ADIB مصرف أبوظبي الإسلامي

RESILIENCE LEADING TO STRONG RECOVERY

ANNUAL REPORT 2020

The late Sheikh Zayed bin Sultan Al Nahyan

His Highness Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates
Ruler of Abu Dhabi
Supreme Commander of the UAE Armed Forces

His Highness Sheikh Mohammed Bin Zayed Al Nahyan
Crown Prince of Abu Dhabi
Deputy Supreme Commander of the UAE Armed Forces

Creating a truly digitally connected bank

Abu Dhabi Islamic Bank was established in 1997 through Emiri Decree and began commercial operations in 1998. All contracts, operations and transactions are carried out in accordance with Islamic Shari'a principles.

The Bank is a leading regional Islamic financial services group and has a wide distribution network and an award-winning digital channels.

OUR VALUES

- We keep it Simple and Sensible
- We are Transparent
- We work for Mutual Benefit
- We nurture Hospitality & Tolerance
- We are Shari'a inspired

OUR GOALS

ADIB is in a good position to start a new phase in the Bank's history, building on ADIB's strong market position and highly regarded brand. The fundamental goal of our strategy is to make ADIB a stronger, more efficient, better structured bank that is well positioned to pursue growth opportunities across all our businesses.

Focused on delivering sustainable, long-term returns to our shareholders by deploying our balance sheet and other resources to the highest return activities that are consistent with our client base, product offering and risk appetite while at same time we protect and maximize ADIB's brand value.

Contents

A LEADER IN ISLAMIC BANKING

ADIB is a leading bank in the UAE and the 4th largest Islamic bank globally by assets. Headquartered and listed in Abu Dhabi, ADIB was incorporated in 1997 to serve as the first Islamic bank in the Emirate of Abu Dhabi.

The bank currently serves more than 1 million customers through a balanced proposition that combines a highly-personalised customer experience with world-class digital banking services.

ADIB has embedded robust corporate governance principles overseen by an eminent board that supports a strong and experienced management team.

Islamic Leader

4th largest Islamic Bank

Award Winning

Best Islamic Bank in MENA

National Champion

Serves 1 million customers

Digital Focus

78% digitally active customers

ADIB

A Leading Islamic Bank

Strong Customer Franchise

1 mn customers

Global Footprint

146 branches

587 ATMs

Presence in:
- UAE
- Egypt
- UK
- KSA
- Iraq
- Sudan
- Qatar
- Bosnia

Universal Bank

Banking | Payment | Real Estate

Broker | Insurance | Investments

FINANCIAL HIGHLIGHTS

AED 127.8
(billion) Total Assets

AED 5,358
(million) Group Net Revenue

AED 101.3
(billion) Total Customer Deposits

AED 2,450
(million) Total Expenses

AED 19.2
(billion) Equity

AED 1,604
(million) Group Net Profit

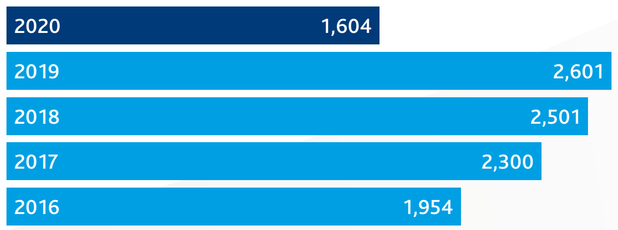
Key Financials	2020	2019	2018	2017	2016
Net revenue from funds (AED mn)	3,324.5	3,818.3	3,906.7	3,769.6	3,921.0
Non funding revenues (AED mn)	2,033.7	2,097.0	1,862.8	1,862.7	1,464.5
Revenues (AED mn)	5,358.2	5,915.2	5,769.5	5,632.3	5,385.5
Expenses (AED mn)	2,450.0	2,653.1	2,643.8	2,509.2	2,447.9
Provisions and Impairment (AED mn)	1,314.1	658.1	620.1	790.4	970.0
Net profit (AED mn)	1,604.0	2,601.1	2,500.8	2,300.1	1,953.6
Total assets (AED mn)	127,816.1	125,987.2	125,193.9	123,277.6	122,289.7
Total liabilities (AED mn)	108,654.3	106,883.8	107,457.2	106,704.4	106,831.1
Total equity (AED mn)	19,161.9	19,103.4	17,736.7	16,573.2	15,458.6
Cost to income ratio (%)	45.72	44.85	45.82	44.50	45.50
Customer Financing to Deposit Ratio (%)	82.36	79.98	78.36	76.53	79.15
Advances to stable funds ratio (%)	85.83	84.14	82.94	80.05	85.09
Basic and diluted earnings per share attributable to ordinary shares (AED)	0.364	0.632	0.637	0.592	0.520
Capital Adequacy Ratio (%)	19.40**	17.92	17.18	16.09	15.25*
Common equity tier 1 ratio (%)	13.54**	12.14	11.31	9.40	14.61*

