

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 MARCH 2022 (UNAUDITED)

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

<i>Contents</i>	<i>Page</i>
Independent auditor's review report	1
Condensed Consolidated interim income statement	2
Condensed Consolidated interim statement of comprehensive income	3
Condensed Consolidated interim statement of financial position	4
Condensed Consolidated interim statement of changes in equity	5
Condensed Consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7 – 49

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

Introduction

We have reviewed the accompanying interim financial information of Abu Dhabi Islamic Bank PJSC (“the Bank”) and its subsidiaries (together “the Group”) as at 31 March 2022, comprising the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim financial information in accordance with International Accounting Standard IAS 34 “*Interim Financial Reporting*” (“IAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
27 April 2022
Abu Dhabi
United Arab Emirates

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Three months ended 31 March 2022 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		12,393	9,140
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	863,780	864,932
Income from sukuk measured at amortised cost		109,208	155,076
Income from investments measured at fair value	6	51,561	46,036
Share of results of associates and joint ventures		84,469	38,563
Fees and commission income, net	7	288,063	241,475
Foreign exchange income		75,752	55,707
Income from investment properties		9,216	9,233
Other income		<u>1,703</u>	<u>5,100</u>
		<u>1,496,145</u>	<u>1,425,262</u>
OPERATING EXPENSES			
Employees' costs	8	(360,642)	(365,533)
General and administrative expenses	9	(141,735)	(147,120)
Depreciation		(61,082)	(65,533)
Amortisation of intangibles	25	(13,500)	(13,500)
Provision for impairment, net	10	<u>(113,298)</u>	<u>(133,517)</u>
		<u>(690,257)</u>	<u>(725,203)</u>
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		805,888	700,059
Distribution to depositors	11	<u>(86,851)</u>	<u>(89,726)</u>
PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX		719,037	610,033
Zakat and tax	12	<u>(3,711)</u>	<u>(2,710)</u>
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		<u>715,326</u>	<u>607,623</u>
<i>Attributable to:</i>			
Equity holders of the Bank		714,950	607,398
Non-controlling interest		<u>376</u>	<u>225</u>
		<u>715,326</u>	<u>607,623</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	<u>0.170</u>	<u>0.140</u>

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

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2022 (Unaudited)

		<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		715,326	607,623
Other comprehensive loss			
<i>Items that will not be reclassified to consolidated income statement</i>			
Net gain on valuation of equity investments carried at fair value through other comprehensive income	30	1,445	606
Directors' remuneration paid	35	(8,190)	-
<i>Items that may subsequently be reclassified to consolidated income statement</i>			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	30	(78,534)	(29,070)
Exchange differences arising on translation of foreign operations	30	(77,452)	(2,623)
Gain on hedge of foreign operations	30	1,037	1,127
Fair value gain (loss) on cash flow hedges	30	392	(603)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<u>(161,302)</u>	<u>(30,563)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>554,024</u>	<u>577,060</u>
Attributable to:			
Equity holders of the Bank		553,648	576,835
Non-controlling interest		<u>376</u>	<u>225</u>
		<u>554,024</u>	<u>577,060</u>


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

Abu Dhabi Islamic Bank PJSC


CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION At 31 March 2022 (Unaudited)

		<i>31 March</i>	<i>Audited</i>
		<i>2022</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
ASSETS			
Cash and balances with central banks	14	17,432,183	21,699,249
Balances and wakala deposits with Islamic banks and other financial institutions	15	3,512,074	3,739,683
Murabaha and mudaraba with financial institutions	16	944,571	790,456
Murabaha and other Islamic financing	17	45,140,794	43,165,461
Ijara financing	18	45,083,684	45,086,882
Investment in sukuk measured at amortised cost	19	12,615,333	9,633,426
Investments measured at fair value	20	4,523,219	4,057,488
Investment in associates and joint ventures	21	1,592,930	1,604,378
Investment properties	22	1,285,414	1,288,988
Development properties	23	713,701	713,701
Other assets	24	3,292,430	2,631,431
Property and equipment		2,314,287	2,310,871
Goodwill and intangibles	25	<u>132,835</u>	<u>146,335</u>
TOTAL ASSETS		<u>138,583,455</u>	<u>136,868,349</u>
LIABILITIES			
Due to financial institutions	26	3,619,495	3,535,952
Depositors' accounts	27	110,807,971	109,611,103
Other liabilities	28	<u>4,271,145</u>	<u>3,162,234</u>
Total liabilities		<u>118,698,611</u>	<u>116,309,289</u>
EQUITY			
Share capital	29	3,632,000	3,632,000
Legal reserve		2,640,705	2,640,705
General reserve		2,633,934	2,633,934
Credit risk reserve		400,000	400,000
Retained earnings		6,108,664	6,741,105
Other reserves	30	(296,777)	(254,626)
Tier 1 sukuk	31	<u>4,754,375</u>	<u>4,754,375</u>
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		19,872,901	20,547,493
Non-controlling interest		<u>11,943</u>	<u>11,567</u>
Total equity		<u>19,884,844</u>	<u>20,559,060</u>
TOTAL LIABILITIES AND EQUITY		<u>138,583,455</u>	<u>136,868,349</u>
CONTINGENT LIABILITIES AND COMMITMENTS	32	<u>10,218,547</u>	<u>11,690,694</u>

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


Chairman


Group Chief Executive Officer


Group Chief Financial Officer

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

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2022 (Unaudited)

Attributable to the equity and Tier 1 sukuk holders of the Bank

		<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Credit risk reserve</i>	<i>Retained earnings</i>	<i>Other reserves</i>	<i>Tier 1 sukuk</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total equity</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2022 - audited		3,632,000	2,640,705	2,633,934	400,000	6,741,105	(254,626)	4,754,375	20,547,493	11,567	20,559,060
Profit for the period		-	-	-	-	714,950	-	-	714,950	376	715,326
Other comprehensive loss		-	-	-	-	(8,190)	(153,112)	-	(161,302)	-	(161,302)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Dividends paid	39	-	-	-	-	(1,130,115)	-	-	(1,130,115)	-	(1,130,115)
Transfer to Impairment reserve – General	30	-	-	-	-	(110,215)	110,215	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(746)	746	-	-	-	-
Balance at 31 March 2022 - unaudited		<u>3,632,000</u>	<u>2,640,705</u>	<u>2,633,934</u>	<u>400,000</u>	<u>6,108,664</u>	<u>(296,777)</u>	<u>4,754,375</u>	<u>19,872,901</u>	<u>11,943</u>	<u>19,884,844</u>
Balance at 1 January 2021 - audited		3,632,000	2,640,705	2,407,016	400,000	5,671,295	(354,766)	4,754,375	19,150,625	11,259	19,161,884
Profit for the period		-	-	-	-	607,398	-	-	607,398	225	607,623
Other comprehensive loss		-	-	-	-	-	(30,563)	-	(30,563)	-	(30,563)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Zakat payable		-	-	-	-	193,758	-	-	193,758	-	193,758
Transfer to Impairment reserve – General	30	-	-	-	-	(25,899)	25,899	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(44,881)	44,881	-	-	-	-
Balance at 31 March 2021 - unaudited		<u>3,632,000</u>	<u>2,640,705</u>	<u>2,407,016</u>	<u>400,000</u>	<u>6,303,546</u>	<u>(314,549)</u>	<u>4,754,375</u>	<u>19,823,093</u>	<u>11,484</u>	<u>19,834,577</u>

