

Abu Dhabi Commercial Bank PJSC

Review report and condensed
consolidated interim financial
information for the nine month
period ended September 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 September 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 nine-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

31 October 2021
Abu Dhabi

Condensed consolidated interim statement of financial position

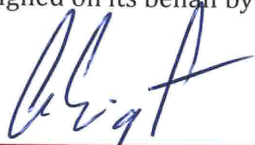
As at September 30, 2021

		As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
	Notes		
Assets			
Cash and balances with central banks, net	5	25,102,557	29,601,607
Deposits and balances due from banks, net	6	30,606,087	21,535,442
Financial assets at fair value through profit or loss	7	1,318,461	-
Derivative financial instruments	8	7,642,146	11,146,396
Investment securities	9	95,482,069	88,205,984
Loans and advances to customers, net	10	241,911,778	238,975,702
Investment in associates		261,931	255,868
Investment properties	12	1,668,179	1,643,956
Other assets, net	13	18,479,746	10,081,413
Property and equipment, net		2,023,551	2,058,575
Intangible assets, net		7,318,692	7,390,291
Assets held for sale		245,586	261,067
Total assets		432,060,783	411,156,301
Liabilities			
Due to banks	14	5,724,651	8,222,071
Financial liabilities at fair value through profit or loss	15	45,140	-
Derivative financial instruments	8	7,634,411	10,855,048
Deposits from customers	16	255,752,550	251,395,457
Euro commercial paper	17	7,071,576	4,753,593
Borrowings	18	75,571,124	65,396,044
Other liabilities	19	22,089,952	13,927,975
Liabilities related to assets held for sale		4,822	4,725
Total liabilities		373,894,226	354,554,913
Equity			
Share capital	20	6,957,379	6,957,379
Share premium		17,878,882	17,878,882
Other reserves	21	9,569,695	9,865,416
Retained earnings		17,755,530	15,895,692
Capital notes	22	6,000,000	6,000,000
Equity attributable to equity holders of the Bank		58,161,486	56,597,369
Non-controlling interests		5,071	4,019
Total equity		58,166,557	56,601,388
Total liabilities and equity		432,060,783	411,156,301

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on October 31, 2021 and signed on its behalf by:



Khaldoon Khalifa Al Mubarak
Chairman



Ala'a Braiqat
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 nine month period ended September 30, 2021

	Notes	3 months ended September 30		9 months ended September 30	
		2021	2020	2021	2020
		AED'000	AED'000	AED'000	AED'000
Interest income	23	2,218,503	2,544,212	6,824,806	9,157,698
Interest expense	24	(496,803)	(720,326)	(1,501,397)	(3,166,081)
Net interest income		1,721,700	1,823,886	5,323,409	5,991,617
Income from Islamic financing and investing products		521,554	570,233	1,476,822	1,875,163
Distribution on Islamic deposits and profit paid to sukuk holders		(63,928)	(109,396)	(186,676)	(446,172)
Net income from Islamic financing and investing products		457,626	460,837	1,290,146	1,428,991
Total net interest income and income from Islamic financing and investing products		2,179,326	2,284,723	6,613,555	7,420,608
Net fees and commission income	25	436,307	374,804	1,380,234	1,116,893
Net trading income	26	149,008	129,687	477,322	424,216
Other operating income	27	140,798	201,591	511,074	446,097
Operating income		2,905,439	2,990,805	8,982,185	9,407,814
Operating expenses	28	(1,013,013)	(1,102,464)	(3,128,778)	(3,453,064)
Operating profit before impairment charge		1,892,426	1,888,341	5,853,407	5,954,750
Impairment charge	29	(596,053)	(503,945)	(1,977,570)	(3,054,718)
Profit after impairment charge		1,296,373	1,384,396	3,875,837	2,900,032
Share in profit of associates		1,395	13,573	6,985	14,183
Profit before taxation		1,297,768	1,397,969	3,882,822	2,914,215
Overseas income tax charge		(24,052)	(28,089)	(70,751)	(88,575)
Profit for the period from continuing operations		1,273,716	1,369,880	3,812,071	2,825,640
Profit/(loss) from discontinued operations		2,201	(4,050)	(12,407)	(23,737)
Profit for the period		1,275,917	1,365,830	3,799,664	2,801,903
Attributable to:					
Equity holders of the Bank		1,275,450	1,361,215	3,798,566	2,797,042
Non-controlling interests		467	4,615	1,098	4,861
Profit for the period		1,275,917	1,365,830	3,799,664	2,801,903
Basic and diluted earnings per share (AED)	30	0.17	0.18	0.52	0.36

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 nine month period ended September 30, 2021

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Profit for the period	1,275,917	1,365,830	3,799,664	2,801,903
Items that may be re-classified subsequently to the condensed consolidated interim income statement				
Exchange difference arising on translation of foreign operations (Note 21)	(3,520)	15,409	(3,914)	(12,278)
Net movement in cash flow hedge reserve (Note 21)	84,253	(30,952)	(57,277)	(11,682)
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 21)	(209,393)	808,287	(244,190)	(442,854)
	(128,660)	792,744	(305,381)	(466,814)
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)	(7,745)	10,117	4,758	(49,055)
Other comprehensive (loss)/income for the period	(136,405)	802,861	(300,623)	(515,869)
Total comprehensive income for the period	1,139,512	2,168,691	3,499,041	2,286,034
Attributable to:				
Equity holders of the Bank	1,139,034	2,164,086	3,497,989	2,281,134
Non-controlling interests	478	4,605	1,052	4,900
Total comprehensive income for the period	1,139,512	2,168,691	3,499,041	2,286,034

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 nine month period ended September 30, 2021

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
As at January 1, 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	-	-	-	3,798,566	-	3,798,566	1,098	3,799,664
Other comprehensive loss for the period (Note 21)	-	-	(300,577)	-	-	(300,577)	(46)	(300,623)
Other movements	-	-	4,856	113,507	-	118,363	-	118,363
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)	-	-	-	(173,698)	-	(173,698)	-	(173,698)
As at September 30, 2021	6,957,379	17,878,882	9,569,695	17,755,530	6,000,000	58,161,486	5,071	58,166,557
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	-	-	-	2,797,042	-	2,797,042	4,861	2,801,903
Other comprehensive (loss)/income for the period (Note 21)	-	-	(515,908)	-	-	(515,908)	39	(515,869)
Other movements	-	-	2,839	-	-	2,839	-	2,839
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (Note 21)	-	-	-	19,953	-	19,953	-	19,953
Adjustments arising from changes in non-controlling interests	-	-	1,216	(2,939)	-	(1,723)	(18,267)	(19,990)
Dividends paid to equity holders of the Bank	-	-	-	(2,643,804)	-	(2,643,804)	-	(2,643,804)
Capital notes coupon paid (Note 30)	-	-	-	(277,294)	-	(277,294)	-	(277,294)
As at September 30, 2020	6,957,379	17,878,882	8,746,066	15,437,165	6,000,000	55,019,492	6,038	55,025,530