* As per Basel II
** Without dividend adjustment for 2020

Revenues (AED mn)

Expenses (AED mn)

Net profit (AED mn)



Total assets (AED mn)

Total liabilities (AED mn)

Total equity (AED mn)

Moody's Investors Service	A2	P1
Fitch Ratings	A+	F1

COVID-19 UPDATE

Navigating through the pandemic from a position of strength

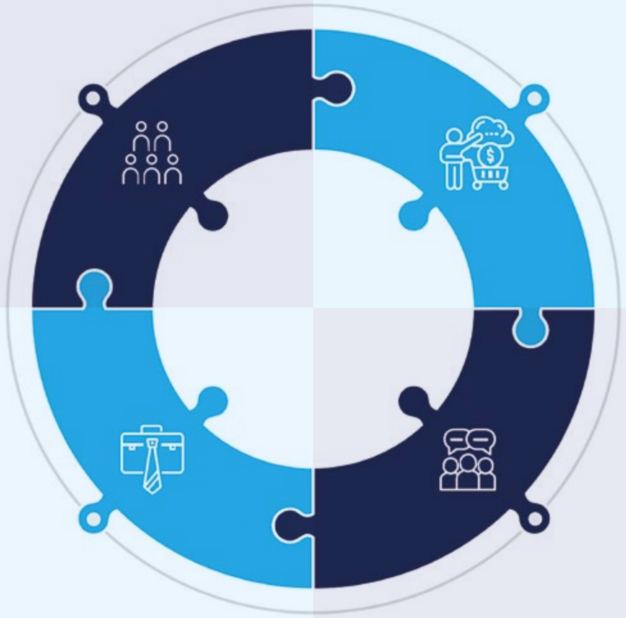
During these uncertain times, ADIB remained well-positioned from a capital and liquidity perspective to navigate through the challenges of Covid-19. The Bank's strong foundation has allowed it to support customers, staff, and the community. Due to the Bank's advanced digital transformation, we were able to move our operations quickly and comprehensively to a work from home environment and deploy the platforms and practicalities required to operate without the slightest disruption to our services and operations. We are grateful for the support lent to us and our customers by the UAE Central Bank. Its Targeted Economic Support Scheme (TESS) helped ADIB to fulfil its role as a responsible and compassionate corporate citizen whilst also protecting the Bank's fiscal position.

Supporting our employees and staff

- Vaccination campaigns in ADIB with 70% of staff now vaccinated
- A phased return to office
- Strict sterilization protocols
- IT infrastructure scaled up to accommodate work from home
- Chat bot services for staff
- Staff Wellbeing Seminars
- Launch a track and trace platform to track Covid-19 cases

Supporting our customers

- Deferral of financing and waiving of certain fees to support customers during this challenging time through TESS Program
- Leveraged digital infrastructure to serve clients
- Robust cyber security framework
- Launch of remote sales platform to facilitate sales
- Collaborated with the Abu Dhabi Department of Finance (DOF) to support SME Credit Guarantee Scheme
- Strict social distancing and sterilisation protocols in branches



Building a modern infrastructure and services

- New remote sales platform for a seamless and safe access to products
- Build AI and data analytics based technologies to offer personalised services for customers
- New digital capabilities like Apple Pay to facilitate contactless payment

Supporting our community

- Support The Ma'an's 'Together We Are Good' program
- Provide 10 million meals
- Support students with laptops to continue distance learning

A POWERFUL DIGITAL INFRASTRUCTURE

Supporting key businesses in their digital transformation

In 2020, ADIB's information technology and digital strategy was focused on building the right digital infrastructure to support key businesses in their digital transformation by improving the retail banking digital capabilities, expanding the suite of wholesale banking digital products, enhancing wealth management technologies, and meeting the demands of all other businesses in alignment with ADIB Group's three-year corporate roadmap.

