

Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial information for the six month period ended June 30, 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 30 June 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 and six-month periods 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.

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

18 July 2021
Abu Dhabi

Condensed consolidated interim statement of financial position

As at June 30, 2021

	Notes	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Assets			
Cash and balances with central banks, net	5	23,139,753	29,601,607
Deposits and balances due from banks, net	6	24,638,305	21,535,442
Financial assets at fair value through profit or loss	7	1,603,693	-
Derivative financial instruments	8	8,358,370	11,146,396
Investment securities	9	93,897,350	88,205,984
Loans and advances to customers, net	10	237,813,938	238,975,702
Investment in associates		260,536	255,868
Investment properties	12	1,672,967	1,643,956
Other assets, net	13	15,302,145	10,081,413
Property and equipment, net		2,015,441	2,058,575
Intangible assets, net		7,342,740	7,390,291
Assets held for sale		244,834	261,067
Total assets		416,290,072	411,156,301
Liabilities			
Due to banks	14	5,917,774	8,222,071
Financial liabilities at fair value through profit or loss	15	94,929	-
Derivative financial instruments	8	8,446,701	10,855,048
Deposits from customers	16	250,564,000	251,395,457
Euro commercial paper	17	5,076,848	4,753,593
Borrowings	18	69,285,034	65,396,044
Other liabilities	19	19,790,053	13,927,975
Liabilities related to assets held for sale		6,060	4,725
Total liabilities		359,181,399	354,554,913
Equity			
Share capital	20	6,957,379	6,957,379
Share premium		17,878,882	17,878,882
Other reserves	21	9,704,687	9,865,416
Retained earnings		16,563,132	15,895,692
Capital notes	22	6,000,000	6,000,000
Equity attributable to equity holders of the Bank		57,104,080	56,597,369
Non-controlling interests		4,593	4,019
Total equity		57,108,673	56,601,388
Total liabilities and equity		416,290,072	411,156,301

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on July 18, 2021 and signed on its behalf by:



Khaldoon Khalifa Al Mubarak
Chairman



Ala'a Eraiqat
Group Chief Executive Officer



Deepak Khullar
Group Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim income statement (unaudited)

For the six month period ended June 30, 2021

	Notes	3 months ended June 30		6 months ended June 30	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Interest income	23	2,337,976	2,985,491	4,606,303	6,613,486
Interest expense	24	(459,605)	(1,030,827)	(1,004,594)	(2,445,755)
Net interest income		1,878,371	1,954,664	3,601,709	4,167,731
Income from Islamic financing and investing products		499,145	537,908	955,268	1,304,930
Distribution on Islamic deposits and profit paid to sukuk holders		(62,601)	(145,982)	(122,748)	(336,776)
Net income from Islamic financing and investing products		436,544	391,926	832,520	968,154
Total net interest income and income from Islamic financing and investing products		2,314,915	2,346,590	4,434,229	5,135,885
Net fees and commission income	25	500,730	310,632	943,927	742,089
Net trading income	26	174,097	155,611	328,314	294,529
Other operating income	27	165,205	128,191	370,276	244,506
Operating income		3,154,947	2,941,024	6,076,746	6,417,009
Operating expenses	28	(1,055,156)	(1,025,190)	(2,115,765)	(2,350,600)
Operating profit before impairment charge		2,099,791	1,915,834	3,960,981	4,066,409
Impairment charge	29	(677,563)	(668,278)	(1,381,517)	(2,550,773)
Profit after impairment charge		1,422,228	1,247,556	2,579,464	1,515,636
Share in profit of associates		3,466	11,218	5,590	610
Profit before taxation		1,425,694	1,258,774	2,585,054	1,516,246
Overseas income tax charge		(19,178)	(28,767)	(46,699)	(60,486)
Profit for the period from continuing operations		1,406,516	1,230,007	2,538,355	1,455,760
Loss from discontinued operations		(4,174)	(3,197)	(14,608)	(19,687)
Profit for the period		1,402,342	1,226,810	2,523,747	1,436,073
Attributable to:					
Equity holders of the Bank		1,402,139	1,228,457	2,523,116	1,435,827
Non-controlling interests		203	(1,647)	631	246
Profit for the period		1,402,342	1,226,810	2,523,747	1,436,073
Basic and diluted earnings per share (AED)	30	0.20	0.18	0.35	0.19

The accompanying notes 1 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (unaudited)

For the six month period ended June 30, 2021

	3 months ended June 30		6 months ended June 30	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Profit for the period	1,402,342	1,226,810	2,523,747	1,436,073
Items that may be re-classified subsequently to the condensed consolidated interim income statement				
Exchange difference arising on translation of foreign operations (Note 21)	3,188	2,971	(394)	(27,687)
Net movement in cash flow hedge reserve (Note 21)	(114,050)	(11,084)	(141,530)	19,270
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 21)	93,210	3,235,471	(34,797)	(1,251,141)
	(17,652)	3,227,358	(176,721)	(1,259,558)
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 21)	(1,439)	29,596	12,503	(59,172)
Other comprehensive (loss)/income for the period	(19,091)	3,256,954	(164,218)	(1,318,730)
Total comprehensive income for the period	1,383,251	4,483,764	2,359,529	117,343
Attributable to:				
Equity holders of the Bank	1,383,061	4,485,354	2,358,955	117,048
Non-controlling interests	190	(1,590)	574	295
Total comprehensive income for the period	1,383,251	4,483,764	2,359,529	117,343

The accompanying notes 1 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity (unaudited)

For the six month period ended June 30, 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	-	-	-	2,523,116	-	2,523,116	631	2,523,747
Other comprehensive loss for the period (Note 21)	-	-	(164,161)	-	-	(164,161)	(57)	(164,218)
Other movements	-	-	3,432	113,496	-	116,928	-	116,928
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (Note 21)	-	-	-	(45)	-	(45)	-	(45)
Dividends paid to equity holders of the Bank	-	-	-	(1,878,492)	-	(1,878,492)	-	(1,878,492)
Capital notes coupon paid (Note 30)	-	-	-	(90,635)	-	(90,635)	-	(90,635)
As at June 30, 2021	6,957,379	17,878,882	9,704,687	16,563,132	6,000,000	57,104,080	4,593	57,108,673
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	-	-	-	1,435,827	-	1,435,827	246	1,436,073
Other comprehensive (loss)/income for the period (Note 21)	-	-	(1,318,779)	-	-	(1,318,779)	49	(1,318,730)
Other movements	-	-	1,893	-	-	1,893	-	1,893
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (Note 21)	-	-	-	21,069	-	21,069	-	21,069
Adjustments arising from changes in non-controlling interests	-	-	1,199	(2,151)	-	(952)	(18,102)	(19,054)
Dividends paid to equity holders of the Bank	-	-	-	(2,643,804)	-	(2,643,804)	-	(2,643,804)
Capital notes coupon paid (Note 30)	-	-	-	(147,317)	-	(147,317)	-	(147,317)
As at June 30, 2020	6,957,379	17,878,882	7,942,232	14,207,831	6,000,000	52,986,324	1,598	52,987,922

Following the Annual General Meeting held on March 24, 2021, the shareholders approved the distribution of the 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 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (unaudited)