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 nine month period ended September 30, 2021

	9 months ended September 30	
	2021	2020
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation including loss from discontinued operations	3,870,415	2,890,478
Adjustments for:		
Depreciation on property and equipment (Note 28)	299,834	300,541
Amortisation of intangible assets (Note 28)	71,768	71,386
Net losses/(gains) from investment properties	688	(5,829)
Impairment charge	2,282,734	3,259,674
Share in profit of associates	(6,985)	(14,183)
Discount unwind	(275,683)	(498,254)
Net gains from disposal of investment securities (Note 27)	(229,998)	(177,550)
Interest income on investment securities	(1,550,209)	(1,591,030)
Dividend income (Note 27)	(20,695)	(14,512)
Interest expense on borrowings and euro commercial paper	688,042	944,260
Net (gains)/losses from financial assets and liabilities at fair value through profit or loss (Note 26)	(279)	4,285
Ineffective portion of hedges – losses/(gains) (Note 8)	2,165	(36,875)
Employees' incentive plan expense (Note 21)	4,272	2,839
Cash flows from operating activities before changes in operating assets and liabilities	5,136,069	5,135,230
Net movement in balances with central banks	-	4,018,398
Net movement in due from banks	(8,838,049)	1,378,583
Net movement in derivative financial instruments	(191,411)	(270,196)
Net purchases of financial assets at fair value through profit or loss	(1,319,473)	(4,285)
Net movement in loans and advances to customers	(5,204,981)	1,705,041
Net movement in other assets	162,735	842,525
Net movement in due to banks	(1,332,432)	2,382,064
Net movement in financial liabilities at fair value through profit or loss	45,104	-
Net movement in deposits from customers	4,357,712	(18,635,358)
Net movement in other liabilities	(130,997)	(479,562)
Net cash used in operations	(7,315,723)	(3,927,560)
Overseas income tax paid	(43,355)	(42,828)
Net cash (used in)/from operating activities	(7,359,078)	(3,970,388)
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	22,065,100	21,047,520
Net purchases of investment securities	(30,300,604)	(30,044,745)
Interest received on investment securities	1,470,244	1,633,060
Dividend received from investment securities (Note 27)	20,695	14,512
Dividend received from associates	922	9,646
Gross proceeds from disposal of assets held for sale	77,000	-
Disposal of investment properties	17,505	2,667
Net purchases of property and equipment	(193,258)	(166,315)
Net cash used in investing activities	(6,842,396)	(7,503,655)
FINANCING ACTIVITIES		
Net movement in euro commercial paper	2,310,628	2,875,301
Net proceeds from borrowings	20,968,246	29,362,647
Repayment of borrowings	(10,091,411)	(22,133,168)
Interest received/(paid) on borrowings and euro commercial paper	56,333	(350,546)
Payment of lease liabilities	(70,864)	(70,219)
Dividends paid to equity holders of the Bank	(1,878,492)	(2,643,804)
Acquisition of non-controlling interests	-	(19,990)
Capital notes coupon paid (Note 30)	(173,698)	(277,294)
Net cash from financing activities	11,120,742	6,742,927
Net decrease in cash and cash equivalents	(3,080,732)	(4,731,116)
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	29,591,119	18,125,157

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 nine month period ended September 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 September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	25,103,078	29,602,072
Deposits and balances due from banks (excluding loans and advances to banks) (Note 6)	11,851,380	10,745,758
Due to banks (Note 14)	(5,724,651)	(8,222,071)
	31,229,807	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	(5,874,300)	(5,025,020)
Add: Due to banks – with original maturity of more than three months	4,097,025	5,429,457
Add: Cash and cash equivalents included in assets held for sale	138,587	141,655
Total cash and cash equivalents	29,591,119	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 information

For the nine month period ended September 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 Bank is listed on the Abu Dhabi Securities Exchange (Ticker: ADCB).

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

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

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 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 nine month period ended September 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 the Group 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 Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

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

Following is the list of subsidiaries as at September 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.
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 Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the condensed consolidated interim income statement. If the Group 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 Group's accounting policy for financial instruments depending on the level of influence retained.

Transactions eliminated on consolidation

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

Investment in associates

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

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

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

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form 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.

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 information

For the nine month period ended September 30, 2021

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

The Covid-19 pandemic has caused an unprecedented human health crisis and economic impact. While the initial acute phase of the financial crisis has eased, firms and policy-makers remain concerned about a range of risks that could present a threat to financial stability and, ultimately, the economic recovery.

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.
- ▶ 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).

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)**B. Liquidity and capital stimulus package (continued)**

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.

Impact of Covid-19 on ADCB Group

ADCB has provided TESS related deferral to its retail, SME and corporate clients during the peak of the Covid-19 related uncertainty in first three quarters of 2020. However, since fourth quarter of 2020, ADCB has focused on providing longer term solutions to clients who had a temporary loss of revenues due to Covid-19. The TESS deferrals have been progressively reduced and ADCB has been repaying the ZCF (Zero Cost Funds) availed from CBUAE.

All customers who have availed of TESS deferral, have been classified as Group 1 or Group 2 as per the CBUAE definitions. Customers have been provided deferrals under TESS, and the subsequent repayment/account performance post the end of the deferral period is monitored.

ADCB has also provided new loans and facilities to customers who had a temporary loss of revenue due to Covid-19, but are otherwise in good economic health in accordance with the CBUAE's TESS recovery program.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

4. Coronavirus (Covid-19) outbreak and its impact on ADCB Group (continued)
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 regular 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 charge of AED 1,978 million.

Payment deferrals

The Group has drawn AED 8,881,745 thousand of the TESS related funds allocated to it, of which AED 5,139,373 thousand has been repaid up to date of approval of these financial statements. Further, the Group has extended AED 12,094,964 thousand to the customers by means of payment deferrals under TESS, of which AED 8,757,026 thousand has been subsequently settled by customers as at September 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 572,202 thousand to the Covid-19 impacted customers by means of additional funding under TESS as per the latest guidelines by CBUAE, of which AED 121,980 thousand has been subsequently settled by customers as at September 30, 2021.

