**	42,618,277
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	**47,801,998**	48,618,277
Tier 2 capital		
Eligible general provision	**3,509,672**	3,429,788
Subordinated notes (Note 16)	**611,559**	719,614
Total tier 2 capital	**4,121,231**	4,149,402
Total regulatory capital	**51,923,229**	52,767,679
Risk-weighted assets		
Credit risk	**280,773,756**	274,383,003
Market risk	**8,782,441**	8,822,001
Operational risk	**22,542,856**	23,219,072
Total risk-weighted assets	**312,099,053**	306,424,076
CET1 ratio	**13.39%**	13.91%
AT1 ratio	**1.93%**	1.96%
Tier 1 ratio	**15.32%**	15.87%
Tier 2 ratio	**1.32%**	1.35%
Capital adequacy ratio	**16.64%**	17.22%

The Central Bank of UAE (CBUAE) has issued a notice CBUAE/BSD/N/2020/1479 dated March 18, 2020, providing guidelines for Targeted Economic Support Scheme (TESS). The notice aims to contain the repercussions of Covid-19 pandemic in the UAE. CBUAE published an update to Capital Adequacy Standards vide notification CBUAE/BSD/N/1733/2020 on April 2, 2020, which superseded all the previous capital adequacy standards with immediate effect. TESS guidelines are effective starting from March 15, 2020 until December 31, 2021. Banks are allowed the following relief under the TESS:

- Banks can tap into their Capital Conservation Buffer (CCB) up to a maximum of 60% and D-SIB buffer up to 100% without supervisory consequences.

- CBUAE allows banks to apply prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of expected volatility due to the Covid-19 crisis.

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

Abu Dhabi Investment Council Company PJSC holds 60.20% (December 31, 2020 - 60.20%) of the Bank's issued and fully paid up share capital (Note 18). Abu Dhabi Investment Council Company PJSC was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the ultimate controlling party is the Government of Abu Dhabi.

For details of related party balances as at December 31, 2020, refer note 37 in the consolidated financial statements for the year ended December 31, 2020. For related party transactions for the three month ended March 31, 2020, refer note 32 in the condensed consolidated interim financial information for the period ended March 31, 2020. The related party balances as at March 31, 2021 and transactions for the three month period ended March 31, 2021 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, 2021 (unaudited)					
Deposits and balances due from banks	11,516	-	-	-	11,516
Derivative financial instruments – assets	1,232,276	153,804	-	-	1,386,080
Investment securities	25,026,712	-	-	167,847	25,194,559
Loans and advances to customers	39,153,422	4,654,677	36,946	164,944	44,009,989
Other assets	380,684	5,442	37	2,479	388,642
Derivative financial instruments – liabilities	1,009,267	14,229	-	-	1,023,496
Deposits from customers	92,996,880	210,262	55,851	44,807	93,307,800
Other liabilities	137,230	129	15,002	1	152,362
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	13,406,784	11,746	3,859	919	13,423,308
Transactions for the three month period ended March 31, 2021 (unaudited)					
Interest income, Islamic financing income, fees and other income	356,901	25,314	247	5,798	388,260
Interest expense and Islamic profit distribution	91,494	101	19	-	91,614
Net loss from dealing in derivatives	359,626	348,068	-	-	707,694
Share in profit of associates	-	-	-	2,124	2,124
Coupons paid on capital notes	90,635	-	-	-	90,635

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.

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments and investment properties 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.

Refer Note 11 in respect of valuation methodology used for investment properties.

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.

	Note	Level 1 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at March 31, 2021 (unaudited)						
Assets at fair value						
Derivative financial instruments	**7**	**-**	**8,687,310**	**-**	**8,687,310**	**8,687,310**
Investment securities	**8**					
- At fair value through profit and loss		**2,267**	**182,465**	**-**	**184,732**	**184,732**
- At fair value through other comprehensive income		**62,714,354**	**2,843,526**	**198,033**	**65,755,913**	**65,755,913**
- At amortised cost		**24,458,379**	**-**	**-**	**24,458,379**	**25,116,257**
Investment properties	**11**	**-**	**-**	**1,677,947**	**1,677,947**	**1,677,947**
Total		**87,175,000**	**11,713,301**	**1,875,980**	**100,764,281**	**101,422,159**
Liabilities at fair value						
Derivative financial instruments	**7**	**-**	**8,766,926**	**-**	**8,766,926**	**8,766,926**
Liabilities at amortised cost						
Euro commercial paper	**15**	**-**	**4,837,634**	**-**	**4,837,634**	**4,834,347**
Borrowings	**16**	**18,791,826**	**46,997,636**	**-**	**65,789,462**	**68,288,954**
Total		**18,791,826**	**60,602,196**	**-**	**79,394,022**	**81,890,227**
As at December 31, 2020 (audited)						
Assets at fair value						
Derivative financial instruments	7	-	11,146,396	-	11,146,396	11,146,396
Investment securities	8					
- At fair value through other comprehensive income		63,930,488	2,415,687	205,981	66,552,156	66,552,156
- At amortised cost		22,027,493	-	-	22,027,493	21,653,828
Investment properties	11	-	-	1,643,956	1,643,956	1,643,956
Total		85,957,981	13,562,083	1,849,937	101,370,001	100,996,336
Liabilities at fair value						
Derivative financial instruments	7	-	10,855,048	-	10,855,048	10,855,048
Liabilities at amortised cost						
Euro commercial paper	15	-	4,757,186	-	4,757,186	4,753,593
Borrowings	16	18,825,773	47,330,978	-	66,156,751	65,396,044
Total		18,825,773	62,943,212	-	81,768,985	81,004,685

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.

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 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Opening balance	**205,981**	222,927
Disposals including capital refunds during the period/year	**(6,630)**	(2,857)
Adjustment through other comprehensive income during the period/year	**(1,318)**	(14,089)
Closing balance	**198,033**	205,981

Net gain of AED 3,060 thousand (for the three month period ended March 31, 2020 – loss of AED 1 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.