For the six month period ended June 30, 2021

	6 months ended June 30	
	2021	2020
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	2,570,446	1,496,559
Adjustments for:		
Depreciation on property and equipment (Note 28)	199,626	199,053
Amortisation of intangible assets (Note 28)	47,845	47,464
Net losses/(gains) from investment properties	585	(242)
Impairment charge	1,568,513	2,677,495
Share in profit of associates	(5,590)	(610)
Discount unwind	(182,857)	(385,322)
Net gains from disposal of investment securities (Note 27)	(159,560)	(130,243)
Interest income on investment securities	(1,030,704)	(1,122,508)
Dividend income (Note 27)	(14,310)	(10,436)
Interest expense on borrowings and euro commercial paper	443,170	689,720
Net (gains)/losses from financial assets and liabilities at fair value through profit or loss (Note 26)	(8,651)	4,282
Ineffective portion of hedges – losses/(gains) (Note 8)	13,106	(35,252)
Employees' incentive plan expense (Note 21)	2,848	1,893
Cash flows from operating activities before changes in operating assets and liabilities	3,444,467	3,431,853
Net movement in balances with central banks	-	4,043,251
Net movement in due from banks	(6,911,030)	(1,739,239)
Net movement in derivative financial instruments	(328,019)	(41,435)
Net purchases of financial assets at fair value through profit or loss	(1,595,704)	(4,337)
Net movement in loans and advances to customers	(405,633)	6,240,586
Net movement in other assets	273,305	418,601
Net movement in due to banks	(964,467)	1,000,942
Net movement in financial liabilities at fair value through profit or loss	94,865	-
Net movement in deposits from customers	(831,027)	(11,942,242)
Net movement in other liabilities	486,624	(1,145,847)
Net cash (used in)/from operations	(6,736,619)	262,133
Overseas income tax paid	(23,745)	(30,057)
Net cash (used in)/from operating activities	(6,760,364)	232,076
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	15,074,297	16,814,757
Net purchases of investment securities	(21,259,982)	(21,113,026)
Interest received on investment securities	989,917	1,192,056
Dividend received from investment securities (Note 27)	14,310	10,436
Dividend received from associates	922	9,646
Gross proceeds from disposal of assets held for sale	77,000	-
Disposal of investment properties	12,831	633
Net purchases of property and equipment	(114,559)	(114,527)
Net cash used in investing activities	(5,205,264)	(3,200,025)
FINANCING ACTIVITIES		
Net movement in euro commercial paper	319,262	1,299,851
Net proceeds from borrowings	9,709,301	25,593,677
Repayment of borrowings	(5,024,306)	(20,711,280)
Interest received/(paid) on borrowings and euro commercial paper	82,693	(336,143)
Payment of lease liabilities	(46,564)	(54,047)
Dividends paid to equity holders of the Bank	(1,878,492)	(2,643,804)
Acquisition of non-controlling interests	-	(19,054)
Capital notes coupon paid (Note 30)	(90,635)	(147,317)
Net cash from financing activities	3,071,259	2,981,883
Net (decrease)/increase in cash and cash equivalents	(8,894,369)	13,934
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	23,777,482	22,870,207

The accompanying notes 1 to 36 form an integral part of this condensed consolidated interim financial information.

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

For the six month period ended June 30, 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 June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	23,140,167	29,602,072
Deposits and balances due from banks (excluding loans and advances to banks) (Note 6)	7,974,602	10,745,758
Due to banks (Note 14)	(5,917,774)	(8,222,071)
	25,196,995	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	(6,022,421)	(5,025,020)
Add: Due to banks – with original maturity of more than three months	4,464,990	5,429,457
Add: Cash and cash equivalents included in assets held for sale	137,918	141,655
Total cash and cash equivalents	23,777,482	32,671,851

The accompanying notes 1 to 36 form an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial informationFor the six month period ended June 30, 2021

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”) are principally engaged in the business of retail, commercial and Islamic banking and provision of other financial services.

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

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

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

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

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of 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 six month period ended June 30, 2021, are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

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. Summary of significant accounting policies (continued)

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

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 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 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
Amendments to IAS 1 'Presentation of Financial Statements' to address the classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	January 1, 2023
IFRS 17 'Insurance Contracts' 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 identified after IFRS 17 were published in 2017.	January 1, 2023

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
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 January 1, 2023.	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity disclose 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
The IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023

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

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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

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

Following is the list of subsidiaries as at June 30, 2021:

Name of subsidiary	Ownership interest	Incorporation		Principal activities
		Year	Country	
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Abu Dhabi Commercial Properties LLC	100%	2005	UAE	Real estate property management and advisory services.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC ⁽¹⁾	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities.
ACB LTIP (IOM) Limited	Controlling Interest	2008	Isle of Man	Trust activities.
Abu Dhabi Commercial Bank (UK Representative Office) Limited ^{(2) (3)}	100%	2008	United Kingdom	UK representative office and process service agent.
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back office support for the Group.
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back office support for the Group.
Common Services SARL	100%	2018	Luxembourg	Acquisition, holding, management and disposal of participations and interests.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
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.

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.

2. Summary of significant accounting policies (continued)**2.3 Basis of consolidation (continued)****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 from the loss of control is recognised in the condensed consolidated interim income statement. If the Bank retains any interest in the previous subsidiary, such interest is measured at fair value when control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the 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 a part thereof, is reduced to zero. The recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint arrangements

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

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

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

Notes to the condensed consolidated interim financial informationFor the six month period ended June 30, 2021

2. Summary of significant accounting policies (continued)**2.4 Sale and repurchase agreements**

Securities sold subject to a commitment to repurchase them at a predetermined price at a specified future date (repos) are continued to be recognised in the condensed consolidated interim statement of financial position, and a liability is recorded in respect of the consideration received under borrowings that are carried at amortised cost or under financial liabilities carried at fair value through profit or loss, that are held for trading. The difference between sale and repurchase price is treated as interest expense using the effective interest rate yield method over the life of the agreement for repos carried at amortised cost. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the condensed consolidated interim statement of financial position. Amounts placed under these agreements are included in reverse-repo placements in the condensed consolidated interim statement of financial position that are carried at amortised cost or under financial assets carried at fair value through profit or loss that are held for trading. The difference between purchase and resale price is treated as interest income using the effective yield method over the life of the agreement for reverse repos carried at amortised cost.

Reverse-repo placements carried at fair value through profit or loss are generally matched by repo agreements as these are held for trading purposes with the net change in fair values of these instruments are recorded within net trading income in the condensed consolidated interim income statement.

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 related to interest rate benchmark reforms'. Phase 1 of the amendments addresses the hedge accounting requirements arising before replacement of interbank offer rate ("Ibor") and proposed temporary hedge accounting reliefs to enable hedge accounting to continue during the period of uncertainty before the replacement of Ibor. The Group has applied the hedge accounting reliefs available under the amendments during the current period of uncertainty and beyond the year 2021. The Group's consolidated financial statements for the year ended December 31, 2020, provide further details on the transition to alternative benchmark rates with respect to Phase 1 amendments.

Effective from January 1, 2021, Phase 2 amendments to IFRS 9, IFRS 7, and IFRS 16 relating to 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 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 mitigate the risks resulting from the transition; this includes customer communication strategy and hosting key information on the Bank's website.

Notes to the condensed consolidated interim financial informationFor the six month period ended June 30, 2021

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.

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 ensure 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. Governments around the world intervene to provide various stimulus packages 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 entirely pass on the TESS related benefits to end customers:

- ▶ CBUAE has a reduced requirement of maintaining a 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.