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

	As at September 30, 2021 (unaudited)		
	Wholesale banking AED'000	Retail banking AED'000	Total AED'000
TESS deferrals extended	10,824,764	1,270,200	12,094,964
Other deferrals extended	2,455,690	356	2,456,046
Total payment deferrals extended	13,280,454	1,270,556	14,551,010
Less: Payment deferrals settled	(8,846,482)	(1,250,869)	(10,097,351)
Payment deferrals outstanding	4,433,972	19,687	4,453,659

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

	As at September 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Overdrafts (corporates)	14,224	14,155	3,059
Retail loans (including credit cards)	19,687	229,973	37,804
Corporate loans	3,686,052	27,734,389	848,312
Other facilities	733,696	729,854	51,421
Total	4,453,659	28,708,371	940,596

Product wise classification of retail loans:

	As at September 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Personal loans (including credit cards)	16,474	108,161	18,208
Mortgage loans	3,193	121,420	19,260
Auto loans	20	392	336
Total	19,687	229,973	37,804

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 September 30, 2021 (unaudited)		
	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000
Agriculture	528	528	1
Energy	52,567	388,627	6,973
Trading	429,774	488,073	8,449
Real estate investment	2,332,385	12,322,891	437,164
Hospitality	561,953	4,512,018	325,036
Transport and communication	46,341	240,538	7,450
Personal	183,443	978,300	37,850
Government and public sector enterprises	130,750	2,074,430	1,157
Manufacturing	108,562	461,858	98,671
Services	78,524	207,500	4,338
Others	528,832	7,033,608	13,507
Total	4,453,659	28,708,371	940,596

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 September 30, 2021 (unaudited)				
		Number of customers	Payment deferrals AED'000	Exposure AED'000	Impairment allowance AED'000	Collaterals AED'000
Wholesale banking (*)	Group 1	93	2,918,023	22,874,370	167,414	32,888,050
	Group 2	73	1,515,949	5,604,028	735,378	4,730,945
		166	4,433,972	28,478,398	902,792	37,618,995
Retail banking	Group 1	246	9,232	115,421	264	51,792
	Group 2	425	10,455	114,552	37,540	106,249
		671	19,687	229,973	37,804	158,041
Total		837	4,453,659	28,708,371	940,596	37,777,036

(*) 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	4.49%	1.26%	6.93%	60.88%
Group 2	28.20%	42.51%	14.41%	40.63%
Segment average	9.16%	21.68%	8.40%	50.86%

► 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.

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

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

			As at September 30, 2021 (unaudited)		
			Payment deferrals	Exposure	Impairment
Segment	Stage	Group	AED'000	AED'000	allowance AED'000
Wholesale banking	Stage 1	Group 1	2,355,493	20,762,808	58,366
		Group 2	-	-	-
			2,355,493	20,762,808	58,366
	Stage 2	Group 1	562,530	2,111,562	109,048
		Group 2	1,263,723	4,673,569	600,080
			1,826,253	6,785,131	709,128
	Stage 3	Group 1	-	-	-
		Group 2	226,067	743,489	131,628
			226,067	743,489	131,628
	POCI	Group 1	-	-	-
		Group 2	26,159	186,970	3,670
			26,159	186,970	3,670
Total			4,433,972	28,478,398	902,792
Retail banking	Stage 1	Group 1	9,232	115,421	264
		Group 2	-	-	-
			9,232	115,421	264
	Stage 2	Group 1	-	-	-
		Group 2	3,566	26,769	3,311
			3,566	26,769	3,311
	Stage 3	Group 1	-	-	-
		Group 2	6,889	87,783	34,229
			6,889	87,783	34,229
Total			19,687	229,973	37,804
Grand total			4,453,659	28,708,371	940,596

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 nine month period ended September 30, 2021

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

Payment deferrals (continued)

Stage migration (by business segment) of exposure since January 1, 2021, of customers who are benefiting from payment deferrals as at September 30, 2021:

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	21,669,340	5,651,599	554,437	190,525	28,065,901
- Transfer from stage 1 to stage 2	(1,104,202)	1,104,202	-	-	-
- Transfer from stage 1 to stage 3	(161,938)	-	161,938	-	-
- Transfer from stage 2 to stage 1	148,104	(148,104)	-	-	-
- Transfer from stage 2 to stage 3	-	(417,656)	417,656	-	-
- Transfer from stage 3 to stage 2	-	462,091	(462,091)	-	-
Changes in exposure within same stage	211,504	132,999	71,549	(3,555)	412,497
As at September 30, 2021 (unaudited)	20,762,808	6,785,131	743,489	186,970	28,478,398

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	146,475	70,195	17,456	-	234,126
- Transfer from stage 1 to stage 2	(10,118)	10,118	-	-	-
- Transfer from stage 1 to stage 3	(27,331)	-	27,331	-	-
- Transfer from stage 2 to stage 1	7,899	(7,899)	-	-	-
- Transfer from stage 2 to stage 3	-	(45,223)	45,223	-	-
- Transfer from stage 3 to stage 2	-	182	(182)	-	-
Changes in exposure within same stage	(1,504)	(604)	(2,045)	-	(4,153)
As at September 30, 2021 (unaudited)	115,421	26,769	87,783	-	229,973

(*) 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 nine month period ended September 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 September 30, 2021 (unaudited):

Internal rating	Group 1			Group 2			Total		
	Payment deferrals	Exposure	Impairment allowance	Payment deferrals	Exposure	Impairment allowance	Payment deferrals	Exposure	Impairment allowance
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Grades 1-4	326,965	3,576,936	4,242	56,450	252,122	301	383,415	3,829,058	4,543
Grades 5-6	2,196,773	18,204,921	86,968	490,110	2,943,638	388,779	2,686,883	21,148,559	475,747
Grade 7	394,033	1,092,003	76,204	716,759	1,475,272	210,986	1,110,792	2,567,275	287,190
Grade 8-10	-	-	-	252,115	929,873	134,734	252,115	929,873	134,734
Unrated	9,484	115,931	264	10,970	117,675	38,118	20,454	233,606	38,382
Total	2,927,255	22,989,791	167,678	1,526,404	5,718,580	772,918	4,453,659	28,708,371	940,596

Notes to the condensed consolidated interim financial information
 For the nine month period ended September 30, 2021

5. Cash and balances with central banks, net

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash on hand	1,736,845	1,682,035
Balances with central banks (*)	10,591,960	17,608,390
Reserves maintained with central banks	11,725,865	10,083,446
Certificate of deposits with central banks	1,048,408	228,201
Gross cash and balances with central banks	25,103,078	29,602,072
Less: Allowance for impairment (Note 11)	(521)	(465)
Total cash and balances with central banks, net	25,102,557	29,601,607
The geographical concentration is as follows:		
Within the UAE	23,221,754	28,592,453
Outside the UAE	1,881,324	1,009,619
	25,103,078	29,602,072
Less: Allowance for impairment (Note 11)	(521)	(465)
	25,102,557	29,601,607

(*) includes overnight deposits amounting to AED 8,400,000 thousand placed with CBUAE at 0.15% p.a. (December 31, 2020 – AED 17,000,000 thousand placed with CBUAE at 0.10% p.a.)