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

Abu Dhabi Islamic Bank PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Three months ended 31 March 2022 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period		715,326	607,623
Adjustments for:			
Depreciation on investment properties	22	3,574	3,964
Depreciation on property and equipment		41,515	44,683
Depreciation on right-of-use assets		15,993	16,886
Amortisation of intangibles	25	13,500	13,500
Share of results of associates and joint ventures		(84,469)	(38,563)
Realised loss (gain) on investments carried at fair value through profit or loss	6	19,965	(9,368)
Unrealised loss on investments carried at fair value through profit or loss	6	27,327	5,602
Realised gain on sukuk carried at fair value through other comprehensive income	6	(2,287)	(15,219)
Dividend income	6	-	(7)
Finance cost on lease liabilities	9	2,368	3,197
Provision for impairment, net	10	<u>113,298</u>	<u>133,517</u>
Operating profit before changes in operating assets and liabilities		866,110	765,815
(Increase) decrease in balances with central banks		(6,329,882)	1,060,755
Decrease (increase) in balances and wakala deposits with Islamic banks and other financial institutions		854,737	(1,002,624)
Decrease (increase) murabaha and mudaraba with financial institutions		213,443	(130,570)
Increase in murabaha and other Islamic financing		(2,001,351)	(412,057)
(Increase) decrease in ijara financing		(74,951)	600,889
Net movement in investments carried at fair value through profit or loss		(274,098)	(522,232)
Increase in other assets		(671,335)	(382,758)
(Decrease) increase due to financial institutions		(183,622)	35,164
Increase in depositors' accounts		1,197,905	1,796,858
Increase in other liabilities		<u>1,133,422</u>	<u>132,075</u>
Cash (used in) from operations		(5,269,622)	1,941,315
Directors' remuneration paid		<u>(8,190)</u>	-
Net cash (used in) from operating activities		<u>(5,277,812)</u>	<u>1,941,315</u>
INVESTING ACTIVITIES			
Net movement in investments carried at fair value through other comprehensive income		(316,548)	267,267
Net movement in investments carried at amortised cost		(2,983,553)	(408,010)
Dividend income received	6	-	7
Purchase of property and equipment		<u>(60,924)</u>	<u>(112,166)</u>
Net cash (used in) from investing activities		<u>(3,361,025)</u>	<u>(252,902)</u>
FINANCING ACTIVITIES			
Profit paid on Tier 1 sukuk – Listed (second issue)	31	(98,125)	(98,125)
Finance cost on lease liability	9	(2,368)	(3,197)
Dividends paid		<u>(1,130,498)</u>	<u>(563)</u>
Net cash used in financing activities		<u>(1,230,991)</u>	<u>(101,885)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		(9,869,828)	1,586,528
Cash and cash equivalents at 1 January		<u>15,033,947</u>	<u>6,929,656</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	34	<u>5,164,119</u>	<u>8,516,184</u>
Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, sukuk and customer deposits are as follows:			
Profit received		<u>1,870,856</u>	<u>1,195,012</u>
Profit paid to depositors		<u>73,099</u>	<u>82,682</u>

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi Islamic Bank PJSC (“the Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. The Federal Law No. 2 of 2015, concerning Commercial Companies has replaced the existing Federal Law No. 8 of 1984. Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Bank is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

In addition to its main office in Abu Dhabi, the Bank operates through its 59 branches in UAE (2021: 59 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The condensed consolidated interim financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

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

The condensed consolidated interim financial statements of the Group were authorised for issue by the Board of Directors on 27 April 2022.

2 DEFINITIONS

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

Murabaha

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

Istisna’a

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

Ijara

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

Qard Hasan

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2022 (Unaudited)

2 DEFINITIONS continued

Musharaka

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

Mudaraba

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

Wakalah

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

Sukuk

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

3 BASIS OF PREPARATION

3.1 (a) Statement of compliance

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

3.1 (b) Accounting convention

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

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

3 BASIS OF PREPARATION continued

3.1 (c) Basis of consolidation

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

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			2022	2021
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
MPM Properties LLC	Real estate services	United Arab Emirates	100%	100%
ADIB Invest 1	Equity brokerage services	BVI	100%	100%
Kawader Services LLC	Manpower supply	United Arab Emirates	100%	100%
ADIB (UK) Limited	Other services	United Kingdom	100%	100%
ADIB Capital Ltd	Funds services	United Arab Emirates	100%	-
ADIB Holdings (Jersey) Ltd* (under liquidation)	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Alternatives Ltd*	Special purpose vehicle	Cayman Island	-	-

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

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

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

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

3.2 Significant judgements and estimates

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2021.

4 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. In addition, results for the three months ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

Changes in accounting policies after the adoption of IFRS

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these interim condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

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

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

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

- IFRS 17 Insurance Contracts (effective from January 1, 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (effective from 1 April 2022).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023).
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective from 1 January 2023).

4 SIGNIFICANT ACCOUNTING POLICIES continued

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

- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to (effective date not yet decided) and
- Amendments to IAS 1 and IFRS Practice Statement 2 related to Disclosure of Accounting Policies (effective from January 1, 2023).

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

Financial instruments

Recognition and measurement

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

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

The Group's customer financing comprises the following:

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

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

Classification

Financial assets at amortised cost

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

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

All other financial assets are subsequently measured at fair value.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Recognition and measurement continued

Financial assets at fair value through profit or loss (“FVTPL”)

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

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

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

Financial assets at fair value through other comprehensive income (“FVTOCI”)

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

A financial asset is FVTPL if:

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

Measurement

Financial assets or financial liabilities carried at amortised cost

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Measurement continued

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

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

Financial assets at fair value through profit or loss (“FVTPL”)

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

Financial assets at fair value through other comprehensive income (“FVTOCI”)

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

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

Financial assets at fair value through other comprehensive income (“FVTOCI”) continued

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

(i) *Recognition / De-recognition*

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

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

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

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

(ii) *Offsetting of financial instruments*

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

Impairment assessment:

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

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

Measurement of Expected Credit Losses (ECL):

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Impairment assessment: continued

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

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

Renegotiated financing facilities

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

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

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

Purchased or originated credit impaired assets (POCI)

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

Covered card facilities

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

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

Write-off

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

5 INCOME FROM MURABAHA, MUDARABA, IJARA AND OTHER ISLAMIC FINANCING FROM CUSTOMERS

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Vehicle murabaha	55,796	56,352
Goods murabaha	53,887	27,318
Share murabaha	208,280	224,031
Commodities murabaha – Al Khair	87,565	88,712
Islamic covered cards (murabaha)	69,235	63,091
Other murabaha	<u>71,664</u>	<u>52,385</u>
Total murabaha	546,427	511,889
Mudaraba	67	36
Wakala	10,404	5,224
Ijara	306,878	347,773
Istisna'a	<u>4</u>	<u>10</u>
	<u>863,780</u>	<u>864,932</u>

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Income from sukuk measured at fair value through profit or loss	16,276	12,135
Income from sukuk measured at fair value through other comprehensive income	17,366	14,115
Realised (loss) gain on investments carried at fair value through profit or loss	(19,965)	9,368
Unrealised loss on investments carried at fair value through profit or loss	(27,327)	(5,602)
Realised gain on sukuk carried at fair value through other comprehensive income	2,287	15,219
Dividend Income	-	7
Income from other investment assets	<u>62,924</u>	<u>794</u>
	<u>51,561</u>	<u>46,036</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