ADIB has defined a clear digital strategy that is based on:

1. **A**rtificial intelligence
2. **B**ig Data
3. **C**loud Infrastructure
4. **D**evices and machines
5. **E**cosystem
6. **F**intech

This has allowed us to meet different digital KPIs including enrolling 78% of our customers on digital channels, opening 50% of accounts through digital and conducting 90% of payments through digital.

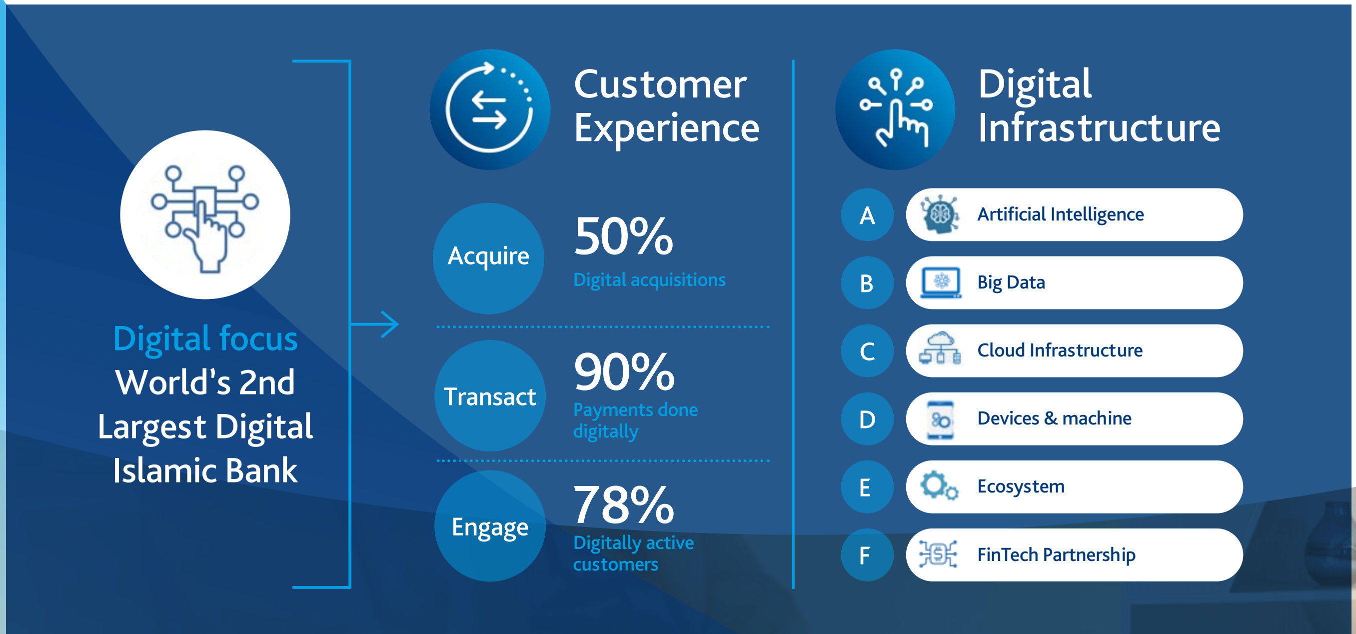
IT developments were also earmarked for international branches and assisted the treasury business with its objective to enhance technical services and products. The different technologies incorporated by IT have been built around next-gen analytics, AI, and biometric tools.

The retail banking business's growth was significantly enhanced through digital platforms and channels. Due to the Covid-19 pandemic, ADIB was required to respond to new customer challenges and to introduce remote services technologies, a journey that was enhanced by ADIB's remote sales platform. It enabled the Bank's sales teams to sell financial products such as cards and personal finance solutions remotely.

The technology managed to compensate for the lack of face-to-face interactions and enabled products to be sold through video conferencing supported by digital signature capture. It also allowed for a full digital on boarding journey and the automation of branch services, including the rollout of a new digitally-enabled Integrated Teller Machine (ITM) and the ability to schedule branch appointments through the mobile app website, reducing customer waiting times in branches.

New partnerships and new features

Other IT-led technologies that ADIB introduced in 2020 included a mobile app and internet banking channels for GenY customers; and Apple Pay, which was introduced through the enabled "Apple Pay" Feature on the ADIB Mobile App. This feature allows customers to perform online and point of sale (POS) transactions via an Apple phone. As the year progressed, the digital journey continued, with a collaboration with Huawei that saw ADIB become the UAE's first Islamic Bank to launch its mobile banking app on the Huawei App Gallery platform.