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

6. Deposits and balances due from banks, net

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Nostro balances	611,125	1,194,880
Margin deposits	1,531,293	2,735,002
Time deposits	7,685,599	5,071,201
Wakala placements	1,469,200	1,744,675
Murabaha placements	554,163	-
Loans and advances to banks	18,846,636	10,836,253
Gross deposits and balances due from banks	30,698,016	21,582,011
Less: Allowance for impairment (Note 11)	(91,929)	(46,569)
Total deposits and balances due from banks, net	30,606,087	21,535,442
The geographical concentration is as follows:		
Within the UAE	6,874,725	6,535,296
Outside the UAE	23,823,291	15,046,715
	30,698,016	21,582,011
Less: Allowance for impairment (Note 11)	(91,929)	(46,569)
	30,606,087	21,535,442

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2021

7. Financial assets at fair value through profit or loss

	As at September 30 2021 unaudited AED'000	As at December 31, 2020 audited AED'000
Trading securities		
Bonds	1,250,793	-
Equity instruments	27,237	-
	1,278,030	-
Reverse repurchase agreement at fair value through profit or loss	40,431	-
Total financial assets at fair value through profit or loss	1,318,461	-
The geographical concentration is as follows:		
Within the UAE	615,960	-
Outside the UAE	702,501	-
	1,318,461	-

Trading bonds mainly includes investment in Government and public sector bonds.

As at September 30, 2021, the Group received bonds with fair value of AED 46,986 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 received cash collateral of AED 1,601 thousand against margin calls.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

8. Derivative financial instruments

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

	Fair values		
	Assets	Liabilities	Notional
	AED'000	AED'000	AED'000
As at September 30, 2021 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	732,526	469,912	301,715,771
Interest rate and cross currency swaps	4,664,390	4,444,372	214,074,693
Interest rate and commodity options	585,625	456,994	63,042,124
Futures (exchange traded)	824	611	1,469,195
Total return swaps	3,804	944	893,754
Commodity and energy swaps	59,534	58,032	492,124
Swaptions	254,967	168,928	72,883,073
Total derivatives held or issued for trading	6,301,670	5,599,793	654,570,734
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	1,292,424	1,713,679	79,016,561
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	40,522	127,525	3,657,288
Forward foreign exchange contracts	7,530	193,414	7,733,532
Total derivatives held as cash flow hedges	48,052	320,939	11,390,820
Total derivative financial instruments	7,642,146	7,634,411	744,978,115
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 2,165 thousand (for the nine month period ended September 30, 2020 – net gains of AED 36,875 thousand) has been recognised in the condensed consolidated interim income statement.

As at September 30, 2021, the Group received cash collateral of AED 1,013,774 thousand (December 31, 2020 - AED 1,690,099 thousand) and bonds with fair value of AED 300,053 thousand (December 31, 2020 – AED 922,863 thousand) against net positive derivative exposure.

As at September 30, 2021, the Group placed cash collateral of AED 1,499,129 thousand (December 31, 2020 – AED 2,748,588 thousand) and bonds with fair value of AED 3,085,271 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 nine month period ended September 30, 2021

9. Investment securities

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at September 30, 2021 (unaudited)				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	15,381,648	14,266,373	11,334,471	40,982,492
Bonds – Public sector	8,939,679	2,999,584	5,336,923	17,276,186
Bonds – Banks and financial institutions	4,284,616	489,117	3,529,251	8,302,984
Bonds – Corporate	1,208,842	697,459	190,260	2,096,561
Equity instruments (**)	200,354	35,679	294,603	530,636
Mutual funds	-	-	108,468	108,468
Total quoted	30,015,139	18,488,212	20,793,976	69,297,327
Unquoted:				
Equity instruments	137,406	-	38,189	175,595
Mutual funds	-	1,305	386	1,691
Total unquoted	137,406	1,305	38,575	177,286
Total investment securities at fair value through other comprehensive income	30,152,545	18,489,517	20,832,551	69,474,613
At amortised cost				
Quoted:				
Government securities	6,933,955	5,078,459	4,620,855	16,633,269
Bonds – Public sector	2,642,786	1,513,459	2,245,068	6,401,313
Bonds – Banks and financial institutions	157,845	18,274	534,428	710,547
Bonds – Corporate	2,253,560	-	19,844	2,273,404
Total quoted	11,988,146	6,610,192	7,420,195	26,018,533
Less: Allowance for impairment (Note 11)	(2,616)	(1,049)	(7,412)	(11,077)
Total investment securities at amortised cost	11,985,530	6,609,143	7,412,783	26,007,456
Total investment securities	42,138,075	25,098,660	28,245,334	95,482,069

As at December 31, 2020 (audited)
At fair value through other comprehensive income (FVTOCI)

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

(*) Gulf Cooperation Council

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

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

9. Investment securities (continued)

As at September 30, 2021, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 128,913 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 September 30, 2021 was AED 1,326,230 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 September 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	24,216,933	21,410,496	15,060,298	13,027,819

Further, the Group pledged investment securities with fair value of AED 3,323,849 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 nine month period ended September 30, 2021

10. Loans and advances to customers, net

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Overdrafts (retail and corporate)	9,029,779	9,834,901
Retail loans – mortgages	11,019,392	10,409,790
Retail loans – others	32,106,158	32,767,086
Corporate loans	182,097,352	183,898,332
Credit cards	4,119,875	4,252,266
Other facilities	13,594,342	9,290,855
Gross loans and advances to customers	251,966,898	250,453,230
Less: Allowance for impairment (Note 11)	(10,055,120)	(11,477,528)
Total loans and advances to customers, net	241,911,778	238,975,702

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

	As at September 30 2021 unaudited AED'000	As at December 31 2020 Audited AED'000
Murabaha	20,449,177	22,070,964
Ijara financing	17,163,193	18,427,085
Salam	1,805,976	3,624,170
Others	398,647	434,459
Gross Islamic financing assets	39,816,993	44,556,678
Less: Allowance for impairment	(1,597,173)	(1,804,555)
Net Islamic financing assets	38,219,820	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 September 30, 2021, was AED 10,599 thousand (December 31, 2020 - net positive fair value of AED 36,933 thousand).