7 FEES AND COMMISSION INCOME, NET

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Fees and commission income		
Fees and commission income on cards	238,226	188,456
Trade related fees and commission	20,001	16,012
Takaful related fees	2,565	13,568
Accounts services fees	26,798	22,094
Projects and property management fees	10,475	11,263
Risk participation and arrangement fees	29,737	6,357
Brokerage fees and commission	9,037	6,621
Other fees and commissions	<u>118,630</u>	<u>112,861</u>
Total fees and commission income	<u>455,469</u>	<u>377,232</u>
Fees and commission expenses		
Card related fees and commission expenses	(151,433)	(120,123)
Other fees and commission expenses	<u>(15,973)</u>	<u>(15,634)</u>
Total fees and commission expenses	<u>(167,406)</u>	<u>(135,757)</u>
Fees and commission income, net	<u>288,063</u>	<u>241,475</u>

8 EMPLOYEES' COSTS

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Salaries and wages	328,760	336,415
End of service benefits	16,480	15,458
Other staff expenses	<u>15,402</u>	<u>13,660</u>
	<u>360,642</u>	<u>365,533</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Legal and professional expenses	16,348	15,148
Premises expenses	17,316	22,114
Marketing and advertising expenses	14,237	12,727
Communication expenses	23,406	20,549
Technology related expenses	42,340	41,785
Finance cost on lease liabilities	2,368	3,197
Other operating expenses	<u>25,720</u>	<u>31,600</u>
	<u>141,735</u>	<u>147,120</u>

10 PROVISION FOR IMPAIRMENT, NET

	<i>Notes</i>	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Murabaha and other Islamic financing	17	32,715	105,346
Ijara financing	18	78,149	30,844
Direct write offs, net of recoveries		(6,697)	2,170
Others		<u>9,131</u>	<u>(4,843)</u>
		<u>113,298</u>	<u>133,517</u>

11 DISTRIBUTION TO DEPOSITORS

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Saving accounts	52,615	48,364
Investment accounts	<u>34,236</u>	<u>41,362</u>
	<u>86,851</u>	<u>89,726</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2022 (Unaudited)

12 ZAKAT AND TAX

Zakat

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

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

Tax

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

13 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

	<i>Notes</i>	<i>Three months ended 31 March 2022</i>	<i>Three months ended 31 March 2021</i>
Profit for the period attributable to equity holders (AED '000)		714,950	607,398
Less: profit attributable to Tier 1 sukuk holder – Listed (second issue) (AED '000)	31	<u>(98,125)</u>	<u>(98,125)</u>
Profit for the period attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		<u>616,825</u>	<u>509,273</u>
Weighted average number of ordinary shares in issue (000's)		<u>3,632,000</u>	<u>3,632,000</u>
Basic and diluted earnings per share (AED)		<u>0.170</u>	<u>0.140</u>

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

14 CASH AND BALANCES WITH CENTRAL BANKS

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Cash on hand	1,647,778	2,023,205
Balances with central banks:		
- Current accounts	1,030,733	1,421,122
- Statutory reserve	7,448,651	9,252,359
- Islamic certificate of deposits	<u>7,305,021</u>	<u>9,002,563</u>
	<u>17,432,183</u>	<u>21,699,249</u>

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

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
UAE	16,072,400	19,943,492
Rest of the Middle East	1,234,313	1,557,219
Others	<u>125,470</u>	<u>198,538</u>
	<u>17,432,183</u>	<u>21,699,249</u>

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Current accounts	564,317	725,390
Wakala deposits	<u>2,961,500</u>	<u>3,028,414</u>
	3,525,817	3,753,804
Less: provision for impairment	<u>(13,743)</u>	<u>(14,121)</u>
	<u>3,512,074</u>	<u>3,739,683</u>

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

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

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
UAE	425,490	985,230
Rest of the Middle East	2,252,602	1,707,346
Europe	307,555	297,035
Others	<u>540,170</u>	<u>764,193</u>
	<u>3,525,817</u>	<u>3,753,804</u>

16 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Murabaha	944,762	790,670
Less: provision for impairment	<u>(191)</u>	<u>(214)</u>
	<u>944,571</u>	<u>790,456</u>

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

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
UAE	490,946	707,138
Rest of the Middle East	<u>453,816</u>	<u>83,532</u>
	<u>944,762</u>	<u>790,670</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

17 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Vehicle murabaha	5,153,845	4,984,670
Goods murabaha	12,649,864	11,065,853
Share murabaha	15,368,704	15,377,270
Commodities murabaha – Al Khair	7,405,626	7,223,919
Islamic covered cards (murabaha)	7,541,117	8,160,050
Other murabaha	<u>6,501,370</u>	<u>7,151,124</u>
Total murabaha	54,620,526	53,962,886
Mudaraba	28,337	28,818
Wakala	3,031,544	2,361,809
Istisna'a	91,792	92,123
Other financing receivables	<u>58,311</u>	<u>51,882</u>
Total murabaha and other Islamic financing	57,830,510	56,497,518
Less: deferred income on murabaha	(10,352,375)	(11,013,757)
	47,478,135	45,483,761
Less: provision for impairment	<u>(2,337,341)</u>	<u>(2,318,300)</u>
	<u>45,140,794</u>	<u>43,165,461</u>

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Industry sector:		
Government	516,510	517,224
Public sector	7,886,632	6,045,453
Corporates	1,341,024	2,971,019
Financial institutions	3,662,582	2,864,860
Individuals	33,633,671	32,666,265
Small and medium enterprises	<u>437,716</u>	<u>418,940</u>
	<u>47,478,135</u>	<u>45,483,761</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

17 MURABAHA AND OTHER ISLAMIC FINANCING continued

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Geographic region:		
UAE	39,698,019	38,410,899
Rest of the Middle East	3,831,368	3,383,540
Europe	2,484,670	2,386,750
Others	<u>1,464,078</u>	<u>1,302,572</u>
	<u>47,478,135</u>	<u>45,483,761</u>

18 IJARA FINANCING

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	9,069,665	8,766,151
Due in the second to fifth year	23,025,800	22,903,721
Due after five years	<u>31,344,406</u>	<u>28,639,676</u>
Total Ijara financing	63,439,871	60,309,548
Less: deferred income	<u>(15,719,918)</u>	<u>(12,664,162)</u>
Net present value of minimum lease payments receivable	47,719,953	47,645,386
Less: provision for impairment	<u>(2,636,269)</u>	<u>(2,558,504)</u>
	<u>45,083,684</u>	<u>45,086,882</u>

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Industry sector:		
Government	619,838	615,773
Public sector	8,182,444	8,643,742
Corporates	17,043,640	16,475,656
Individuals	21,650,515	21,692,607
Small and medium enterprises	97,120	83,219
Non-profit organisations	<u>126,396</u>	<u>134,389</u>
	<u>47,719,953</u>	<u>47,645,386</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

18 IJARA FINANCING continued

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Geographic region:		
UAE	45,147,702	45,501,845
Rest of the Middle East	1,364,020	1,303,631
Europe	475,068	271,411
Others	<u>733,163</u>	<u>568,499</u>
	<u>47,719,953</u>	<u>47,645,386</u>

19 INVESTMENT IN SUKUK MEASURED AT AMORTISED COST

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Sukuk - Quoted	12,727,616	9,744,063
Less: provision for impairment	<u>(112,283)</u>	<u>(110,637)</u>
	<u>12,615,333</u>	<u>9,633,426</u>

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

UAE	8,481,329	7,034,430
Rest of the Middle East	3,143,602	2,234,448
Others	<u>1,102,685</u>	<u>475,185</u>
	<u>12,727,616</u>	<u>9,744,063</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