A key success for the retail banking business was the implementation of Chatbot Digital banking. To provide a seamless banking experience to ADIB customers, Chatbots, based on AI technology that can process huge sets of data within seconds to give accurate answers and solid advice, were introduced to serve customers, receiving a warm reception. In branches, a Customer Relationship Management 360-degree view technology was enacted. This initiative provides a full perspective on the customer position while automating many manual processes to support the cross-selling of other products.

For the Wholesale Banking Group, IT facilitated the introduction of its digital transformation project, which has provided ADIB with the capacity to work with different government entities. The Bank also introduced a new e-Dirham Card that enables card onboarding, registration, activation, and top-ups in a highly-convenient manner. The customer experience across ADIB's website was also improved in 2020. Customers can now access the contact details of their relationship managers and navigate to new features, such as an Instalment postponement option, further reducing the need to visit a branch.

These platforms enhanced sales activity, which boosted the ADIB's ability to rebound strongly and take market share in H2 2020.

Technology Modernisation to enable a modern organisation

As part of ADIB's internal digital transformation, new remote working platforms were introduced, which included various collaboration tools that enabled employees to conference and work together in real-time as if they were in the office. This included the introduction of Microsoft Teams, a productivity app, and a new employee engagement app that delivers insights on important corporate activities, sales, HR information, productivity metrics, and an overview of the day-to-day workflow. A WhatsApp – Covid-19 awareness Chatbot was also introduced to ensure that all employees were kept up to date on the pandemic situation.

Investing in big data and AI technology

A new Big Data platform was rolled out at a Group level, integrating the CRM platform and enabling the Bank to gain advanced analytics that feed the new customer 360 view. ADIB launched a new Analytics Center of Excellence ('ACE'), a fully integrated, real-time data analysis & visualisation center to enable ADIB to driver greater efficiencies, optimise performance and respond to complex market dynamics with agility and speed. ADIB also created a digital KYC system on the mobile app enabling customers to make updates digitally, including uploading copies of their passport and Emirates ID. The IT department also rolled out an automated 24/7 digital system for RTA processes, powered by AI, serving to improve turnaround time. In addition, they introduced the cloud-based Microsoft Office, allowing users to use their digital office documents anywhere and at any time.

Investing in cloud infrastructure

The focus around cloud hosting continued with a strategy to work with leading cloud services providers in the UAE to utilise the power of innovation and to help ADIB with its Fintech partnership. This was underpinned by focusing on delivering reliable and secure services to customers based on a robust technology infrastructure supported by the trusted back-up protocols.

IT architecture

The IT department was restructured to be further aligned with ADIB Group's business, strategy and goals. This comprised the establishment of five verticals to directly align with the Bank's different business units, such as Retail, Wholesale Banking and Treasury, Enterprise Solutions (HR), Compliance, and Operations. IT now has specific provisions for each of these verticals and utilises an agile methodology to show where value is being delivered. In addition, a new portfolio management system was introduced to provide visibility on strategic projects across all businesses using the Kiplot platform.

These efforts have enabled the ADIB's businesses to achieve their goals in 2020, and IT is committed to leveraging the latest innovative solutions and modern architectural components, such as microservices, to ensure that this technology-led progress continues. Microservices are fast, efficient and easy to integrate into existing systems and have been fundamental to the Bank's digital transformation and its ability to service customers during a challenging period.

This also forms part of the Bank's modernisation roadmap that includes cloud hosting services, advanced analytics usage, AI, robotics, and open banking using APIs to partner with FinTechs. The expansion of this digital agenda has an array of benefits, including strengthened security, enhanced governance and increased transparency, ensuring that the Bank continues on its growth trajectory.

EXCELLENCE RECOGNISED

In 2020, ADIB received numerous awards to recognise its Islamic leadership, customer experience and digital services and infrastructures. Most prominently, the Bank was recognised at the 18th edition of the prestigious Sheikh Khalifa Excellence Awards (SKEA) for its world-class operations.

Defining digital

Amongst others, the Bank went on to be recognized for its efforts on the digital front. It was named 'Innovator in Islamic Finance' for 2020 by EMEA finance, marking the fourth consecutive year that the publication's judging panel had commended ADIB's innovations. The Bank was also voted as the 'Most Helpful Bank during COVID-19 in UAE and in the Middle East' by Asian Banker readers in recognition of its digital capabilities during the pandemic.