Notes to the condensed consolidated interim financial informationFor the six month period ended June 30, 2021

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 the end of 2021 (Basel III part 2) and the 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 monitors and responds 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 an 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 require and allows entities to adjust their approach to determining ECLs in different circumstances. Several assumptions and linkages underlying how 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 the treatment of IFRS 9 ECL in the context of the Covid-19 crisis. The guidance requires banks to identify customers who are temporarily and mildly impacted by Covid-19 (Group 1) and those who Covid-19 impacts significantly in the long term (Group 2). The guidance also requires the Bank to review the credit conversion factor and staging and run scenarios to ascertain the impact of the macro-economic variables. ADCB has taken the necessary steps to comply with this guidance.

On October 27, 2020, CBUAE 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 the TESS scheme or outside the TESS scheme.

Further, to assess a 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)

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 impact on account of reduced pay/job-losses/cash flow stress in businesses. ADCB is fully committed to helping 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. Al Hilal Bank has fully repaid the zero cost funds to CBUAE.

Impact on ECL

ADCB's IFRS 9 implemented framework 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 is updating its macro-economic forecasts on quarterly basis. These changes ensure 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 1,382 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.

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 documented via policies and approved by the relevant risk committees.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

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

The Group has drawn AED 8,881,745 thousand of the TESS related funds allocated to it, of which AED 4,391,373 thousand has been repaid up to date of approval of these financial statements. Further, the Group has extended AED 11,898,955 thousand to the customers by means of payment deferrals under TESS, of which AED 7,727,955 thousand has been subsequently settled by customers as at June 30, 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.

In addition to payment deferrals mentioned above, the Group has also extended AED 382,765 thousand to the Covid-19 impacted customers by means of additional funding under TESS as per the latest guidelines by CBUAE, of which AED 57,629 thousand has been subsequently settled by customers as at June 30, 2021.

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

	As at June 30, 2021 (unaudited)		
	Wholesale banking AED'000	Retail banking AED'000	Total AED'000
TESS deferrals extended	10,628,755	1,270,200	11,898,955
Other deferrals extended	2,319,978	356	2,320,334
Total payment deferrals extended	12,948,733	1,270,556	14,219,289
Less: Payment deferrals settled	(7,829,891)	(1,048,455)	(8,878,346)
Payment deferrals outstanding	5,118,842	222,101	5,340,943

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

	As at June 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Overdrafts (corporates)	48,628	915,522	16,615
Retail loans	222,101	502,501	172,036
Corporate loans	4,339,861	36,771,566	904,103
Other facilities	730,353	725,021	26,074
Total	5,340,943	38,914,610	1,118,828

Product wise classification of retail loans:

	As at June 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Personal loans (including credit cards)	216,720	322,519	147,643
Mortgage loans	3,898	174,146	20,339
Auto loans	1,483	5,836	4,054
Total	222,101	502,501	172,036

Notes to the condensed consolidated interim financial information
 For the six month period ended June 30, 2021

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:

Economic activity sector	As at June 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Energy	66,302	451,025	4,888
Trading	430,418	554,311	16,289
Real estate investment	2,681,814	17,425,936	430,438
Hospitality	695,121	6,801,507	333,933
Transport and communication	23,224	269,674	3,333
Personal	385,495	1,243,675	171,171
Government and public sector enterprises	209,192	2,644,996	1,868
Financial institutions (*)	41,124	1,027,936	13,524
Manufacturing	112,397	527,012	120,008
Services	90,835	285,094	6,247
Others	605,021	7,683,444	17,129
Total	5,340,943	38,914,610	1,118,828

(*) 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:

Segment	Group	As at June 30, 2021 (unaudited)				
		Number of customers	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000	Collaterals AED'000
Wholesale banking (*)	Group 1	112	3,639,727	32,612,136	242,954	46,617,530
	Group 2	145	1,479,115	5,799,973	703,838	5,099,367
		257	5,118,842	38,412,109	946,792	51,716,897
Retail banking	Group 1	428	11,394	172,758	1,076	95,409
	Group 2	10,252	210,707	329,743	170,960	149,135
		10,680	222,101	502,501	172,036	244,544
Total		10,937	5,340,943	38,914,610	1,118,828	51,961,441

(*) 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 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:

Group	Weighted average PD		Weighted average LGD	
	Wholesale banking	Retail banking	Wholesale banking	Retail banking
Group 1	4.43%	1.60%	16.96%	61.56%
Group 2	23.48%	54.76%	22.21%	57.84%
Segment average	7.31%	36.71%	17.75%	59.11%

► **Migration of staging**

The CBUAE regulations allow 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.

Notes to the condensed consolidated interim financial information
 For the six month period ended June 30, 2021

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):

Segment	Stage	Group	As at June 30, 2021 (unaudited)		
			Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Wholesale banking	Stage 1	Group 1	3,020,368	30,259,552	139,299
		Group 2	-	-	-
			3,020,368	30,259,552	139,299
	Stage 2	Group 1	619,359	2,352,584	103,655
		Group 2	1,344,564	5,100,177	612,321
			1,963,923	7,452,761	715,976
	Stage 3	Group 1	-	-	-
		Group 2	104,000	509,096	87,847
			104,000	509,096	87,847
	POCI	Group 1	-	-	-
Group 2		30,551	190,700	3,670	
		30,551	190,700	3,670	
Total			5,118,842	38,412,109	946,792
Retail banking	Stage 1	Group 1	11,394	172,758	1,076
		Group 2	-	-	-
			11,394	172,758	1,076
	Stage 2	Group 1	-	-	-
		Group 2	8,519	68,597	16,126
			8,519	68,597	16,126
	Stage 3	Group 1	-	-	-
		Group 2	202,188	261,146	154,834
		202,188	261,146	154,834	
Total			222,101	502,501	172,036
Grand total			5,340,943	38,914,610	1,118,828

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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

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	31,309,413	6,482,564	561,466	190,525	38,543,968
- Transfer from stage 1 to stage 2	(1,177,427)	1,177,427	-	-	-
- Transfer from stage 1 to stage 3	(62,279)	-	62,279	-	-
- Transfer from stage 2 to stage 1	332,565	(332,565)	-	-	-
- Transfer from stage 2 to stage 3	-	(369,687)	369,687	-	-
- Transfer from stage 3 to stage 2	-	463,593	(463,593)	-	-
Changes in exposure within same stage	(142,720)	31,429	(20,743)	175	(131,859)
As at June 30, 2021 (unaudited)	30,259,552	7,452,761	509,096	190,700	38,412,109

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	356,056	357,291	131,000	-	844,347
- Transfer from stage 1 to stage 2	(24,456)	24,456	-	-	-
- Transfer from stage 1 to stage 3	(141,811)	-	141,811	-	-
- Transfer from stage 2 to stage 1	10,058	(10,058)	-	-	-
- Transfer from stage 2 to stage 3	-	(93,904)	93,904	-	-
- Transfer from stage 3 to stage 2	-	349	(349)	-	-
Changes in exposure within same stage	(27,089)	(209,537)	(105,220)	-	(341,846)
As at June 30, 2021 (unaudited)	172,758	68,597	261,146	-	502,501

(*) 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

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 June 30, 2021 (unaudited):

Internal Rating	Group 1			Group 2			Total		
	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	478,438	5,872,078	4,715	73,543	308,828	588	551,981	6,180,906	5,303
Grades 5-6	2,543,668	24,209,915	122,882	543,089	3,111,897	420,046	3,086,757	27,321,812	542,928
Grade 7	617,141	2,529,577	115,355	726,051	1,670,999	189,667	1,343,192	4,200,576	305,022
Grade 8-10	-	-	-	129,104	694,988	88,196	129,104	694,988	88,196
Unrated	11,874	173,324	1,078	218,035	343,004	176,301	229,909	516,328	177,379
Total	3,651,121	32,784,894	244,030	1,689,822	6,129,716	874,798	5,340,943	38,914,610	1,118,828