20 INVESTMENTS MEASURED AT FAIR VALUE

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	-	21,482
Sukuk	<u>2,360,285</u>	<u>2,111,997</u>
	<u>2,360,285</u>	<u>2,133,479</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	42,025	40,579
Sukuk	<u>1,986,502</u>	<u>1,744,142</u>
	<u>2,028,527</u>	<u>1,784,721</u>
Unquoted investments		
Sukuk	70,406	72,398
Funds	23,296	23,351
Private equities	<u>58,518</u>	<u>58,531</u>
	<u>152,220</u>	<u>154,280</u>
	<u>2,180,747</u>	<u>1,939,001</u>
	4,541,032	4,072,480
Less: provision for impairment	<u>(17,813)</u>	<u>(14,992)</u>
Total investments measured at fair value	<u>4,523,219</u>	<u>4,057,488</u>

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
UAE	1,771,132	1,788,037
Rest of the Middle East	1,464,397	1,279,826
Europe	840	15,006
Others	<u>1,304,663</u>	<u>989,611</u>
	<u>4,541,032</u>	<u>4,072,480</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

	31 March 2022 AED '000	<i>Audited</i> 31 December 2021 AED '000
At the beginning of the period	1,620,378	1,317,769
Share of results	84,469	315,898
Dividends received	-	(8333)
Foreign currency translation	<u>(96,055)</u>	<u>(4,956)</u>
	1,608,792	1,620,378
Less: provision for impairment	<u>(15,862)</u>	<u>(16,000)</u>
At the end of the period	<u>1,592,930</u>	<u>1,604,378</u>

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

At the beginning of the period	16,000	16,107
Reversals for the period	<u>(138)</u>	<u>(107)</u>
At the end of the period	<u>15,862</u>	<u>16,000</u>

Details of the Bank's investment in associates and joint ventures at 31 March is as follows:

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		2022 %	2021 %	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D.D	Bosnia	27	27	Islamic banking
The Residential REIT (IC) Limited	UAE	29	29	Real estate fund
<i>Joint ventures</i>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	49	49	Islamic Banking
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	51	Islamic Retail Finance
Arab Link Money Transfer PSC (under liquidation)	UAE	51	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

22 INVESTMENT PROPERTIES

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

	31 March 2022 AED '000	<i>Audited</i> 31 December 2021 AED '000
Cost:		
Balance at the beginning of the period	1,496,410	1,507,307
Disposals	<u>-</u>	<u>(10,897)</u>
Gross balance at the end of the period	1,496,410	1,496,410
Less: provision for impairment	<u>(119,071)</u>	<u>(119,071)</u>
Net balance at the end of the period	<u>1,377,339</u>	<u>1,377,339</u>
Accumulated depreciation:		
Balance at the beginning of the period	88,351	77,889
Charge for the period	<u>3,574</u>	<u>10,462</u>
Balance at the end of the period	<u>91,925</u>	<u>88,351</u>
Net book value at the end of the period	<u>1,285,414</u>	<u>1,288,988</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 9,216 thousand (31 March 2021: AED 9,233 thousand) for the three months period ended 31 March 2022.

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

	31 March 2022 AED '000	<i>Audited</i> 31 December 2021 AED '000
At the beginning / end of the period	<u>119,071</u>	<u>119,071</u>

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

UAE	1,396,271	1,399,845
Rest of the Middle East	<u>8,214</u>	<u>8,214</u>
	<u>1,404,485</u>	<u>1,408,059</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

23 DEVELOPMENT PROPERTIES

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Development properties	837,381	837,381
Less: provision for impairment	<u>(123,680)</u>	<u>(123,680)</u>
	<u>713,701</u>	<u>713,701</u>

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

At the beginning / end of the period	<u>123,680</u>	<u>123,680</u>
--------------------------------------	-----------------------	----------------

Development properties include land with a carrying value of AED 707,468 thousand (2021: AED 707,468 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

24 OTHER ASSETS

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Acceptances	351,944	136,325
Assets acquired in satisfaction of claims	78,252	78,252
Trade receivables	382,337	242,977
Prepaid expenses	830,125	823,676
Accrued profit	144,649	114,395
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	111	-
Others, net	<u>1,505,012</u>	<u>1,235,806</u>
	<u>3,292,430</u>	<u>2,631,431</u>

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

25 GOODWILL AND INTANGIBLES

	<i>Other intangible assets</i>			<i>Total</i> <i>AED '000</i>
	<i>Goodwill</i> <i>AED '000</i>	<i>Customer</i> <i>relationships</i> <i>AED '000</i>	<i>Core</i> <i>deposit</i> <i>AED '000</i>	
At 1 January 2021 - audited	109,888	75,957	15,242	201,087
Amortisation during the year	<u>-</u>	<u>(45,600)</u>	<u>(9,152)</u>	<u>(54,752)</u>
At 1 January 2022 - audited	109,888	30,357	6,090	146,335
Amortisation during the period	<u>-</u>	<u>(11,243)</u>	<u>(2,257)</u>	<u>(13,500)</u>
At 31 March 2022 - unaudited	<u>109,888</u>	<u>19,114</u>	<u>3,833</u>	<u>132,835</u>

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

Goodwill

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

Other intangible assets

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

26 DUE TO FINANCIAL INSTITUTIONS

	<i>31 March</i> <i>2022</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED '000</i>
Current accounts	1,858,342	1,764,574
Investment deposits	<u>1,751,191</u>	<u>1,752,528</u>
	3,609,533	3,517,102
Current account – Central Bank of UAE	<u>9,962</u>	<u>18,850</u>
	<u>3,619,495</u>	<u>3,535,952</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

27 DEPOSITORS' ACCOUNTS

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Current accounts	35,693,152	34,556,062
Investment accounts	74,375,575	74,331,596
Investment risk reserve	<u>739,244</u>	<u>723,445</u>
	<u>110,807,971</u>	<u>109,611,103</u>

The movement in the investment risk reserve during the period was as follows:

At the beginning of the period	723,445	683,896
Share of profit for the period	15,799	51,858
Payment made during the period	<u>-</u>	<u>(12,309)</u>
At the end of the period	<u>739,244</u>	<u>723,445</u>

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Government	14,275,807	13,870,693
Public sector	4,767,700	6,116,992
Corporates	4,957,086	5,378,659
Financial institutions	2,326,930	2,435,535
Individuals	70,245,103	68,010,942
Small and medium enterprises	11,551,378	11,108,555
Non-profit organisations	<u>2,683,967</u>	<u>2,689,727</u>
	<u>110,807,971</u>	<u>109,611,103</u>

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

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

28 OTHER LIABILITIES

	<i>31 March</i> <i>2022</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED '000</i>
Accounts payable	1,404,517	484,010
Acceptances	351,944	136,325
Lease liabilities	210,527	236,178
Accrued profit for distribution to depositors and sukuk holders	54,606	56,653
Bankers' cheques	633,270	645,454
Provision for staff benefits and other expenses	331,961	398,087
Retentions payable	10,281	11,088
Advances from customers	68,888	70,441
Accrued expenses	290,022	293,502
Unclaimed dividends	91,384	91,767
Deferred income	120,742	127,914
Donation and Charity account	9,002	18,902
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	629	846
Others	<u>693,372</u>	<u>591,067</u>
	<u>4,271,145</u>	<u>3,162,234</u>

29 SHARE CAPITAL

	<i>31 March</i> <i>2022</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED '000</i>
<i>Authorised share capital:</i>		
4,000,000 thousand (2021: 4,000,000 thousand) ordinary shares of AED 1 each (2021: AED 1 each)	<u>4,000,000</u>	<u>4,000,000</u>
<i>Issued and fully paid share capital:</i>		
3,632,000 thousand (2021: 3,632,000 thousand) ordinary shares of AED 1 each (2021: AED 1 each)	<u>3,632,000</u>	<u>3,632,000</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