Notes to the condensed consolidated interim financial information

For the nine month period ended September 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 September 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	220,303	122,628	342,931	276,765	128,612	405,377
Energy	1,693,506	4,850,728	6,544,234	1,237,753	4,461,593	5,699,346
Trading	7,304,547	3,515,802	10,820,349	6,817,285	2,267,950	9,085,235
Real estate investment	62,974,681	1,064,087	64,038,768	71,399,603	1,236,474	72,636,077
Hospitality	10,342,115	499,909	10,842,024	10,409,772	510,032	10,919,804
Transport and communication	2,445,782	1,193,454	3,639,236	2,592,290	1,343,401	3,935,691
Personal	51,657,474	1,892,807	53,550,281	53,349,371	1,501,343	54,850,714
Government and public sector entities	58,799,257	994,500	59,793,757	53,062,107	589,341	53,651,448
Financial institutions (*)	14,273,560	5,230,160	19,503,720	14,687,727	3,065,521	17,753,248
Manufacturing	3,873,739	2,963,411	6,837,150	4,280,826	1,758,761	6,039,587
Services	6,006,000	378,530	6,384,530	5,604,901	303,227	5,908,128
Others	9,323,088	346,830	9,669,918	9,259,063	309,512	9,568,575
Gross loans and advances to customers	228,914,052	23,052,846	251,966,898	232,977,463	17,475,767	250,453,230
Less: Allowance for impairment (Note 11)			(10,055,120)			(11,477,528)
Total loans and advances to customers, net			241,911,778			238,975,702

(*) includes investment companies

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

	As at September 30, 2021		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	213,726,409	725,901	208,716,317	815,455
Stage 2	19,278,132	2,656,253	21,625,097	3,343,489
Stage 3	15,269,689	6,300,723	15,793,116	6,750,936
Purchased or originated credit-impaired	3,692,668	372,243	4,318,700	567,648
Total	251,966,898	10,055,120	250,453,230	11,477,528

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

11. Impairment allowances

The movement in impairment allowances is as follows:

	As at September 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	2,470,283	4,747,215
Recoveries/modifications during the period/year	(492,713)	(772,976)
Net charge for the period/year	1,977,570	3,974,239
Adjustments to gross carrying value for the period/year	14,483	892,122
Net amounts written-off during the period/year	(3,540,335)	(1,632,773)
Total impairment allowances	10,780,987	12,329,269

Allocation of impairment allowances is as follows:

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Cash and balances with central banks (Note 5)	521	465
Deposits and balances due from banks (Note 6)	91,929	46,569
Investment securities (Note 9) (*)	139,990	241,666
Loans and advances to customers (Note 10)	10,055,120	11,477,528
Other assets (Note 13)	27,260	18,127
Letters of credit, guarantees and other commitments (Note 19)	466,167	544,914
Total impairment allowances	10,780,987	12,329,269

(*) impairment allowance amounting to AED 128,913 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 nine month period ended September 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
Addition during the period	42,400
Disposals during the period	(18,193)
Impact of currency translation	16
As at September 30, 2021 (unaudited)	1,668,179

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 September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest receivable	2,447,650	2,612,413
Advance tax	1,894	2,148
Prepayments	126,966	90,767
Acceptances (Note 19)	15,345,043	6,809,348
Others	585,453	584,864
Gross other assets	18,507,006	10,099,540
Less: Allowance for impairment (Note 11)	(27,260)	(18,127)
Total other assets, net	18,479,746	10,081,413

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

14. Due to banks

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Vostro balances	1,627,660	1,536,263
Margin deposits	726,130	1,335,846
Time deposits	3,370,861	5,349,962
Total due to banks	5,724,651	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 negative fair value of these swaps as at September 30, 2021, was AED 356 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 September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Repurchase agreement at fair value through profit or loss	45,140	-
Total financial liabilities at fair value through profit or loss	45,140	-

As at September 30, 2021, the Group pledged bonds with fair value of AED 46,986 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 September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Time deposits	109,012,569	123,588,063
Current account deposits	111,145,517	94,158,197
Savings deposits	33,295,350	31,375,845
Long term government deposits	291,740	315,678
Margin deposits	2,007,374	1,957,674
Total deposits from customers	255,752,550	251,395,457

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

16. Deposits from customers (continued)

Islamic deposits included in the above table are as follows:

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Mudaraba term deposits	1,870,007	1,792,638
Murabaha term deposits	3,295,509	-
Wakala deposits	7,855,417	9,790,404
Current account deposits	10,928,719	12,285,859
Mudaraba savings deposits	16,971,286	15,052,588
Margin deposits	337,100	222,789
Total Islamic deposits	41,258,038	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 September 30, 2021 was AED 103,590 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 September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Currency		
US dollar (USD)	5,282,996	2,279,854
UAE dirham (AED)	-	199,934
Euro (EUR)	724,726	1,547,128
Swiss franc (CHF)	-	375,830
Great Britain pound (GBP)	1,063,854	350,847
Total euro commercial paper	7,071,576	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 September 30, 2021, was AED 62,350 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 0.520% p.a. to positive 0.385% 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

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18. Borrowings

The details of borrowings as at September 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)	80,139	668,818	-	617,716	1,366,673
	Chinese renminbi (CNH)	238,776	311,325	357,068	-	907,169
	Euro (EUR)	-	171,958	-	-	171,958
	Swiss franc (CHF)	314,771	1,316,706	785,083	-	2,416,560
	Japanese yen (JPY)	75,303	-	-	-	75,303
	Hong Kong dollar (HKD)	218,426	186,357	73,919	-	478,702
	US dollar (USD)	3,600,610	6,692,564	3,644,551	20,988,737	34,926,462
	Great Britain pound (GBP)	273,504	196,298	-	-	469,802
	Indonesian rupiah (IDR)	-	-	-	547,095	547,095
		4,801,529	9,544,026	4,860,621	22,153,548	41,359,724
Islamic sukuk notes	US dollar (USD)	-	1,859,543	-	-	1,859,543
Bilateral loans	US dollar (USD)	733,604	3,994,965	731,613	-	5,460,182
	Kazakhstan tenge (KZT)	-	-	-	90,187	90,187
Certificate of deposits issued	US dollar (USD)	1,922,431	-	-	-	1,922,431
	Great Britain pound (GBP)	69,109	-	-	-	69,109
	Euro (EUR)	575,025	-	-	-	575,025
Subordinated notes – fixed rate	US dollar (USD)	-	2,824,427	-	-	2,824,427
Borrowings through repurchase agreements	US dollar (USD)	11,583,932	5,721,429	202,333	-	17,507,694
	UAE dirham (AED)(*)	3,889,277	-	-	-	3,889,277
	Egyptian pound (EGP)	217	3,280	-	10,028	13,525
Total borrowings		23,575,124	23,947,670	5,794,567	22,253,763	75,571,124

(*) 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 September 30, 2021, was AED 808,982 thousand.

Refer note 9 for details of bonds pledged as collateral against borrowings through repurchase agreements. Further, the Group placed cash collateral of AED 67,173 thousand (December 31, 2020 - AED Nil) against margin calls.

Notes to the condensed consolidated interim financial information

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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.