As the year progressed, the Bank was recognised throughout the region for its extensive digital transformation by several organisations. In August, it was named 'Best Islamic Digital Bank in the UAE' by Global Finance magazine; the award recognises the breadth and strength of ADIB's digital transformation, borne out in an exceptionally high level of digital adoption across retail and corporate banking. Nearly 78% of ADIB's retail customers are active on digital channels, and more than 90% of financial transactions, including payments and fund transfers, were conducted digitally.

Following success at the Global Finance awards, ADIB went on to secure recognition as the 'Best Islamic Bank in the Middle East' at the MEA Finance Awards 2020. The accolade recognises ADIB's innovative digital solutions, its broad range of Islamic products and services, and the high levels of support the bank provided to customers throughout the year.

> "ADIB is a commendable example of a bank that was prepared for the rise in demand for digital banking services during the pandemic. Over the past two years, the bank invested heavily in its digital services and those investments are now paying off during this challenging period and economic uncertainty. With resilience, ADIB was able to enhance their offerings and prioritize serving their customers during their time of need"
>
> MEA Finance

Islamic Leadership

- BEST ISLAMIC BANK IN MENA – EMEA
- BEST ISLAMIC FINANCE HOUSE – EMEA
- BEST ISLAMIC BANK IN UAE – EMEA
- BEST ISLAMIC BANK IN THE UAE – IFN
- BEST ISLAMIC BANK IN EGYPT – IFN
- BEST ISLAMIC BANK IN IRAQ – IFN
- BEST ISLAMIC BANK IN THE UAE – Global Finance
- BEST ISLAMIC BANK IN THE UAE – Banker FT
- BEST ISLAMIC BANK IN EGYPT – Global Finance
- BEST ISLAMIC PRIVATE BANK – IFN
- BEST ISLAMIC BANK – World Union of Arab banker
- BEST ISLAMIC BANK IN THE MIDDLE – MEA Finance
- BEST ISLAMIC TREASURY SERVICES – IFN

Customer service and Excellence

- SHEIKH KHALIFA EXCELLENCE AWARD – Abu Dhabi Chamber of Commerce & Industry
- SHEIKH MOHAMED BIN RASHID BUSINESS AWARD
- MOST HELPFUL BANK DURING COVID-19' IN THE MIDDLE EAST – The Asian Banker research 2020
- BEST OVERALL BANK IN CUSTOMER EXPERIENCE – Ethos

Digital

- BEST ISLAMIC DIGITAL BANK – Global Finance
- INNOVATOR IN ISLAMIC FINANCE – Global Finance Magazine
- BEST BANK IN DIGITAL TRANSFORMATION – World Union of Arab Bankers
- DIGITAL TRANSFORMATION – Gulf Customer Experience Awards
- MOST INNOVATIVE BANK IN THE MIDDLE EAST – EMEA Finance
- RESILIENCE INNOVATION IN THE MIDDLE EAST – The Business Continuity Institute Awards

Product leadership

- COMMODITY MURABAHAH TAWARRUQ & DEAL OF THE YEAR – IFN
- HYBRID DEAL OF THE YEAR – IFN
- PROJECT & INFRASTRUCTURE FINANCE DEAL OF THE YEAR
- 5 STAR BROKERS EXCELLENCE RATING – Dubai Finance Market
- MOST EFFECTIVE RECOVERY IN THE MIDDLE EAST – The Business Continuity Institute Awards
- BEST ISLAMIC FINANCIER – International Trade Finance Awards

Community support

- CSR LABEL – Dubai Chamber of Commerce & Industry
- GOLD LEED CERTIFICATE – US Green Building Council

A YEAR OF RESILIENCE AND ADAPTABILITY

Steadfast government and central bank support delivered social and economic resilience, whilst also providing bandwidth for ADIB to deliver a resilient performance at year-end.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present ADIB's Annual Report for 2020. Despite an extraordinary operating environment, ADIB demonstrated an extremely resilient performance, ending the year with a strong capital adequacy ratio of 19.40%, a stable balance sheet and a near-normal H2 as operations recovered to almost pre-Covid levels.

On behalf of the Board of Directors, I would like to thank the management and staff of ADIB for working through difficult circumstances to create value across the business. I would also like to extend my gratitude to the Internal Shari'a Supervisory Committee, which provided critical support in 2020.

I also wish to express my thanks to the UAE Federal government for its enduring support for the national economy, an unprecedented fiscal stimulus program that supported both individual and corporate customers.