30 OTHER RESERVES

	<i>Cumulative changes in fair values AED '000</i>	<i>Land revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserve AED '000</i>	<i>Impairment reserve - Specific AED '000</i>	<i>Impairment reserve - General AED '000</i>	<i>Total AED '000</i>
At 1 January 2022 - audited	(185,025)	137,400	(860,399)	(846)	255,839	398,405	(254,626)
Net movement in valuation of equity investment carried at FVTOCI	1,445	-	-	-	-	-	1,445
Net movement in valuation of investment in sukuk carried at FVTOCI	(76,247)	-	-	-	-	-	(76,247)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(2,287)	-	-	-	-	-	(2,287)
Exchange differences arising on translation of foreign operations	-	-	(77,452)	-	-	-	(77,452)
Gain on hedge of foreign operations	-	-	1,037	-	-	-	1,037
Fair value gain on cash flow hedges	-	-	-	392	-	-	392
Net movement in impairment reserve – Specific	-	-	-	-	746	-	746
Net movement in impairment reserve – General	-	-	-	-	-	110,215	110,215
At 31 March 2022 - unaudited	(262,114)	137,400	(936,814)	(454)	256,585	508,620	(296,777)
At 1 January 2021 - audited	(143,746)	192,700	(861,367)	-	61,662	395,985	(354,766)
Net movement in valuation of equity investment carried at FVTOCI	606	-	-	-	-	-	606
Net movement in valuation of investment in sukuk carried at FVTOCI	(13,851)	-	-	-	-	-	(13,851)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(15,219)	-	-	-	-	-	(15,219)
Exchange differences arising on translation of foreign operations	-	-	(2,623)	-	-	-	(2,623)
Gain on hedge of foreign operations	-	-	1,127	-	-	-	1,127
Fair value loss on cash flow hedges	-	-	-	(603)	-	-	(603)
Net movement in impairment reserve – Specific	-	-	-	-	44,881	-	44,881
Net movement in impairment reserve – General	-	-	-	-	-	25,899	25,899
At 31 March 2021 - unaudited	(172,210)	192,700	(862,863)	(603)	106,543	421,884	(314,549)

31 TIER 1 SUKUK

	<i>Audited 31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
Tier 1 sukuk – Listed (second issue)	2,754,375	2,754,375
Tier 1 sukuk – Government of Abu Dhabi	2,000,000	2,000,000
	<u>4,754,375</u>	<u>4,754,375</u>

Tier 1 sukuk – Listed (second issue)

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

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

31 TIER 1 SUKUK continued

Tier 1 sukuk – Listed (second issue) continued

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

Tier 1 sukuk – Government of Abu Dhabi

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

On 15 December 2021, amended and restated Mudaraba Agreement was signed to make the Sukuk-Gov compliant with Basel 3.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. Based on the amended and restated Mudaraba Agreement dated 15 December 2021, the Sukuk-Gov is callable by the Bank after period ending on 16 April 2027 (the "Call Date") or any achieved profit payment date thereafter subject to certain conditions.

The Sukuk-Gov had an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears. The initial period of five years ended on 16 April 2014. After the initial period, Sukuk-Gov bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity. No changes were made to expected mudaraba profit rates under the amended and restated Mudaraba Agreement dated 15 December 2021.

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

32 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

32 CONTINGENT LIABILITIES AND COMMITMENTS continued

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

	<i>31 March 2022 AED '000</i>	<i>Audited 31 December 2021 AED '000</i>
<i>Contingent liabilities</i>		
Letters of credit	4,013,050	5,250,958
Letters of guarantee	<u>5,396,546</u>	<u>5,647,695</u>
	<u>9,409,596</u>	<u>10,898,653</u>
<i>Commitments</i>		
Undrawn facilities commitments	739,871	555,498
Future capital expenditure	<u>69,080</u>	<u>236,543</u>
	<u>808,951</u>	<u>792,041</u>
	<u>10,218,547</u>	<u>11,690,694</u>

33 COMPLIANCE RISK REVIEW

In 2014 ADIB became aware of certain financial transactions relating to U.S. dollar payments that potentially breached U.S. sanctions laws in effect at that time. After learning of these potential breaches, ADIB appointed external legal advisers to assist it in reviewing these transactions and reviewing its compliance with U.S. sanctions laws and its compliance processes generally. Following this review, ADIB submitted its findings to relevant regulators in the UAE and the USA in early 2017. This review also assisted ADIB in identifying additional steps to ensure compliance with applicable sanctions laws, and ADIB enhanced its processes accordingly. As at 31 March 2022, the relevant regulators have not responded following receipt of ADIB's findings and, as such, the likely outcome of their review remains unknown.

34 CASH AND CASH EQUIVALENTS

	<i>31 March 2022 AED '000</i>	<i>31 March 2021 AED '000</i>
Cash and balances with central banks, short term	5,178,860	9,914,458
Balances and wakala deposits with Islamic banks and other financial institutions, short term	3,206,330	1,314,496
Murabaha and mudaraba with financial institutions, short term	367,535	816,500
Due to financial institutions, short term	<u>(3,588,606)</u>	<u>(3,529,270)</u>
	<u>5,164,119</u>	<u>8,516,184</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

35 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising major shareholders, directors, associates and joint ventures, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. During 2021, related party financing were renegotiated based on the terms approved by the Board of Directors and are free of any specific provision for impairment. Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 9.9% (2021: 0% to 9.9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the period have ranged from 0% to 0.46% per annum (2021: 0% to 2.0% per annum).

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
31 March 2022 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>4,222</u>	<u>—</u>	<u>4,222</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>10,353</u>	<u>—</u>	<u>2,478</u>	<u>20,685</u>	<u>33,516</u>
Fees and commission income, net	<u>—</u>	<u>—</u>	<u>29</u>	<u>384</u>	<u>413</u>
Operating expenses	<u>—</u>	<u>144</u>	<u>—</u>	<u>—</u>	<u>144</u>
Distribution to depositors and sukuk holders	<u>—</u>	<u>—</u>	<u>232</u>	<u>—</u>	<u>232</u>
31 March 2021 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>4,279</u>	<u>—</u>	<u>4,279</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>13,214</u>	<u>9</u>	<u>—</u>	<u>16,410</u>	<u>29,633</u>
Fees and commission income, net	<u>—</u>	<u>—</u>	<u>88</u>	<u>285</u>	<u>373</u>
Operating expenses	<u>—</u>	<u>126</u>	<u>—</u>	<u>—</u>	<u>126</u>
Distribution to depositors and sukuk holders	<u>21</u>	<u>2</u>	<u>227</u>	<u>3</u>	<u>253</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

35 RELATED PARTY TRANSACTIONS continued

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
31 March 2022 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	319,634	-	319,634
Murabaha and mudaraba with financial institutions	-	-	86,379	-	86,379
Murabaha, mudaraba, ijara and other Islamic financing	2,029,977	-	-	4,048,007	6,077,984
Other assets	-	-	588,658	396	589,054
	<u>2,029,977</u>	<u>-</u>	<u>994,671</u>	<u>4,048,403</u>	<u>7,073,051</u>
Due to financial institutions	-	-	9,655	-	9,655
Depositors' accounts	2,252	11,849	321,597	50,441	386,139
Other liabilities	-	-	38	395	433
	<u>2,252</u>	<u>11,849</u>	<u>331,290</u>	<u>50,836</u>	<u>396,227</u>
Contingencies	<u>-</u>	<u>-</u>	<u>11,367</u>	<u>98,177</u>	<u>109,544</u>
31 December 2021 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	319,585	-	319,585
Murabaha and mudaraba with financial institutions	-	-	83,417	-	83,417
Murabaha, mudaraba, ijara and other Islamic financing	2,019,643	1,589	4,905	4,049,767	6,075,904
Other assets	-	-	551,593	97	551,690
	<u>2,019,643</u>	<u>1,589</u>	<u>959,500</u>	<u>4,049,864</u>	<u>7,030,596</u>
Due to financial institutions	-	-	14,206	-	14,206
Depositors' accounts	37,633	7,353	286,779	41,423	373,188
Other liabilities	-	57	22	101	180
	<u>37,633</u>	<u>7,410</u>	<u>301,007</u>	<u>41,524</u>	<u>387,574</u>
Contingencies	<u>-</u>	<u>-</u>	<u>11,264</u>	<u>103,673</u>	<u>114,937</u>