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For the nine month period ended September 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 September 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 of 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 between 3.35% p.a. to 3.38% p.a.	-
	EUR	-	Fixed rate between 0.038% p.a. to 0.75% p.a.	-	-
	CHF	Zero coupon with an internal rate of return of negative 0.05% p.a.	Fixed rate between 0.05% p.a. to 0.735% p.a.	Fixed rate of 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 4.00% p.a. and quarterly coupons between 105 to 155 basis points over Libor and quarterly coupons between 139 to 146 basis points over Secured overnight financing rate (Sofr).	Fixed rate between 1.63% p.a. to 1.72% p.a. and quarterly coupons 129 to 141 basis points over Sofr.	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. and 2.03% p.a.	Fixed rate of 0.95% p.a.	-	-
	IDR	-	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.
Islamic sukuk notes	USD	-	Fixed rate of 4.375% p.a.	-	-
Bilateral loans	USD	Monthly coupon of 63 basis points over Libor.	Monthly coupons between 50 to 95 basis points over Libor.	Monthly coupon of 100 basis points over Libor.	-
	KZT	-	-	-	Fixed rate of 9.50% p.a.
Certificate of deposits issued	USD	Zero coupon with an internal rate of return between 0.16% 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 0.5215% p.a. to negative 0.45% 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.	Quarterly coupons between 45 to 50 basis points over Libor.	Semi-annual coupons between negative 20 to negative 18 basis points over Libor.	-
	EGP	Fixed rate of 3.00% p.a.	Fixed rate of 3.00% p.a.	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) include AED 20,111,142 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 nine month period ended September 30, 2021

19. Other liabilities

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Interest payable	619,793	916,464
Recognised liability for defined benefit obligation	630,505	630,203
Deferred income	811,311	891,883
Acceptances (Note 13)	15,345,043	6,809,348
Impairment allowance on letters of credit, guarantees and other commitments (Note 11)	466,167	544,914
Others (*)	4,217,133	4,135,163
Total other liabilities	22,089,952	13,927,975

(*) includes AED 202,471 thousand pertaining to finance lease liability as at September 30, 2021 (December 31, 2020 – AED 192,363 thousand)

20. Share capital

	Authorised	Issued and fully paid	
		As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
	AED'000	AED'000	AED'000
Ordinary shares of AED 1 each	10,000,000	6,957,379	6,957,379

As at September 30, 2021, Mubadala Investment Company holds 60.20% of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC (December 31, 2020 – 60.20% held by Mubadala Investment Company through Abu Dhabi Investment Council Company PJSC).

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

21. Other reserves (unaudited)

Movement in other reserves for the nine month period ended September 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	-	-	-	-	-	(3,916)	-	-	(3,916)	2	(3,914)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(5,292)	-	(5,292)	-	(5,292)
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(51,985)	-	(51,985)	-	(51,985)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(65,560)	(65,560)	(48)	(65,608)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(178,582)	(178,582)	-	(178,582)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	4,713	4,713	-	4,713
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	45	45	-	45
Total other comprehensive loss for the period	-	-	-	-	-	(3,916)	(57,277)	(239,384)	(300,577)	(46)	(300,623)
Fair value adjustments	584	-	-	-	-	-	-	-	584	-	584
Shares – vested portion	4,272	-	-	-	-	-	-	-	4,272	-	4,272
As at September 30, 2021	(22,013)	3,478,690	3,478,690	2,000,000	150,000	(60,072)	(90,741)	635,141	9,569,695	218	9,569,913

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

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

21. Other reserves (unaudited) (continued)

Movement in other reserves for the nine month period ended September 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	-	-	-	-	-	(12,281)	-	-	(12,281)	3	(12,278)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	946	-	946	-	946
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	(12,628)	-	(12,628)	-	(12,628)
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(358,124)	(358,124)	36	(358,088)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(84,766)	(84,766)	-	(84,766)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(29,102)	(29,102)	-	(29,102)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(19,953)	(19,953)	-	(19,953)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(12,281)	(11,682)	(491,945)	(515,908)	39	(515,869)
Acquisition of non-controlling interests	-	-	-	-	-	36	-	1,180	1,216	(1,216)	-
Shares – vested portion	2,839	-	-	-	-	-	-	-	2,839	-	2,839
As at September 30, 2020	(27,266)	3,276,767	3,276,767	2,000,000	150,000	(66,766)	11,045	125,519	8,746,066	1,245	8,747,311

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

Notes to the condensed consolidated interim financial information

For the nine month period ended September 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 Union National Banks'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 the Bank.

23. Interest income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	103,404	87,554	257,942	404,323
Loans and advances to customers	1,726,396	1,998,811	5,234,519	7,173,311
Investment securities	388,703	457,847	1,332,345	1,580,064
Total interest income	2,218,503	2,544,212	6,824,806	9,157,698

24. Interest expense (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	3,990	13,402	17,291	49,534
Deposits from customers	281,030	497,363	861,345	2,202,196
Euro commercial paper	4,382	8,465	14,121	33,486
Borrowings (*)	207,401	201,096	608,640	880,865
Total interest expense	496,803	720,326	1,501,397	3,166,081

(*) includes AED 10,793 thousand (for the nine month period ended September 30, 2020: AED 11,017 thousand) for interest expense on lease liabilities

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

25. Net fees and commission income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Card related fees	246,041	195,292	692,817	592,533
Loan processing fees	132,162	130,574	505,541	380,513
Accounts related fees	46,600	37,949	135,104	118,783
Trade finance commission	129,442	122,425	375,029	357,950
Insurance commission	5,548	14,184	14,464	43,595
Asset management and investment services	18,807	14,594	53,643	42,410
Brokerage fees	2,702	1,800	7,709	5,544
Other fees	119,844	90,734	329,483	242,537
Total fees and commission income	701,146	607,552	2,113,790	1,783,865
Fees and commission expense	(264,839)	(232,748)	(733,556)	(666,972)
Net fees and commission income	436,307	374,804	1,380,234	1,116,893

26. Net trading income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Net gains from dealing in derivatives	36,490	33,211	96,168	80,692
Net gains from dealing in foreign currencies	120,890	96,479	380,875	347,809
Net (losses)/gains from financial assets and liabilities at fair value through profit or loss	(8,372)	(3)	279	(4,285)
Net trading income	149,008	129,687	477,322	424,216

27. Other operating income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Property management income	36,412	41,619	112,083	102,648
Rental income	19,409	20,586	59,540	61,209
Net gains from disposal of investment securities	70,438	47,307	229,998	177,550
Net gains arising from retirement of hedges	150	73,578	61,358	57,712
Dividend income	6,385	4,076	20,695	14,512
Others	8,004	14,425	27,400	32,466
Total other operating income	140,798	201,591	511,074	446,097

28. Operating expenses (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Staff expenses	548,808	651,315	1,765,364	1,922,077
General administrative expenses	340,074	325,739	991,812	1,159,060
Depreciation	100,208	101,488	299,834	300,541
Amortisation of intangible assets	23,923	23,922	71,768	71,386
Total operating expenses	1,013,013	1,102,464	3,128,778	3,453,064