The national picture

Launched in March 2020, the government's Targeted Economic Support Scheme (TESS) provided the nation with a AED100 billion integrated stimulus program, comprised of AED50 billion from the UAE Central Bank (CBUAE) and an additional AED50 billion from banks capital buffers. The generous – and comprehensive nature – of the program is indicative of a government committed to saving lives and livelihoods during a moment of extraordinary social and economic crisis.

These funds provided the entire banking sector in the UAE with the bandwidth to provide support to customers affected by Covid-19 who may have been unable to repay personal or business finance. This is a commitment that threw a lifeline to over 320,000 individuals and businesses. It is a measure that sends a strong message to the international community of investors that the United Arab Emirate's leadership and economy are strong and stable, even in the most challenging of times.

The government locked down national and international borders to stop the spread of the virus, and successfully conducted Phase III trials for China's Sinopharm vaccine, which was then approved for use in the general population on 9th December 2020.

ADIB's ability to bounce back so quickly in H2 2020 is a testament to our leaders' strength of purpose and relentless determination to protect the best interests of all of the people living in the United Arab Emirates.

ADIB's performance

Despite the macro-economic environment, ADIB has seen positive signs of recovery, delivering a resilient performance for 2020, including a sharp rebound in the second half of the year with economic activities generating momentum across all business units. In the second half of the year, the The bank, after the deduction of the Shareholders' contributions to the depositors, witnessed a net income growth of 73% compared to H1 2020, driven by strong revenues and consistent cost discipline. This is a significant achievement, made possible by the resilience of the bank's businesses and the dedication of employees adapting to the challenges presented by COVID-19.

The strength of the bank's performance in H2 2020 is due, in part, to the rebound in business activities and its accelerated digital transformation. This included a new digital booking service for branch appointments, the adoption of Apple Pay for ADIB cardholders and the launch of ADIB Chat Banking – the UAE's first Emirati customer care chatbot through WhatsApp.

ADIB ended 2020 with a strong capital adequacy ratio of 19.40%, and despite a YoY fall in profit, our discipline in managing costs and success in securing efficiencies left the bank with a strong and resilience performance, which helped mitigated the compression in net profit margins.

19.40%

Strong Capital Adequacy Ratio

73%

Net income growth in H2 2020 versus H1 2020

CHAIRMAN'S STATEMENT

This has allowed the Board of Directors to recommend a cash dividend of 20.58 fils per share, which represents 46.6% of net profits for the year ended December 2020.

In 2020, the Bank also raised the percentage of foreign ownership to 40%, from 25%, of its issued capital in July 2020, in response to the heightened interest from international investors in ADIB's share, and in line with the strategic commitment to diversifying the bank's investor base. The milestone also strengthens the UAE and Abu Dhabi's positions as one of the most attractive markets for foreign direct investment.

The best bank

I am exceptionally proud that ADIB succeeded in winning several important international and regional awards in 2020. The bank received a Gold category award at the 18th edition of the prestigious Sheikh Khalifa Excellence Awards (SKEA) in 2020 and was named 'Innovator in Islamic Finance' for 2020 by Global Finance magazine, marking the fourth consecutive year that the publication's judging panel has commended ADIB's innovations. The bank was also voted as the 'Most Helpful Bank during COVID-19 in UAE and in the Middle East by Asian banker readers in recognition of its digital capabilities during the pandemic.

A resilient outlook

Whilst global markets will inevitably take time to recover from the shock of Covid-19 fully, 2021 is likely to be less volatile than 2020. The recovery speed within the banking sector depends somewhat on the pressure on rates and the continued pressure of non-performing finance. However, ADIB's resilience comes through its advanced digital transformation, sound liquidity, and strong customer franchise. These, and very good capital adequacy ratio, leave the bank well placed to grow in 2021.

Our focus for 2021 will be to accelerate the bank's digital transformation further, to remain at the forefront of digital banking, and to support the UAE's economic recovery through the responsible financing of individuals and businesses as they seek to grow. The government's decision to offer 100% foreign ownership of companies and progressive visa and citizenship laws will also stimulate growth.

Conclusion

On behalf of the Board and all the entire ADIB team, I would like to extend our everlasting gratitude to the leaders of the United Arab Emirates and, in particular, to His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, may God protect him, and to His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces.

After such an extraordinarily difficult year for our society, I would also like to take this opportunity to thank the entire ADIB family: our Board of Directors, management, and hardworking staff across the ADIB branch network who have worked in difficult circumstances. Their loyalty and commitment are recognised and appreciated.