Notes to the condensed consolidated interim financial information
 For the six month period ended June 30, 2021

5. Cash and balances with central banks, net

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash on hand	1,617,870	1,682,035
Balances with central banks (*)	9,530,144	17,608,390
Reserves maintained with central banks	11,385,726	10,083,446
Certificate of deposits with central banks	606,427	228,201
Gross cash and balances with central banks	23,140,167	29,602,072
Less: Allowance for impairment (Note 11)	(414)	(465)
Total cash and balances with central banks, net	23,139,753	29,601,607
The geographical concentration is as follows:		
Within the UAE	21,694,944	28,592,453
Outside the UAE	1,445,223	1,009,619
	23,140,167	29,602,072
Less: Allowance for impairment (Note 11)	(414)	(465)
	23,139,753	29,601,607

(*) includes overnight deposits amounting to AED 8,200,000 thousand placed with CBUAE at 0.15% p.a. (December 31, 2020 – AED 17,000,000 thousand 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 June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Nostro balances	660,751	1,194,880
Margin deposits	1,788,704	2,735,002
Time deposits	3,503,121	5,071,201
Wakala placements	1,469,200	1,744,675
Murabaha placements	552,826	-
Loans and advances to banks	16,756,587	10,836,253
Gross deposits and balances due from banks	24,731,189	21,582,011
Less: Allowance for impairment (Note 11)	(92,884)	(46,569)
Total deposits and balances due from banks, net	24,638,305	21,535,442
The geographical concentration is as follows:		
Within the UAE	5,651,518	6,535,296
Outside the UAE	19,079,671	15,046,715
	24,731,189	21,582,011
Less: Allowance for impairment (Note 11)	(92,884)	(46,569)
	24,638,305	21,535,442

Notes to the condensed consolidated interim financial information
 For the six month period ended June 30, 2021

7. Financial assets at fair value through profit or loss

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Trading securities	1,191,927	-
Reverse repurchase agreement at fair value through profit or loss	411,766	-
Total financial assets at fair value through profit or loss	1,603,693	-
The geographical concentration is as follows:		
Within the UAE	1,174,140	-
Outside the UAE	429,553	-
	1,603,693	-

Trading securities mainly includes investment in public sector bonds.

As at June 30, 2021, the Group received bonds with fair value of AED 455,331 thousand (December 31, 2020 – AED Nil) as collateral against reverse repurchase agreements at fair value through profit or loss. The risks and rewards relating to these bonds remain with the counter parties. These collaterals are governed under Global Master Repurchase Agreements (GMRA). Further, the Group also placed cash collateral of AED 3,058 thousand against margin calls.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

8. Derivative financial instruments

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

	Fair values		Notional AED'000
	Assets AED'000	Liabilities AED'000	
As at June 30, 2021 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	713,418	332,484	299,167,976
Interest rate and cross currency swaps	5,217,065	5,025,143	229,190,343
Interest rate and commodity options	640,297	483,453	63,094,726
Total return swaps	1,169	2,668	922,840
Commodity and energy swaps	154,910	150,330	1,011,420
Swaptions	323,846	237,892	72,700,122
Total derivatives held or issued for trading	7,050,705	6,231,970	666,087,427
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	1,247,213	1,954,938	74,045,633
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	26,026	203,336	3,694,654
Forward foreign exchange contracts	34,426	56,457	7,198,898
Total derivatives held as cash flow hedges	60,452	259,793	10,893,552
Total derivative financial instruments	8,358,370	8,446,701	751,026,612
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 13,106 thousand (for the six month period ended June 30, 2020 – net gains of AED 35,252 thousand) has been recognised in the condensed consolidated interim income statement.

As at June 30, 2021, the Group received cash collateral of AED 1,231,719 thousand (December 31, 2020 - AED 1,690,099 thousand) and bonds with fair value of AED 416,854 thousand (December 31, 2020 – AED 922,863 thousand) against net positive derivative exposure.

As at June 30, 2021, the Group placed cash collateral of AED 1,775,356 thousand (December 31, 2020 – AED 2,748,588 thousand) and bonds with fair value of AED 2,992,208 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

9. Investment securities

	UAE AED'000	Other GCC (*) AED'000	Rest of the world AED'000	Total AED'000
As at June 30, 2021 (unaudited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	13,918,284	14,320,282	11,083,839	39,322,405
Bonds – Public sector	8,796,636	2,802,560	5,275,496	16,874,692
Bonds – Banks and financial institutions	4,298,594	556,675	3,650,608	8,505,877
Bonds – Corporate	1,122,614	704,515	192,118	2,019,247
Equity instruments (**)	201,285	35,482	296,347	533,114
Mutual funds	-	-	103,987	103,987
Total quoted	28,337,413	18,419,514	20,602,395	67,359,322
Unquoted:				
Equity instruments	148,216	-	38,210	186,426
Mutual funds	-	1,306	352	1,658
Total unquoted	148,216	1,306	38,562	188,084
Total investment securities at fair value through other comprehensive income	28,485,629	18,420,820	20,640,957	67,547,406
At amortised cost				
Quoted:				
Government securities	7,204,025	5,099,165	4,632,819	16,936,009
Bonds – Public sector	2,659,802	1,516,255	2,251,588	6,427,645
Bonds – Banks and financial institutions	157,979	18,319	534,901	711,199
Bonds – Corporate	2,266,767	-	19,913	2,286,680
Total quoted	12,288,573	6,633,739	7,439,221	26,361,533
Less: Allowance for impairment (Note 11)	(2,641)	(1,000)	(7,948)	(11,589)
Total investment securities at amortised cost	12,285,932	6,632,739	7,431,273	26,349,944
Total investment securities	40,771,561	25,053,559	28,072,230	93,897,350

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
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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 11)

(2,253)	(1,512)	(8,081)	(11,846)
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Total investment securities at amortised cost

9,297,227	5,621,020	6,735,581	21,653,828
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Total investment securities

41,407,478	23,037,078	23,761,428	88,205,984
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(*) Gulf Cooperation Council

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

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

9. Investment securities (continued)

As at June 30, 2021, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 129,543 thousand (December 31, 2020 - AED 229,820 thousand) (Note 11) 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 as at June 30, 2021 was AED 1,844,878 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.

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 remain 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 June 30, 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	19,625,890	17,251,661	15,060,298	13,027,819

Further, the Group pledged investment securities with fair value of AED 3,045,360 thousand (December 31, 2020 – AED 3,313,735 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remain with the Group.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

10. Loans and advances to customers, net

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Overdrafts (retail and corporate)	9,521,059	9,834,901
Retail loans – mortgages	11,100,852	10,409,790
Retail loans – others	32,486,550	32,767,086
Corporate loans	178,712,293	183,898,332
Credit cards	4,071,087	4,252,266
Other facilities	12,718,182	9,290,855
Gross loans and advances to customers	248,610,023	250,453,230
Less: Allowance for impairment (Note 11)	(10,796,085)	(11,477,528)
Total loans and advances to customers, net	237,813,938	238,975,702

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

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Murabaha	21,128,354	22,070,964
Ijara financing	17,416,751	18,427,085
Salam	2,289,213	3,624,170
Others	867,148	434,459
Gross Islamic financing assets	41,701,466	44,556,678
Less: Allowance for impairment	(1,645,765)	(1,804,555)
Net Islamic financing assets	40,055,701	42,752,123

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 as at June 30, 2021, was AED 12,316 thousand (December 31, 2020 - net positive fair value of AED 36,933 thousand).