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

Compensation of key management personnel

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

	<i>Three months ended 31 March 2022 AED '000</i>	<i>Three months ended 31 March 2021 AED '000</i>
Salaries and other benefits	6,672	5,807
Employees' end of service benefits	514	448
	<u>7,186</u>	<u>6,255</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2022 (Unaudited)

35 RELATED PARTY TRANSACTIONS continued

During 2022, AED 8,190 thousand was paid to Board of Directors pertaining to the year ended 31 December 2021 after the approval by the shareholders at the Annual General Assembly held on 17th March 2022.

36 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 31 March 2022 (Unaudited)

36 SEGMENT INFORMATION continued

	<i>Global Retail banking AED '000</i>	<i>Global Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Treasury AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
31 March 2022 - unaudited							
Revenue and results							
Segment revenues, net	789,356	222,111	34,235	203,675	16,662	143,255	1,409,294
Operating expenses excluding provision for impairment, net	(452,914)	(67,820)	(17,680)	(10,028)	(13,821)	(14,696)	(576,959)
Operating profit	336,442	154,291	16,555	193,647	2,841	128,559	832,335
Provision for impairment, net	(5,892)	(89,971)	(4,014)	(5,520)	-	(7,901)	(113,298)
Profit for the period before zakat and tax	330,550	64,320	12,541	188,127	2,841	120,658	719,037
Zakat and tax	-	(2,153)	(1,558)	-	-	-	(3,711)
Profit for the period after zakat and tax	330,550	62,167	10,983	188,127	2,841	120,658	715,326
Non-controlling interest	-	-	-	-	-	(376)	(376)
Profit for the period attributable to equity holders of the Bank	<u>330,550</u>	<u>62,167</u>	<u>10,983</u>	<u>188,127</u>	<u>2,841</u>	<u>120,282</u>	<u>714,950</u>
Assets							
Segmental assets	<u>56,549,562</u>	<u>41,352,354</u>	<u>4,871,247</u>	<u>26,858,380</u>	<u>2,062,128</u>	<u>6,889,784</u>	<u>138,583,455</u>
Liabilities							
Segmental liabilities	<u>78,647,673</u>	<u>25,862,942</u>	<u>6,255,382</u>	<u>4,327,953</u>	<u>235,411</u>	<u>3,369,250</u>	<u>118,698,611</u>
31 March 2021 - unaudited							
Revenue and results							
Segment revenues, net	798,859	192,656	34,032	210,934	15,183	83,872	1,335,536
Operating expenses excluding provision for impairment, net	(459,418)	(68,498)	(13,963)	(10,006)	(14,863)	(24,938)	(591,686)
Operating profit	339,441	124,158	20,069	200,928	320	58,934	743,850
Provision for impairment, net	(64,986)	(31,230)	(38,183)	1,346	-	(464)	(133,517)
Profit (loss) for the period – before zakat and tax	<u>274,455</u>	<u>92,928</u>	<u>(18,114)</u>	<u>202,274</u>	<u>320</u>	<u>58,470</u>	<u>610,333</u>
Zakat and tax	-	(1,294)	(1,416)	-	-	-	(2,710)
Profit (loss) for the period – after zakat and tax	<u>274,455</u>	<u>91,634</u>	<u>(19,530)</u>	<u>202,274</u>	<u>320</u>	<u>58,470</u>	<u>607,623</u>
Non-controlling interest	-	-	-	-	-	(225)	(225)
Profit (loss) for the period attributable to equity holders of the Bank	<u>274,455</u>	<u>91,634</u>	<u>(19,530)</u>	<u>202,274</u>	<u>320</u>	<u>58,245</u>	<u>607,398</u>
31 December 2021 - audited							
Assets							
Segmental assets	<u>55,760,847</u>	<u>40,324,755</u>	<u>4,773,111</u>	<u>27,231,109</u>	<u>2,069,309</u>	<u>6,709,218</u>	<u>136,868,349</u>
Liabilities							
Segmental liabilities	<u>76,548,716</u>	<u>25,707,149</u>	<u>5,645,725</u>	<u>4,600,325</u>	<u>247,621</u>	<u>3,559,753</u>	<u>116,309,289</u>

Geographical information

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

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT

37.1 Credit quality per stage for financial assets

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

	Gross Exposure				Expected Credit Losses - (ECL)			
	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>31 March 2022 - unaudited</i>								
Balances and wakala deposits with								
Islamic banks and other financial institutions	3,349,460	176,357	-	3,525,817	3,174	10,569	-	13,743
Murabaha and mudaraba with financial institutions	944,762	-	-	944,762	191	-	-	191
Murabaha and other Islamic financing	43,069,380	1,552,790	2,855,965	47,478,135	190,199	198,434	1,948,708	2,337,341
Ijara financing	35,657,582	6,562,980	5,499,391	47,719,953	268,077	175,817	2,192,375	2,636,269
Investment in sukuk measured at amortised cost	12,600,649	-	126,967	12,727,616	13,858	-	98,425	112,283
Investments measured at fair value	2,056,712	-	196	2,056,908	17,735	-	78	17,813
Other assets	837,025	-	-	837,025	1,581	-	-	1,581
	<u>98,515,570</u>	<u>8,292,127</u>	<u>8,482,519</u>	<u>115,290,216</u>	<u>494,815</u>	<u>384,820</u>	<u>4,239,586</u>	<u>5,119,221</u>
Contingent liabilities and commitments	<u>7,805,205</u>	<u>2,187,985</u>	<u>156,277</u>	<u>10,149,467</u>	<u>4,014</u>	<u>56,087</u>	<u>63,469</u>	<u>123,570</u>
	<u>106,320,775</u>	<u>10,480,112</u>	<u>8,638,796</u>	<u>125,439,683</u>	<u>498,829</u>	<u>440,907</u>	<u>4,303,055</u>	<u>5,242,791</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.1 Credit quality per stage for financial assets continued

	Gross Exposure				Expected Credit Losses - (ECL)			
	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>	<i>Stage 1</i> <i>AED '000</i>	<i>Stage 2</i> <i>AED '000</i>	<i>Stage 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>31 December 2021 - audited</i>								
Balances and wakala deposits with								
Islamic banks and other financial institutions	3,577,447	176,357	-	3,753,804	360	13,761	-	14,121
Murabaha and mudaraba with financial institutions	790,670	-	-	790,670	214	-	-	214
Murabaha and other Islamic financing	41,039,037	1,539,649	2,905,075	45,483,761	200,616	209,610	1,908,074	2,318,300
Ijara financing	36,100,016	6,164,890	5,380,480	47,645,386	291,711	199,103	2,067,690	2,558,504
Investment in sukuk measured at amortised cost	9,618,762	-	125,301	9,744,063	12,612	-	98,025	110,637
Investments measured at fair value	1,816,287	-	253	1,816,540	14,892	-	100	14,992
Other assets	<u>571,424</u>	<u>-</u>	<u>1,215</u>	<u>572,639</u>	<u>779</u>	<u>-</u>	<u>436</u>	<u>1,215</u>
	<u>93,513,643</u>	<u>7,880,896</u>	<u>8,412,324</u>	<u>109,806,863</u>	<u>521,184</u>	<u>422,474</u>	<u>4,074,325</u>	<u>5,017,983</u>
Contingent liabilities and commitments	<u>8,833,627</u>	<u>2,447,817</u>	<u>172,707</u>	<u>11,454,151</u>	<u>4,964</u>	<u>58,571</u>	<u>65,168</u>	<u>128,703</u>
	<u>102,347,270</u>	<u>10,328,713</u>	<u>8,585,031</u>	<u>121,261,014</u>	<u>526,148</u>	<u>481,045</u>	<u>4,139,493</u>	<u>5,146,686</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.2 Covid-19 and Expected Credit Loss (ECL)