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

29. Impairment charge (unaudited)

	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Financial instruments carried at amortised cost – net charge (*)	934,163	912,775	2,491,791	3,669,412
Debt instruments designated at FVTOCI – net (release)/charge	(421)	4,408	54,472	92,784
Commitment and contingent liabilities – net (release)/charge	(67,044)	64,996	(75,980)	(102,522)
Less: Recoveries/modifications during the period	(270,645)	(478,234)	(492,713)	(604,956)
Total impairment charge (Note 11)	596,053	503,945	1,977,570	3,054,718

(*) includes net release of AED 498 thousand (for the nine month period ended September 30, 2020: net charge of AED 7,642 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 September 30		9 months ended September 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	1,275,450	1,361,215	3,798,566	2,797,042
Less: Coupons paid on capital notes (Note 22)	(83,063)	(129,977)	(173,698)	(277,294)
Adjusted profit for the period attributable to the equity holders of the Bank (a)	1,192,387	1,231,238	3,624,868	2,519,748

	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	(3,621)	(6,329)	(3,998)	(6,329)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	6,953,758	6,951,050	6,953,381	6,951,050
Add: Weighted average number of shares resulting from employees' incentive plan shares	3,621	6,329	3,998	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)	0.17	0.18	0.52	0.36
Diluted earnings per share (AED) (a)/(c)	0.17	0.18	0.52	0.36

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

31. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at September 30 2021 unaudited AED'000	As at December 31 2020 audited AED'000
Letters of credit	8,992,793	4,926,407
Guarantees	49,205,342	53,481,072
Commitments to extend credit – revocable (*)	14,100,956	15,337,714
Commitments to extend credit – irrevocable	16,572,115	19,281,493
Total commitments on behalf of customers	88,871,206	93,026,686
Commitments for future capital expenditure	656,876	506,647
Commitments to invest in investment securities	15,854	3,012
Total commitments and contingent liabilities	89,543,936	93,536,345

(*) includes AED 7,287,003 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.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

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 nine month period ended September 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	2,345,790	1,607,713	1,347,193	22,713	5,323,409
Net income from Islamic financing and investing products	729,076	282,734	277,660	676	1,290,146
Total net interest income and income from Islamic financing and investing products	3,074,866	1,890,447	1,624,853	23,389	6,613,555
Non-interest income	637,119	883,636	649,672	198,203	2,368,630
Operating income	3,711,985	2,774,083	2,274,525	221,592	8,982,185
Operating expenses	(1,993,489)	(821,833)	(201,237)	(112,219)	(3,128,778)
Operating profit before impairment charge	1,718,496	1,952,250	2,073,288	109,373	5,853,407
Impairment charge	(882,267)	(1,049,567)	(45,736)	-	(1,977,570)
Profit after impairment charge	836,229	902,683	2,027,552	109,373	3,875,837
Share in profit of associates	6,985	-	-	-	6,985
Profit before taxation	843,214	902,683	2,027,552	109,373	3,882,822
Overseas income tax charge	(13,026)	(13,898)	(43,827)	-	(70,751)
Loss from discontinued operations	(1,824)	(10,583)	-	-	(12,407)
Profit for the period	828,364	878,202	1,983,725	109,373	3,799,664

As at September 30, 2021 (unaudited)

Total assets	109,121,452	179,708,679	141,455,008	1,775,644	432,060,783
Total liabilities	99,311,285	118,719,391	155,093,723	769,827	373,894,226

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

32. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the nine month period ended September 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	2,503,596	1,736,092	1,730,677	21,252	5,991,617
Net income from Islamic financing and investing products	801,741	282,835	339,251	5,164	1,428,991
Total net interest income and income from Islamic financing and investing products	3,305,337	2,018,927	2,069,928	26,416	7,420,608
Non-interest income	535,562	694,261	571,282	186,101	1,987,206
Operating income	3,840,899	2,713,188	2,641,210	212,517	9,407,814
Operating expenses	(2,207,671)	(891,571)	(218,479)	(135,343)	(3,453,064)
Operating profit before impairment charge	1,633,228	1,821,617	2,422,731	77,174	5,954,750
Impairment charge	(926,372)	(2,052,156)	(76,190)	-	(3,054,718)
Profit/(loss) after impairment charge	706,856	(230,539)	2,346,541	77,174	2,900,032
Share in profit of associates	14,183	-	-	-	14,183
Profit/(loss) before taxation	721,039	(230,539)	2,346,541	77,174	2,914,215
Overseas income tax charge	(4,767)	(13,388)	(70,420)	-	(88,575)
Loss from discontinued operations	(7,787)	(15,950)	-	-	(23,737)
Profit/(loss) for the period	708,485	(259,877)	2,276,121	77,174	2,801,903

As at December 31, 2020 (unaudited)

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 September 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	751,369	566,250	397,234	6,847	1,721,700
Net income from Islamic financing and investing products	218,234	97,315	142,430	(353)	457,626
Total net interest income and income from Islamic financing and investing products	969,603	663,565	539,664	6,494	2,179,326
Non-interest income	224,960	266,998	173,060	61,095	726,113
Operating income	1,194,563	930,563	712,724	67,589	2,905,439
Operating expenses	(650,343)	(264,548)	(62,903)	(35,219)	(1,013,013)
Operating profit before impairment charge	544,220	666,015	649,821	32,370	1,892,426
Impairment (charge)/release	(221,982)	(374,986)	915	-	(596,053)
Profit after impairment charge	322,238	291,029	650,736	32,370	1,296,373
Share in profit of associates	1,395	-	-	-	1,395
Profit before taxation	323,633	291,029	650,736	32,370	1,297,768
Overseas income tax charge	(5,247)	(3,917)	(14,888)	-	(24,052)
Profit from discontinued operations	5	2,196	-	-	2,201
Profit for the period	318,391	289,308	635,848	32,370	1,275,917

Notes to the condensed consolidated interim financial information

For the nine month period ended September 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 September 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	813,595	540,514	463,467	6,310	1,823,886
Net income from Islamic financing and investing products	226,253	90,693	142,325	1,566	460,837
Total net interest income and income from Islamic financing and investing products	1,039,848	631,207	605,792	7,876	2,284,723
Non-interest income	173,521	239,390	219,720	73,451	706,082
Operating income	1,213,369	870,597	825,512	81,327	2,990,805
Operating expenses	(694,319)	(295,238)	(71,499)	(41,408)	(1,102,464)
Operating profit before impairment charge	519,050	575,359	754,013	39,919	1,888,341
Impairment charge	(229,525)	(264,953)	(9,467)	-	(503,945)
Profit after impairment charge	289,525	310,406	744,546	39,919	1,384,396
Share in profit of associates	13,573	-	-	-	13,573
Profit before taxation	303,098	310,406	744,546	39,919	1,397,969
Overseas income tax charge	(1,003)	(4,056)	(23,030)	-	(28,089)
(Loss)/profit from discontinued operations	(4,833)	783	-	-	(4,050)
Profit for the period	297,262	307,133	721,516	39,919	1,365,830