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

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

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

	As at June 30, 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	290,021	126,769	416,790	276,765	128,612	405,377
Energy	1,579,565	4,831,210	6,410,775	1,237,753	4,461,593	5,699,346
Trading	7,564,927	2,887,931	10,452,858	6,817,285	2,267,950	9,085,235
Real estate investment	63,326,030	1,070,786	64,396,816	71,399,603	1,236,474	72,636,077
Hospitality	9,992,846	500,531	10,493,377	10,409,772	510,032	10,919,804
Transport and communication	2,672,089	1,243,454	3,915,543	2,592,290	1,343,401	3,935,691
Personal	52,540,089	1,852,359	54,392,448	53,349,371	1,501,343	54,850,714
Government and public sector entities	55,155,556	848,763	56,004,319	53,062,107	589,341	53,651,448
Financial institutions (*)	13,572,546	5,274,013	18,846,559	14,687,727	3,065,521	17,753,248
Manufacturing	3,962,605	3,303,585	7,266,190	4,280,826	1,758,761	6,039,587
Services	5,959,461	392,149	6,351,610	5,604,901	303,227	5,908,128
Others	9,282,226	380,512	9,662,738	9,259,063	309,512	9,568,575
Gross loans and advances to customers	225,897,961	22,712,062	248,610,023	232,977,463	17,475,767	250,453,230
Less: Allowance for impairment (Note 11)			(10,796,085)			(11,477,528)
Total loans and advances to customers, net			237,813,938			238,975,702

(*) includes investment companies

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

	As at June 30, 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	208,386,396	788,778	208,716,317	815,455
Stage 2	20,715,115	3,269,123	21,625,097	3,343,489
Stage 3	15,554,434	6,300,269	15,793,116	6,750,936
Purchased or originated credit-impaired	3,954,078	437,915	4,318,700	567,648
Total	248,610,023	10,796,085	250,453,230	11,477,528

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

11. Impairment allowances

The movement in impairment allowances is as follows:

	As at June 30 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	1,603,585	4,747,215
Recoveries/modifications during the period/year	(222,068)	(772,976)
Net charge for the period/year	1,381,517	3,974,239
Adjustments to gross carrying value for the period/year	11,819	892,122
Net amounts written-off during the period/year	(2,137,165)	(1,632,773)
Total impairment allowances	11,585,440	12,329,269

Allocation of impairment allowances is as follows:

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	414	465
Deposits and balances due from banks (Note 6)	92,884	46,569
Investment securities (Note 9) (*)	141,132	241,666
Loans and advances to customers (Note 10)	10,796,085	11,477,528
Other assets (Note 13)	19,835	18,127
Letters of credit, guarantees and other commitments (Note 19)	535,090	544,914
Total impairment allowances	11,585,440	12,329,269

(*) impairment allowance amounting to AED 129,543 thousand (December 31, 2020 - AED 229,820 thousand) is included in revaluation reserve of investments designated at FVTOCI and recognised in other comprehensive income

Notes to the condensed consolidated interim financial information
 For the six month period ended June 30, 2021

12. 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
Additions during the period	42,400
Disposals during the period	(13,416)
Impact of currency translation	27
As at June 30, 2021 (unaudited)	1,672,967

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.

13. Other assets, net

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest receivable	2,350,739	2,612,413
Advance tax	1,891	2,148
Prepayments	167,190	90,767
Acceptances (Note 19)	12,245,742	6,809,348
Others	556,418	584,864
Gross other assets	15,321,980	10,099,540
Less: Allowance for impairment (Note 11)	(19,835)	(18,127)
Total other assets, net	15,302,145	10,081,413

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

14. Due to banks

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Vostro balances	1,417,552	1,536,263
Margin deposits	872,683	1,335,846
Time deposits	3,627,539	5,349,962
Total due to banks	5,917,774	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 as at June 30, 2021, was AED 7,197 thousand (December 31, 2020 – net positive fair value of AED 7,794 thousand).

15. Financial liabilities at fair value through profit or loss

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Repurchase agreement at fair value through profit or loss	94,929	-
Total financial liabilities at fair value through profit or loss	94,929	-

As at June 30, 2021, the Group pledged bonds with fair value of AED 103,190 thousand (December 31, 2020 – AED Nil) as collateral. The risks and rewards relating to these bonds remain with the Group. The bonds pledged as collateral are governed under Global Master Repurchase Agreements (GMRA).

16. Deposits from customers

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Time deposits	108,369,690	123,588,063
Current account deposits	106,690,072	94,158,197
Savings deposits	33,249,946	31,375,845
Long term government deposits	291,740	315,678
Margin deposits	1,962,552	1,957,674
Total deposits from customers	250,564,000	251,395,457

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

16. Deposits from customers (continued)

Islamic deposits included in the above table are as follows:

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Mudaraba term deposits	1,922,790	1,792,638
Murabaha term deposits	3,969,894	-
Wakala deposits	7,559,100	9,790,404
Current account deposits	10,980,636	12,285,859
Mudaraba savings deposits	16,507,039	15,052,588
Margin deposits	196,040	222,789
Total Islamic deposits	41,135,499	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 negative fair value of these swaps as at June 30, 2021 was AED 7,880 thousand (December 31, 2020 – net positive fair value of AED 174,740 thousand).

17. Euro commercial paper

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

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Currency		
US dollar (USD)	3,621,510	2,279,854
UAE dirham (AED)	-	199,934
Euro (EUR)	916,737	1,547,128
Swiss franc (CHF)	-	375,830
Great Britain pound (GBP)	538,601	350,847
Total euro commercial paper	5,076,848	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 June 30, 2021, was AED 608 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 0.490% p.a. to positive 0.546% p.a. (December 31, 2020 – between negative 0.548% p.a. to positive 2.010% p.a.).

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

18. Borrowings

The details of borrowings as at June 30, 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)	83,921	697,832	-	653,259	1,435,012
	Chinese renminbi (CNH)	238,779	186,146	122,996	-	547,921
	Euro (EUR)	-	87,077	89,649	-	176,726
	Swiss franc (CHF)	318,501	1,095,676	1,030,179	-	2,444,356
	Japanese yen (JPY)	76,080	-	-	-	76,080
	Hong Kong dollar (HKD)	220,032	187,466	74,550	-	482,048
	US dollar (USD)	3,376,796	6,930,468	1,994,816	20,544,395	32,846,475
	Great Britain pound (GBP)	281,717	-	-	-	281,717
	Indonesian rupiah (IDR)	-	-	-	531,663	531,663
		4,595,826	9,184,665	3,312,190	21,729,317	38,821,998
Islamic sukuk notes	US dollar (USD)	-	1,862,465	-	-	1,862,465
Bilateral loans	US dollar (USD)	733,260	3,993,551	731,429	-	5,458,240
	Kazakhstan tenge (KZT)	-	-	-	88,186	88,186
Certificate of deposits issued	US dollar (USD)	1,929,826	-	-	-	1,929,826
	Great Britain pound (GBP)	70,934	-	-	-	70,934
	Euro (EUR)	965,260	-	-	-	965,260
Subordinated notes – fixed rate	US dollar (USD)	-	2,836,464	-	-	2,836,464
Borrowings through repurchase agreements	US dollar (USD)	7,243,848	2,657,199	2,147,583	-	12,048,630
	UAE dirham (AED) (*)	5,188,805	-	-	-	5,188,805
	Egyptian pound (EGP)	290	3,752	-	10,184	14,226
Total borrowings		20,728,049	20,538,096	6,191,202	21,827,687	69,285,034

(*) 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 June 30, 2021, was AED 951,420 thousand.