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

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

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

In the determination of Q1 2022 ECL, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the Covid-19 pandemic and taken in to account the economic support and relief measures of governments and central banks. The Group has also considered the notices issued by the Central Bank of UAE with regards to the Targeted Economic Support Scheme (TESS) and ‘Treatment of IFRS9 Expected Credit Loss in the context of Covid-19 crisis’ as well as the guidance issued by the International Accounting Standards Board (IASB).

The Group has a dedicated IFRS 9 governance process established to review and approve IFRS 9 Stage migrations, management overlays to ECL estimates, and macro-economic scenarios and weightings.

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

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

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

In the absence of sufficient and timely data to update the credit ratings, which are a core element of assessing SICR, for the purpose of Q1 2022 reporting, the Group has applied variety of factors to quantify the potential impact.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.2 Covid-19 and Expected Credit Loss (ECL) continued

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

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

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

37.2.2 Reasonableness of Forward Looking Information and probability weights

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.2 Covid-19 and Expected Credit Loss (ECL) continued

37.2.3 Analysis of customers benefiting from payment deferrals

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

The table below contains analysis of the deferral amount, Exposure at Default (EAD) and Expected Credit Losses (ECL) benefitting from deferrals under CBUAE TESS program as of 31 March 2022:

	<i>Number of customers</i>	<i>Deferral amount AED '000</i>	<i>Exposure at default (EAD) AED '000</i>	<i>Expected credit losses (ECL) AED '000</i>
Retail banking:				
<i>Stage 1</i>				
- Group 1	159,567	1,165,657	4,566,418	12,231
- Group 2	<u>49</u>	<u>522</u>	<u>491</u>	<u>2</u>
	<u>159,616</u>	<u>1,166,179</u>	<u>4,566,909</u>	<u>12,233</u>
<i>Stage 2</i>				
- Group 1	2,835	43,498	349,459	30,125
- Group 2	<u>182</u>	<u>5,212</u>	<u>50,489</u>	<u>1,225</u>
	<u>3,017</u>	<u>48,710</u>	<u>399,948</u>	<u>31,350</u>
<i>Stage 3</i>				
- Group 1	2,179	24,643	154,945	44,236
- Group 2	<u>104</u>	<u>4,729</u>	<u>38,734</u>	<u>7,454</u>
	<u>2,283</u>	<u>29,372</u>	<u>193,679</u>	<u>51,690</u>
Total Retail banking	<u>164,916</u>	<u>1,244,261</u>	<u>5,160,536</u>	<u>95,273</u>
Wholesale banking:				
<i>Stage 1</i>				
- Group 1	139	270,148	66,560	778
- Group 2	<u>41</u>	<u>32,405</u>	<u>-</u>	<u>-</u>
	<u>180</u>	<u>302,553</u>	<u>66,560</u>	<u>778</u>
<i>Stage 2</i>				
- Group 1	26	153,929	863,145	9,569
- Group 2	<u>7</u>	<u>57,808</u>	<u>326,632</u>	<u>478</u>
	<u>33</u>	<u>211,737</u>	<u>1,189,777</u>	<u>10,047</u>
<i>Stage 3</i>				
- Group 1	31	4,635	14,197	4,035
- Group 2	<u>17</u>	<u>807</u>	<u>3,434</u>	<u>1,057</u>
	<u>48</u>	<u>5,442</u>	<u>17,631</u>	<u>5,092</u>
Total Wholesale banking	<u>261</u>	<u>519,732</u>	<u>1,273,968</u>	<u>15,917</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.1 Covid-19 and Expected Credit Loss (ECL) continued

37.2.3 Analysis of customers benefiting from payment deferrals continued

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

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

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

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

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

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

Stage migrations of EAD and ECL since 31 December 2021 for customers benefiting from payment deferrals

	<i>31 March 2022 - IFRS 9 (EAD)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Retail banking:				
At 1 January 2022	5,795,557	463,290	172,794	6,431,641
Transferred from Stage 1	(42,543)	40,385	2,158	-
Transferred from Stage 2	25,194	(74,618)	49,424	-
Transferred from Stage 3	-	2,233	(2,233)	-
Other movements	<u>(1,211,299)</u>	<u>(31,342)</u>	<u>(28,464)</u>	<u>(1,271,105)</u>
At 31 March 2022	<u>4,566,909</u>	<u>399,948</u>	<u>193,679</u>	<u>5,160,536</u>
Wholesale banking:				
At 1 January 2022	313,468	999,506	20,617	1,333,591
Transferred from Stage 1	(241,533)	241,533	-	-
Transferred from Stage 2	1,991	(1,991)	-	-
Transferred from Stage 3	-	-	-	-
Other movements	<u>(7,366)</u>	<u>(49,271)</u>	<u>(2,986)</u>	<u>(59,623)</u>
At 31 March 2022	<u>66,560</u>	<u>1,189,777</u>	<u>17,631</u>	<u>1,273,968</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

37 RISK MANAGEMENT continued

37.2 Covid-19 and Expected Credit Loss (ECL) continued

37.2.3 Analysis of customers benefiting from payment deferrals continued

Stage migrations of EAD and ECL since 31 December 2021 for customers benefiting from payment deferrals continued

	<i>31 March 2022 - IFRS 9 (ECL)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Retail banking:				
At 1 January 2022	20,859	40,041	55,741	116,641
Transferred from Stage 1	(3,864)	2,470	1,394	-
Transferred from Stage 2	434	(10,472)	10,038	-
Transferred from Stage 3	-	1,238	(1,238)	-
Other movements	<u>(5,196)</u>	<u>(1,927)</u>	<u>(14,245)</u>	<u>(21,368)</u>
At 31 March 2022	<u>12,233</u>	<u>31,350</u>	<u>51,690</u>	<u>95,273</u>
Wholesale banking:				
At 1 January 2022	1,340	10,027	5,892	17,259
Transferred from Stage 1	-	-	-	-
Transferred from Stage 2	-	-	-	-
Transferred from Stage 3	-	-	-	-
Other movements	<u>(562)</u>	<u>20</u>	<u>(800)</u>	<u>(1,342)</u>
At 31 March 2022	<u>778</u>	<u>10,047</u>	<u>5,092</u>	<u>15,917</u>

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

	<i>31 March 2022 - IFRS 9 (ECL)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Retail banking:				
At 1 January 2022	20,860	40,041	55,741	116,642
Vehicle murabaha	(447)	(172)	566	(53)
Islamic covered cards (murabaha)	-	(8)	6	(2)
Other murabaha	(8,255)	(6,082)	(8,442)	(22,779)
Ijara	<u>75</u>	<u>(2,429)</u>	<u>3,819</u>	<u>1,465</u>
At 31 March 2022	<u>12,233</u>	<u>31,350</u>	<u>51,690</u>	<u>95,273</u>
Wholesale banking:				
At 1 January 2022	1,339	10,027	5,893	17,259
Corporates	<u>(561)</u>	<u>20</u>	<u>(801)</u>	<u>(1,342)</u>
At 31 March 2022	<u>778</u>	<u>10,047</u>	<u>5,092</u>	<u>15,917</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

38 CAPITAL ADEQUACY RATIO

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

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

For 2022 and onwards, CCB will be required to be maintained at 2.5% (2021: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2022 (2021: Nil).