I also wish to extend thanks to our customers, shareholders, the Central Bank of the UAE for their support and trust, and the esteemed members of the Internal Shari'a Supervisory Committee for their supervision.

Thank you,

HE Jawaan Awaidah Suhail Al Khaili
Chairman

THE ADIB GROUP STRUCTURE

Board of Directors

Financial Services Group

Banking:
Abu Dhabi Islamic Bank PJSC

Subsidiaries:
Abu Dhabi Islamic Securities Company LLC
ADIB (UK) Limited

Associates and Joint Ventures:
Abu Dhabi Islamic Bank – Egypt (S.A.E.)
Abu Dhabi National Takaful Company PJSC
Bosna Bank International D.D.
Saudi Finance Company CSJC
Abu Dhabi Islamic Merchant Acquiring Company LLC

International Branches:
Qatar (QFC)
Iraq
Sudan

Non-Financial Services

Real Estate:
Burooj Properties LLC
MPM Properties LLC

Manpower:
Kawader Services LLC

ADIB SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

ADIB (Egypt) SAE

Saudi Finance Company, ADIB Saudi Arabia

ADIB UK

Abu Dhabi Islamic Merchant Acquiring Company LLC

Abu Dhabi National Takaful Company PJSC

ADIB Securities

MPM Properties

Bosna Bank International D.D.

Burooj Properties

SURPASSED EXPECTATIONS

We have surpassed expectations in a challenging year through the delivery of ground-breaking new capabilities. Our branch networks are smarter, our digital services are game-changing, and our customer proposition is stronger than ever.

Dear shareholders,

2020 was marked not only by its challenges but by how we were able to meet them at ADIB. We are proud of the meaningful progress ADIB made in 2020, characterised by a strong rebound momentum during the second half of the year that leaves us well placed to do very well in 2021.

Our resurgence in the second half of the year reflects the unique value we bring to our customers, our team's resilience, and the robust nature of businesses across different segments – and of course, our strengths in digital.

We are proud that in 2020, our team continued to deliver on our commitments to our shareholders, with sound financial results and value creation for our customers, our people, our partners and our communities.

A resilient financial performance with a Double-digit rebound in the second half

ADIB delivered a resilient financial performance in 2020, reporting a net profit of AED 1.6 billion for the full year 2020 compared to AED 2.6 billion in 2019. The AED 1.6 billion in net profit earned on the back of AED 5.4 billion in revenues in FY2020 was, 9% lower than 2019.

This fall in net profit reflects unprecedented market conditions, record low rates and the pandemic-driven economic slowdown. This was offset by a rigorous approach to cost control, which resulted in a reduction of 8% year on year in operating expenses, achieved by the successful implementation of technology-led initiatives that helped to reduce the cost of sales and customer acquisition while also streamlining internal processes.

The bank delivered a resurgent financial performance in H2 2020 as UAE economic activity improved and business momentum lifted revenues, despite the continuing macroeconomic effects of the COVID-19 pandemic. This resulted in a net profit of AED 1.02 billion in H2 2020, an increase of 73% compared to H1 2020.

The strength of our retail banking business continues to drive ADIB's performance. The bank successfully employed its client franchise and increasingly powerful brand to increase market share in 2020, adding over 75,000 customers during the year. This has resulted in the bank growing CASA deposits by 12.3%, allowing ADIB to maintain one of the highest net profit margins in the market of 3.51%.

Most importantly, we closed out H2 2020 with a Return on Equity of 12.5%, 6% higher than the first half of the year. These results reflect how well we emerged from the crisis, even in an uncertain environment.

Additionally, we retained a strong competitive position in terms of capital and liquidity with a stable funds ratio of 85.8% FY2020. We maintained a robust capital position with a Common Equity Tier 1 ratio of 13.54% and a Capital adequacy ratio of 19.40% – comfortably above regulatory requirements.

ADIB continued to take a prudent approach to provisioning with net impairment charges increasing by 99.7% to AED 1,314.1 million in impairments, reflecting the challenging macro-economic environment.

Rebuilding the Business Momentum

In our Retail Banking Group, we quickly gained momentum by generating a growth of 42% in net profit in H2 vs H1 2020. Our strategy of strengthening our retail franchise has yielded a steady stream of compelling new products and value propositions. The strong customer acquisition we saw in 2020 is a sign that our customer-centric strategy is working. Our Wholesale Banking Group turned in an equally strong performance, driving a revenue growth of 12% in H2 Vs H1 2020, backed by new deal origination.