Refer note 9 for details of bonds pledged as collateral against borrowings through repurchase agreements. Further, the Group placed cash collateral of AED 25,389 thousand (December 31, 2020 - AED Nil) against margin calls.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

18. 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

18. Borrowings (continued)

Interest is payable in arrears and the contractual coupon rates or internal rate of return on zero coupon issuances as at June 30, 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 of 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 4.05% p.a. to 4.82% p.a.	Fixed rate between 3.00% p.a. to 4.60% 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.	-	-	-
	HKD	Fixed rate between 3.05% p.a. to 3.20% p.a.	Fixed rate between 2.84% p.a. to 2.87% p.a.	Fixed rate of 1.34% p.a.	-
	USD	Fixed rate of 2.75% p.a. and quarterly coupons between 88 to 140 basis points over Libor.	Fixed rate of 4% p.a. and quarterly coupons between 100 to 155 basis points over Libor.	Quarterly coupons between 103 to 115 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 of 140 basis points over Libor (*).
	GBP	Fixed rate between 1.95% p.a. to 2.03% p.a.	-	-	-
	IDR	-	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.
Islamic sukuk notes	USD	-	Fixed rate of 4.375% p.a.	-	-
Bilateral loans	USD	Monthly coupons of 63 basis points over Libor.	Monthly coupons between 50 to 95 basis points over Libor.	Monthly coupons of 100 basis points over Libor.	-
	KZT	-	-	-	Fixed rate of 9.50% p.a.
Certificate of deposits issued	USD	Zero coupon with an internal rate of return between 0.255% p.a. to 0.396% p.a.	-	-	-
	GBP	Zero coupon with an internal rate of return of 0.375% p.a.	-	-	-
	EUR	Zero coupon with an internal rate of return between negative 0.5252% p.a. to negative 0.44% p.a.	-	-	-
Subordinated notes – fixed rate	USD	-	Fixed rate of 4.50% p.a.	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 0.33% p.a. to 0.60% p.a. and quarterly coupons between 45 to 50 basis points over Libor.	Quarterly coupons between 45 to 50 basis points over Libor.	Semi-annual coupons between negative 20 to positive 50 basis points over Libor	-
	EGP	Fixed rate of 3.00% p.a.	Fixed rate of 3.00% p.a.	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) include AED 19,647,140 thousand accreting notes with maturities ranging between 30 years to 40 years with internal rate of return ranging between 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 33).

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

19. Other liabilities

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest payable	632,235	916,464
Recognised liability for defined benefit obligation	628,677	630,203
Deferred income	838,405	891,883
Acceptances (Note 13)	12,245,742	6,809,348
Impairment allowance on letters of credit, guarantees and other commitments (Note 11)	535,090	544,914
Others (*)	4,909,904	4,135,163
Total other liabilities	19,790,053	13,927,975

(*) includes AED 193,537 thousand pertaining to finance lease liability as at June 30, 2021 (December 31, 2020 – AED 192,363 thousand)

20. Share capital

	Authorised	Issued and fully paid	
		AED'000	As at June 30 2021 unaudited AED'000
Ordinary shares of AED 1 each	10,000,000	6,957,379	6,957,379

As at June 30, 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

21. Other reserves (unaudited)

Reserves movement for the six month period ended June 30, 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	-	-	-	-	-	(398)	-	-	(398)	4	(394)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(85,246)	-	(85,246)	-	(85,246)
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(56,284)	-	(56,284)	-	(56,284)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	71,164	71,164	(61)	71,103
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(105,900)	(105,900)	-	(105,900)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	12,458	12,458	-	12,458
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	45	45	-	45
Total other comprehensive loss for the period	-	-	-	-	-	(398)	(141,530)	(22,233)	(164,161)	(57)	(164,218)
Fair value adjustments	584	-	-	-	-	-	-	-	584	-	584
Shares – vested portion	2,848	-	-	-	-	-	-	-	2,848	-	2,848
As at June 30, 2021	(23,437)	3,478,690	3,478,690	2,000,000	150,000	(56,554)	(174,994)	852,292	9,704,687	207	9,704,894

(*) includes impairment charge for the period (Note 29)

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

21. Other reserves (unaudited) (continued)

Reserves movement for the six month period ended June 30, 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	-	-	-	-	-	(27,686)	-	-	(27,686)	(1)	(27,687)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	31,766	-	31,766	-	31,766
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(12,496)	-	(12,496)	-	(12,496)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(1,209,324)	(1,209,324)	50	(1,209,274)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(41,867)	(41,867)	-	(41,867)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(38,103)	(38,103)	-	(38,103)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(21,069)	(21,069)	-	(21,069)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(27,686)	19,270	(1,310,363)	(1,318,779)	49	(1,318,730)
Acquisition of non-controlling interest	-	-	-	-	-	36	-	1,163	1,199	(1,199)	-
Shares – vested portion	1,893	-	-	-	-	-	-	-	1,893	-	1,893
As at June 30, 2020	(28,212)	3,276,767	3,276,767	2,000,000	150,000	(82,171)	41,997	(692,916)	7,942,232	1,272	7,943,504

(*) includes impairment charge for the period (Note 29)

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

22. 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 months 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 the 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.

23. Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	85,562	122,396	154,538	316,769
Loans and advances to customers	1,770,413	2,368,423	3,508,123	5,174,500
Investment securities	482,001	494,672	943,642	1,122,217
Total interest income	2,337,976	2,985,491	4,606,303	6,613,486

24. Interest expense (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	3,720	14,781	13,301	36,132
Deposits from customers	265,438	727,854	580,315	1,704,833
Euro commercial paper	4,514	11,195	9,739	25,021
Borrowings (*)	185,933	276,997	401,239	679,769
Total interest expense	459,605	1,030,827	1,004,594	2,445,755

(*) includes AED 6,775 thousand (for the six month period ended June 30, 2020: AED 7,385 thousand) for interest expense on lease liabilities

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

25. Net fees and commission income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Card related fees	221,504	158,522	446,776	397,241
Loan processing fees	224,585	97,893	373,379	249,939
Accounts related fees	43,730	36,805	88,504	80,834
Trade finance commission	125,650	108,367	245,587	235,525
Insurance commission	2,795	13,743	8,916	29,411
Asset management and investment services	15,403	12,315	34,836	27,816
Brokerage fees	2,426	1,935	5,007	3,744
Other fees	100,145	65,751	209,639	151,803
Total fees and commission income	736,238	495,331	1,412,644	1,176,313
Fees and commission expense	(235,508)	(184,699)	(468,717)	(434,224)
Net fees and commission income	500,730	310,632	943,927	742,089

26. Net trading income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Net gains from dealing in derivatives	42,635	46,724	59,678	47,481
Net gains from dealing in foreign currencies	123,020	107,657	259,985	251,330
Net gains/(losses) from financial assets and liabilities at fair value through profit or loss	8,442	1,230	8,651	(4,282)
Net trading income	174,097	155,611	328,314	294,529

27. Other operating income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Property management income	38,766	23,979	75,671	61,029
Rental income	19,830	19,843	40,131	40,623
Net gains from disposal of investment securities	85,354	85,081	159,560	130,243
Net gains/(losses) arising from retirement of hedges	-	(15,451)	61,208	(15,866)
Dividend income	6,888	5,276	14,310	10,436
Others	14,367	9,463	19,396	18,041
Total other operating income	165,205	128,191	370,276	244,506