As per the Central Bank regulation for Basel III, the minimum capital requirement as at 31 December 2021 is 13.0% inclusive of capital conservation buffer of 2.5%. However, effective from 15 March 2020 until 30 June 2022, banks are allowed to tap into the capital conservation buffer up to a maximum of 60% without supervisory consequences, as part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis. Further, CBUAE has issued guidance on Accounting Provisions and Capital Requirements - Transitional Arrangement dated 22 April 2020. The Prudential Filter allows banks to add back increases in IFRS9 ECL provision, stage 1 and 2, from 31 December 2019 to the regulatory capital and transition over 5 years.

	<i>Basel III</i>	
	<i>31 March 2022 AED ‘000</i>	<i>Audited 31 December 2021 AED ‘000</i>
Capital base		
Common Equity Tier 1	13,937,230	13,500,957
Additional Tier 1 capital	<u>4,754,375</u>	<u>4,754,375</u>
Tier 1 capital	18,691,605	18,255,332
Tier 2 capital	<u>1,205,167</u>	<u>1,137,950</u>
Total capital base	<u><u>19,896,772</u></u>	<u><u>19,393,282</u></u>
Risk weighted assets		
Credit risk	96,413,382	91,036,016
Market risk	3,276,716	2,893,484
Operational risk	<u>10,394,131</u>	<u>10,513,631</u>
Total risk weighted assets	<u><u>110,084,229</u></u>	<u><u>104,443,131</u></u>
Capital ratios		
Common Equity Tier 1 ratio	<u><u>12.66%</u></u>	<u><u>12.93%</u></u>
Total Tier 1 capital ratio	<u><u>16.98%</u></u>	<u><u>17.48%</u></u>
Total capital ratio	<u><u>18.07%</u></u>	<u><u>18.57%</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

39 PROFIT RATE BENCHMARK REFORM

Based on the decision by global regulators to phase out IBORs and replace them with alternative reference rates (RFRs), the Bank has established a project in 2020, in coordination with an external consultant to manage the transition for any of its contracts that could be affected. The Group has exposure to contracts referencing benchmark rates, such as LIBOR, that mature after 2021. The project is significant in terms of scale and complexity and has a cross-functional impact on the Bank from customer contracts and dealings to the Bank's risk management processes and earnings. The project is being led by senior representatives from functions across the Bank including the client facing teams, Treasury, Finance, Shari'a, Legal, Operations and Technology. The Bank is in the process of setting up detailed plans, processes and procedures to support the transition of its IBOR exposure to RFRs. Moreover, the Bank will look to determine the extent of changes required in its risk management approach and strategy as a result of the IBOR reform. In 2021, the Bank established the Governance Framework for this project which includes an internal reporting framework to provide regular updates to an IBOR Reform Steering Committee. The Bank has also set up a monthly review of its exposure and contracts to monitor the scale of transition required from IBOR to RFRs. The Group's exposure to cash flow hedges and fair value hedges linked to benchmark rates maturing beyond the current period is not considered material.

IBOR reform exposes the Group to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

The Group continues to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

40 DIVIDENDS

During 2022, cash dividend of 31.12% of the paid-up capital relating to year ended 31 December 2021 amounting to AED 1,130,115 thousand was paid after the approval by the shareholders at the Annual General Assembly held on 17th March 2022.

During 2021, cash dividend of 20.58% of the paid-up capital relating to year ended 31 December 2020 amounting to AED 747,343 thousand was paid after the approval by the shareholders at the Annual General Assembly held on 04th April 2021.

41 SEASONALITY OF RESULTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement recognized in the consolidated statement of financial position

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

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

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

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

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

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
31 March 2022 - unaudited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	-	-	-	-
Sukuk	<u>2,360,285</u>	-	-	<u>2,360,285</u>
	<u>2,360,285</u>	-	-	<u>2,360,285</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	42,025	-	-	42,025
Sukuk	<u>1,986,502</u>	-	-	<u>1,986,502</u>
	<u>2,028,527</u>	-	-	<u>2,028,527</u>
<i>Unquoted investments</i>				
Sukuk	-	-	70,406	70,406
Funds	-	-	23,296	23,296
Private equities	-	-	<u>58,518</u>	<u>58,518</u>
	-	-	<u>152,220</u>	<u>152,220</u>
	<u>2,028,527</u>	-	<u>152,220</u>	<u>2,180,747</u>
	<u>4,388,812</u>	-	<u>152,220</u>	<u>4,541,032</u>
Shari'a compliant alternatives of swap (note 24)	-	<u>111</u>	-	<u>111</u>
Financial Liabilities				
Shari'a compliant alternatives of swap (note 28)	-	<u>629</u>	-	<u>629</u>
Assets for which fair values are disclosed:				
Investment properties	-	-	<u>1,608,517</u>	<u>1,608,517</u>
Investment carried at amortised cost - Sukuk	<u>12,242,018</u>	-	-	<u>12,242,018</u>
Assets acquired in satisfaction of claims	-	<u>125,340</u>	-	<u>125,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Unaudited)

42 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

	<i>Level 1</i> AED '000	<i>Level 2</i> AED '000	<i>Level 3</i> AED '000	<i>Total</i> AED '000
31 December 2021 - audited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	21,482	-	-	21,482
Sukuk	<u>2,111,997</u>	<u>-</u>	<u>-</u>	<u>2,111,997</u>
	<u>2,133,479</u>	<u>-</u>	<u>-</u>	<u>2,133,479</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	40,579	-	-	40,579
Sukuk	<u>1,744,142</u>	<u>-</u>	<u>-</u>	<u>1,744,142</u>
	<u>1,784,721</u>	<u>-</u>	<u>-</u>	<u>1,784,721</u>
<i>Unquoted investments</i>				
Sukuk	-	-	72,398	72,398
Funds	-	-	23,351	23,351
Private equities	<u>-</u>	<u>-</u>	<u>58,531</u>	<u>58,531</u>
	<u>-</u>	<u>-</u>	<u>154,280</u>	<u>154,280</u>
	<u>1,784,721</u>	<u>-</u>	<u>154,280</u>	<u>1,939,001</u>
	<u>3,918,200</u>	<u>-</u>	<u>154,280</u>	<u>4,072,480</u>
Financial liabilities				
Shari'a compliant alternatives of swap (note 28)	<u>-</u>	<u>846</u>	<u>-</u>	<u>846</u>
Assets for which fair values are disclosed:				
Investment properties	<u>-</u>	<u>-</u>	<u>1,608,517</u>	<u>1,608,517</u>
Investment carried at amortised cost - Sukuk	<u>9,749,116</u>	<u>-</u>	<u>-</u>	<u>9,749,116</u>
Assets acquired in satisfaction of claims	<u>-</u>	<u>125,340</u>	<u>-</u>	<u>125,340</u>

There were no transfers between level 1, 2 and 3 during the period (2021: Nil).

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

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

	31 March 2022 AED '000	<i>Audited</i> 31 December 2021 AED '000
At the beginning of the period	154,280	157,228
Net purchases	-	13,279
Loss recorded in equity	<u>(2,060)</u>	<u>(16,227)</u>
At the end of the period	<u>152,220</u>	<u>154,280</u>