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)	
	9 months ended September 30		9 months ended September 30	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Consumer banking	4,045,929	4,738,230	(333,944)	(897,331)
Wholesale banking	3,335,826	3,821,759	(561,743)	(1,108,571)
Investments and treasury	1,402,075	664,351	872,450	1,976,859
Property management	198,355	183,474	23,237	29,043
Total operating income	8,982,185	9,407,814	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended September 30		3 months ended September 30	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Consumer banking	1,299,032	1,423,747	(104,469)	(210,378)
Wholesale banking	1,099,927	1,143,990	(169,364)	(273,393)
Investments and treasury	445,596	349,808	267,128	475,704
Property management	60,884	73,260	6,705	8,067
Total operating income	2,905,439	2,990,805	-	-

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For the nine month period ended September 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)	
	9 months ended September 30		9 months ended September 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

6,284,476 7,211,158 329,079 209,450

Non-interest income

2,309,958 1,934,625 58,672 52,581

	Domestic (unaudited)		International (unaudited)	
	3 months ended September 30		3 months ended September 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

2,059,993 2,209,341 119,333 75,382

Non-interest income

710,010 682,330 16,103 23,752

	Domestic		International	
	As at	As at	As at	As at
	September 30	December 31	September	December 31
	2021	2020	2021	2020
	unaudited	audited	unaudited	audited
	AED'000	AED'000	AED'000	AED'000

Non-current assets

Investment in associates

261,931 255,868 - -

Investment properties

1,656,220 1,631,673 11,959 12,283

Property and equipment, net

1,843,983 1,886,698 179,568 171,877

Intangible assets, net

7,186,265 7,258,033 132,427 132,258

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33. Capital adequacy ratio

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

	As at September 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)	9,047,308	9,051,224
Retained earnings	17,580,778	15,783,861
Non-controlling interests	5,071	4,019
Regulatory deductions and adjustments		
Intangible assets, net	(7,318,692)	(7,390,291)
Cash flow hedge reserve (Note 21)	(90,741)	(33,464)
Employee's incentive plan shares, net (Note 21)	(22,013)	(26,869)
Revaluation reserve of investments designated at FVTOCI (Note 21)	285,813	393,536
Total CET1 capital	44,323,785	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	50,323,785	48,618,277
Tier 2 capital		
Eligible general provision	3,714,369	3,429,788
Subordinated notes (Note 18)	413,439	719,614
Total tier 2 capital	4,127,808	4,149,402
Total regulatory capital	54,451,593	52,767,679
Risk-weighted assets		
Credit risk	297,149,511	274,383,003
Market risk	15,326,956	8,822,001
Operational risk	22,542,856	23,219,072
Total risk-weighted assets	335,019,323	306,424,076
CET1 ratio	13.23%	13.91%
AT1 ratio	1.79%	1.96%
Tier 1 ratio	15.02%	15.87%
Tier 2 ratio	1.23%	1.35%
Capital adequacy ratio	16.25%	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 nine month period ended September 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

Mubadala Investment Company holds 60.20% of the Bank's issued and fully paid up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC (December 31, 2020 – 60.20% held by Mubadala Investment Company through Abu Dhabi Investment Council Company PJSC) (Note 20). The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

For details of related party balances as at December 31, 2020, refer note 37 in the consolidated financial statements for the year ended December 31, 2020. For related party transactions for the nine months ended September 30, 2020, refer note 32 in the condensed consolidated interim financial information for the period ended September 30, 2020. The related party balances as at September 30, 2021 and transactions for the nine month period ended September 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 September 30, 2021 (unaudited)					
Deposits and balances due from banks	55,885	-	-	-	55,885
Financial assets at fair value through profit or loss	575,528	-	-	-	575,528
Derivative financial instruments – assets	1,166,108	179,474	-	-	1,345,582
Investment securities	25,282,490	-	-	194,750	25,477,240
Loans and advances to customers	43,563,761	4,562,241	30,042	161,444	48,317,488
Other assets	382,924	4,067	36	6,788	393,815
Derivative financial instruments – liabilities	841,678	6,619	-	-	848,297
Deposits from customers	91,933,941	378,224	60,749	58,389	92,431,303
Other liabilities	132,221	26	15,500	3,624	151,371
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	11,133,098	11,379	2,841	4,285	11,151,603
Transactions for the nine month period ended September 30, 2021 (unaudited)					
Interest income, Islamic financing income, fees and other income	977,585	74,956	600	16,888	1,070,029
Interest expense and Islamic profit distribution	214,981	413	40	-	215,434
Net loss from dealing in derivatives	277,894	317,225	-	-	595,119
Impairment charge	21,983	-	-	-	21,983
Share in profit of associates	-	-	-	6,985	6,985
Coupons paid on capital notes	173,698	-	-	-	173,698

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2021

34. Related party transactions (continued)

Remuneration of key management employees and Board of Directors fees and expenses during the period are as follows:

	As at September 30 2021 unaudited AED'000
Short term benefits	19,839
Post-employment benefits	1,763
Variable pay benefits	19,875
Total remuneration	41,477
Board of Directors fees and expenses	11,570

In addition to the above, the key management personnel were granted long term deferred compensation including share based payments of AED 17,125 thousand.

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.

35. Fair value hierarchy (continued)**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 nine month period ended September 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 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
	Notes					
As at September 30, 2021						
(unaudited)						
Assets at fair value						
Financial assets at fair value through profit or loss	7	575,527	742,934	-	1,318,461	1,318,461
Derivative financial instruments	8	824	7,641,322	-	7,642,146	7,642,146
Investment securities	9					
- At fair value through other comprehensive income		64,979,446	4,317,881	177,286	69,474,613	69,474,613
- At amortised cost		25,694,974	-	-	25,694,974	26,007,456
Investment properties	12	-	-	1,668,179	1,668,179	1,668,179
Total		91,250,771	12,702,137	1,845,465	105,798,373	106,110,855
Liabilities at fair value						
Financial liabilities at fair value through profit or loss	15	-	45,140	-	45,140	45,140
Derivative financial instruments	8	611	7,633,800	-	7,634,411	7,634,411
Liabilities at amortised cost						
Euro commercial paper	17	-	7,075,041	-	7,075,041	7,071,576
Borrowings	18	17,333,272	56,299,497	-	73,632,769	75,571,124
Total		17,333,883	71,053,478	-	88,387,361	90,322,251
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 September 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	(40,953)	(14,089)
Closing balance	177,286	205,981

Net gain of AED 4,012 thousand (for the nine month period ended September 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.