28. Operating expenses (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Staff expenses	613,971	582,989	1,216,556	1,270,762
General administrative expenses	316,917	320,277	651,738	833,321
Depreciation	100,346	98,001	199,626	199,053
Amoritsation of intangible assets	23,922	23,923	47,845	47,464
Total operating expenses	1,055,156	1,025,190	2,115,765	2,350,600

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

29. Impairment charge (unaudited)

	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Financial instruments carried at amortised cost – net charge(*)	794,119	773,051	1,557,628	2,756,637
Debt instruments designated at FVTOCI – net charge	23,184	64,305	54,893	88,376
Commitment and contingent liabilities – net release	(15,662)	(119,021)	(8,936)	(167,518)
Less: Recoveries/modifications during the period	(124,078)	(50,057)	(222,068)	(126,722)
Total impairment charge (Note 11)	677,563	668,278	1,381,517	2,550,773

(*) includes net release of AED 44 thousand (for the six month period ended June 30, 2020: net charge of AED 2,526 thousand) on investment securities at amortised cost

30. 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 June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Profit for the period attributable to the equity holders of the Bank	1,402,139	1,228,457	2,523,116	1,435,827
Less: Coupons paid on capital notes (Note 22)	-	-	(90,635)	(147,317)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	1,402,139	1,228,457	2,432,481	1,288,510
	Number of shares in thousand		Number of shares in thousand	
Weighted average number of shares in issue throughout the period	6,957,379	6,957,379	6,957,379	6,957,379
Less: Weighted average number of shares resulting from employees' incentive plan shares	(4,190)	(6,329)	(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	6,953,189	6,951,050
Add: Weighted average number of shares resulting from employees' incentive plan shares	4,190	6,329	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	6,957,379	6,957,379
Basic earnings per share (AED) (a)/(b)	0.20	0.18	0.35	0.19
Diluted earnings per share (AED) (a)/(c)	0.20	0.18	0.35	0.19

Notes to the condensed consolidated interim financial information

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31. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Letters of credit	9,943,469	4,926,407
Guarantees	50,348,422	53,481,072
Commitments to extend credit – revocable (*)	14,459,736	15,337,714
Commitments to extend credit – irrevocable	18,461,587	19,281,493
Total commitments on behalf of customers	93,213,214	93,026,686
Commitments for future capital expenditure	684,008	506,647
Commitments to invest in investment securities	72,793	3,012
Total commitments and contingent liabilities	93,970,015	93,536,345

(*) includes AED 7,381,426 thousand (December 31, 2020: AED 7,259,002 thousand) for undrawn credit card limits

32. 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 the 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 undertake 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.

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32. 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 six month period ended June 30, 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	1,594,421	1,041,463	949,959	15,866	3,601,709
Net income from Islamic financing and investing products	510,842	185,419	135,230	1,029	832,520
Total net interest income and income from Islamic financing and investing products	2,105,263	1,226,882	1,085,189	16,895	4,434,229
Non-interest income	412,159	616,638	476,612	137,108	1,642,517
Operating income	2,517,422	1,843,520	1,561,801	154,003	6,076,746
Operating expenses	(1,343,146)	(557,285)	(138,334)	(77,000)	(2,115,765)
Operating profit before impairment charge	1,174,276	1,286,235	1,423,467	77,003	3,960,981
Impairment charge	(660,285)	(674,581)	(46,651)	-	(1,381,517)
Profit after impairment charge	513,991	611,654	1,376,816	77,003	2,579,464
Share in profit of associates	5,590	-	-	-	5,590
Profit before taxation	519,581	611,654	1,376,816	77,003	2,585,054
Overseas income tax charge	(7,779)	(9,981)	(28,939)	-	(46,699)
Loss from discontinued operations	(1,829)	(12,779)	-	-	(14,608)
Profit for the period	509,973	588,894	1,347,877	77,003	2,523,747

As at June 30, 2021 (unaudited)

Total assets	109,541,510	170,166,367	134,797,319	1,784,876	416,290,072
Total liabilities	97,315,225	109,726,213	151,398,795	741,166	359,181,399

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For the six month period ended June 30, 2021

32. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the six month period ended June 30, 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	1,690,001	1,195,578	1,267,210	14,942	4,167,731
Net income from Islamic financing and investing products	575,488	192,142	196,926	3,598	968,154
Total net interest income and income from Islamic financing and investing products	2,265,489	1,387,720	1,464,136	18,540	5,135,885
Non-interest income	362,041	454,871	351,562	112,650	1,281,124
Operating income	2,627,530	1,842,591	1,815,698	131,190	6,417,009
Operating expenses	(1,513,352)	(596,333)	(146,980)	(93,935)	(2,350,600)
Operating profit before impairment charge	1,114,178	1,246,258	1,668,718	37,255	4,066,409
Impairment charge	(696,847)	(1,787,203)	(66,723)	-	(2,550,773)
Profit/(loss) after impairment charge	417,331	(540,945)	1,601,995	37,255	1,515,636
Share in profit of associates	610	-	-	-	610
Profit/(loss) before taxation	417,941	(540,945)	1,601,995	37,255	1,516,246
Overseas income tax charge	(3,764)	(9,332)	(47,390)	-	(60,486)
Loss from discontinued operations	(2,954)	(16,733)	-	-	(19,687)
Profit/(loss) for the period	411,223	(567,010)	1,554,605	37,255	1,436,073

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

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended June 30, 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	804,455	578,841	487,784	7,291	1,878,371
Net income from Islamic financing and investing products	265,876	89,973	80,555	140	436,544
Total net interest income and income from Islamic financing and investing products	1,070,331	668,814	568,339	7,431	2,314,915
Non-interest income	192,342	357,733	221,747	68,210	840,032
Operating income	1,262,673	1,026,547	790,086	75,641	3,154,947
Operating expenses	(671,696)	(275,254)	(69,927)	(38,279)	(1,055,156)
Operating profit before impairment charge	590,977	751,293	720,159	37,362	2,099,791
Impairment charge	(322,952)	(336,954)	(17,657)	-	(677,563)
Profit after impairment charge	268,025	414,339	702,502	37,362	1,422,228
Share in profit of associates	3,466	-	-	-	3,466
Profit before taxation	271,491	414,339	702,502	37,362	1,425,694
Overseas income tax charge	(4,330)	(5,842)	(9,006)	-	(19,178)
Loss from discontinued operations	(648)	(3,526)	-	-	(4,174)
Profit for the period	266,513	404,971	693,496	37,362	1,402,342

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

32. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the three month period ended June 30, 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	721,243	608,615	617,963	6,843	1,954,664
Net income from Islamic financing and investing products	235,126	62,553	92,657	1,590	391,926
Total net interest income and income from Islamic financing and investing products	956,369	671,168	710,620	8,433	2,346,590
Non-interest income	136,329	206,646	201,526	49,933	594,434
Operating income	1,092,698	877,814	912,146	58,366	2,941,024
Operating expenses	(651,792)	(274,565)	(57,243)	(41,590)	(1,025,190)
Operating profit before impairment charge	440,906	603,249	854,903	16,776	1,915,834
Impairment charge	(337,632)	(263,827)	(66,819)	-	(668,278)
Profit after impairment charge	103,274	339,422	788,084	16,776	1,247,556
Share in profit of associates	11,218	-	-	-	11,218
Profit before taxation	114,492	339,422	788,084	16,776	1,258,774
Overseas income tax charge	(498)	(4,177)	(24,092)	-	(28,767)
(Loss)/profit from discontinued operations	(4,621)	1,424	-	-	(3,197)
Profit for the period	109,373	336,669	763,992	16,776	1,226,810

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)	
	6 months ended June 30		6 months ended June 30	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Consumer banking	2,746,897	3,314,483	(229,475)	(686,953)
Wholesale banking	2,235,899	2,677,769	(392,379)	(835,178)
Investments and treasury	956,479	314,543	605,322	1,501,155
Property management	137,471	110,214	16,532	20,976
Total operating income	6,076,746	6,417,009	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Consumer banking	1,371,310	1,405,204	(108,637)	(312,506)
Wholesale banking	1,218,842	1,284,035	(192,295)	(406,221)
Investments and treasury	496,270	202,166	293,816	709,980
Property management	68,525	49,619	7,116	8,747
Total operating income	3,154,947	2,941,024	-	-

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

32. 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)	
	6 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest income and income from Islamic financing and investing products	4,224,483	5,001,817	209,746	134,068
Non-interest income	1,599,948	1,252,295	42,569	28,829

	Domestic (unaudited)		International (unaudited)	
	3 months ended June 30		3 months ended June 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest income and income from Islamic financing and investing products	2,198,613	2,282,655	116,302	63,935
Non-interest income	821,083	583,356	18,949	11,078

	Domestic		International	
	As at	As at	As at	As at
	June 30	December 31	June 30	December 31
	2021	2020	2021	2020
	unaudited	audited	unaudited	audited
	AED'000	AED'000	AED'000	AED'000
Non-current assets				
Investment in associates	260,536	255,868	-	-
Investment properties	1,660,997	1,631,673	11,970	12,283
Property and equipment, net	1,836,485	1,886,698	178,956	171,877
Intangible assets, net	7,210,187	7,258,033	132,553	132,258

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

33. Capital adequacy ratio

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

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 20)	6,957,379	6,957,379
Share premium	17,878,882	17,878,882
Other reserves (Note 21)	9,050,826	9,051,224
Retained earnings	16,404,105	15,783,861
Non-controlling interests	1,635	4,019
Regulatory deductions and adjustments		
Intangible assets, net	(7,342,740)	(7,390,291)
Cash flow hedge reserve (Note 21)	(174,994)	(33,464)
Employee's incentive plan shares, net (Note 21)	(23,437)	(26,869)
Revaluation reserve of investments designated at FVTOCI (Note 21)	383,531	393,536
Total CET1 capital	43,135,187	42,618,277
Additional tier 1 (AT1) capital		
Capital notes (Note 22)	6,000,000	6,000,000
Total AT1 capital	6,000,000	6,000,000
Total tier 1 capital	49,135,187	48,618,277
Tier 2 capital		
Eligible general provision	3,688,140	3,429,788
Subordinated notes (Note 18)	509,463	719,614
Total tier 2 capital	4,197,603	4,149,402
Total regulatory capital	53,332,790	52,767,679
Risk-weighted assets		
Credit risk	295,051,163	274,383,003
Market risk	9,170,378	8,822,001
Operational risk	22,542,856	23,219,072
Total risk-weighted assets	326,764,397	306,424,076
CET1 ratio	13.20%	13.91%
AT1 ratio	1.84%	1.96%
Tier 1 ratio	15.04%	15.87%
Tier 2 ratio	1.28%	1.35%
Capital adequacy ratio	16.32%	17.22%

The Central Bank of UAE (CBUAE) has issued a notice CBUAE/BSN/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/BSN/2020/4980 dated November 12, 2020, which superseded all the previous capital adequacy standards with staggered implementation timelines so as not to overly burden banks during Covid-19 pandemic. 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.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

34. 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 is 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 20). 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 six months ended June 30, 2020, refer note 32 in the condensed consolidated interim financial information for the period ended June 30, 2020. The related party balances as at June 30, 2021 and transactions for the six month period ended June 30, 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 and their related parties AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at June 30, 2021 (unaudited)					
Deposits and balances due from banks	76,582	-	-	-	76,582
Financial assets at fair value through profit or loss	997,516	-	-	-	997,516
Derivative financial instruments – assets	1,286,409	248,096	-	-	1,534,505
Investment securities	23,587,402	-	-	189,745	23,777,147
Loans and advances to customers	40,117,471	4,474,118	30,839	150,644	44,773,072
Other assets	306,083	2,090	35	2,913	311,121
Derivative financial instruments – liabilities	975,908	7,089	-	-	982,997
Deposits from customers	93,361,953	293,882	53,301	42,157	93,751,293
Other liabilities	190,953	169	16,897	24	208,043
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	13,285,247	3,534	2,493	7,890	13,299,164
Transactions for the six month period ended June 30, 2021 (unaudited)					
Interest income, Islamic financing income, fees and other income	664,733	49,718	440	10,158	725,049
Interest expense and Islamic profit distribution	153,905	167	33	-	154,105
Net loss from dealing in derivatives	232,703	247,849	-	-	480,552
Share in profit of associates	-	-	-	5,590	5,590
Coupons paid on capital notes	90,635	-	-	-	90,635

Notes to the condensed consolidated interim financial informationFor the six month period ended June 30, 2021

35. 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.

Fair value for reverse repos and repos carried at fair value through profit or loss is determined using discounted cash flow methods. The discount rates are derived from observable repo curves specific to the type of security collateralized under the repurchase agreement.

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 include 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 12 in respect of valuation methodology used for investment properties.

Notes to the condensed consolidated interim financial information

For the six month period ended June 30, 2021

35. 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 do not materially differ from their fair values.

		Level 1	Level 2	Level 3		
	Notes	Quoted market prices AED'000	Observable inputs AED'000	Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at June 30, 2021 (unaudited)						
Assets at fair value						
Financial assets at fair value through profit or loss	7	1,008,774	594,919	-	1,603,693	1,603,693
Derivative financial instruments	8	-	8,358,370	-	8,358,370	8,358,370
Investment securities	9					
- At fair value through other comprehensive income		64,746,002	2,613,320	188,084	67,547,406	67,547,406
- At amortised cost		26,077,077	-	-	26,077,077	26,349,944
Investment properties	12	-	-	1,672,967	1,672,967	1,672,967
Total		91,831,853	11,566,609	1,861,051	105,259,513	105,532,380
Liabilities at fair value						
Financial liabilities at fair value through profit or loss	15	-	94,929	-	94,929	94,929
Derivative financial instruments	8	-	8,446,701	-	8,446,701	8,446,701
Liabilities at amortised cost						
Euro commercial paper	17	-	5,079,505	-	5,079,505	5,076,848
Borrowings	18	18,865,352	48,952,395	-	67,817,747	69,285,034
Total		18,865,352	62,573,530	-	81,438,882	82,903,512
As at December 31, 2020 (audited)						
Assets at fair value						
Derivative financial instruments	8	-	11,146,396	-	11,146,396	11,146,396
Investment securities	9					
- 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	12	-	-	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	8	-	10,855,048	-	10,855,048	10,855,048
Liabilities at amortised cost						
Euro commercial paper	17	-	4,757,186	-	4,757,186	4,753,593
Borrowings	18	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.

Notes to the condensed consolidated interim financial information

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35. Fair value hierarchy (continued)

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

	As at June 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Opening balance	205,981	222,927
Additions during the period/year	19,165	-
Disposals including capital refunds during the period/year	(6,907)	(2,857)
Adjustment through other comprehensive income during the period/year	(30,155)	(14,089)
Closing balance	188,084	205,981

Net gain of AED 4,012 thousand (for the six month period ended June 30, 2020 – loss of AED 1 thousand) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

36. 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.