Our Treasury business continued its strong performance in 2020, with net profit growing 24% in 2020 versus 2019. It grew total assets by 23% compared to the prior year.

A Digital Focused Bank

In 2020, ADIB surpassed expectations in a challenging year through the delivery of ground-breaking new digital capabilities. Our branch networks are now smarter, our digital services are game-changing, and our customer proposition is stronger than ever before. From the introduction of Apple Pay to digital branch appointment services, WhatsApp banking, and the launch of the UAE's first virtual banking sales platform, ADIB's digital-first strategy has demonstrably paid off.

The bank's suite of new digital services has been embraced enthusiastically by customers. 78% of all ADIB customers are now using ADIB digital channels, and 50% of all new customers opened their accounts digitally in 2020. By year-end, more than 30% of all personal finance applications were being made through digital channels. However, the bank's digital journey does not mean that our branch network is – or should be – scaled back. In 2020, branches were optimised and reformatted with a greater provision of digital services. The ADIB strategy is to maintain an accessible hybrid digital/in-branch connection to its customers. The human connection will remain intrinsic to the ADIB approach, whether through AI-led digital engagement or in-person.

Our core digital strategy is to tap technology that eliminates customers' pain points and simplify their experience, streamline our processes, and deliver holistic, integrated products and services to customers and clients of all segments and sectors in a seamless and efficient way. This is happening through partnering with new FinTech's and start-ups with who we are deploying new technologies and creating solutions that deliver real benefits to our bank and customers. We are also developing solutions through our internal incubation program and Innovation Labs.

Our digital strategy is showing results, and ADIB's digital efforts have been recognised. ADIB was named Best Islamic Digital Bank by Global Finance magazine and the most innovative bank by EMEA Finance.

Relief measures in response to Covid-19

We recognise that 2020 was very challenging for our customers, staff and community and as a response, we introduced relief measures to reduce the financial burden on individual and corporate customers, in line with the Central Bank of the UAE's Targeted Economic Support Scheme (TESS). We also contributed to the community's efforts to battle COVID-19 by encouraging all our customers to complete their banking transactions digitally through our online banking platform or mobile app, enhancing precautionary hygiene and cleanliness to safeguard the wellness of our employees and customers.

ADIB was praised as the 'Most Helpful Bank during COVID-19 in the Middle East' by customers in research conducted by The Asian Banker for the Middle East and Africa Region in 2020.

An Award-winning bank

We are exceptionally proud that ADIB succeeded in winning several important international and regional awards in 2020. The bank received a Gold category award at the 18th edition of the prestigious Sheikh Khalifa Excellence Awards (SKEA) in 2020 and was named 'Innovator in Islamic Finance' for 2020 by Global Finance magazine and best Islamic Digital bank marking the fourth consecutive year that the publication's judging panel has commended ADIB's innovations. Collectively these serve as a fitting tribute to the extraordinary resilience of our customer service teams and those on the front line of digital development during a year of significant pressure.

A strong management team

In 2020, we strengthened the ADIB management team by recruiting new additions, including a new CFO, new Head of Compliance and new Head of Audit. We also continued to invest in our infrastructure and culture of compliance and controls in light of the enduring need to be an indisputably strong and stable institution.

Outlook: Emerging stronger from the crisis

Our formula for market leadership will continue in 2021:
We will continually transform our business and embrace innovative solutions to create more value for our customers and staff.
We see 2021 as a new page where we are no longer responding and recovering from a crisis but are facing a new and exciting reality that we are ready for.

A STRONG AND EXPERIENCED BOARD

HE Jawaan Awaidha Suhail Awaidha Al Khaili
Chairman

Khamis Mohamed Khamis Buharoon AlShamsi
Vice Chairman – Resigned from the Board in March 2021

Abdulla Ali Musleh Jumhour Al Ahbabi
Board Member

Dhaen Mohamed Dhaen Mahasoon Al Hameli
Board Member

Khalifa Matar Khalifa Saif Al Mheiri
Board Member

Faisal Sultan Naser Salem Al Shuaibi
Board Member

Najib Youssef Fayyad
Board Member

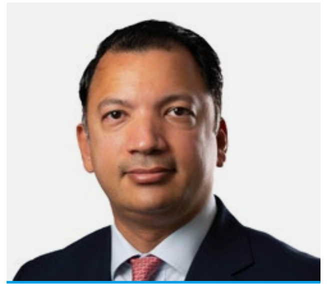
ADIB EXECUTIVE MANAGEMENT

ADIB's management team is vastly experienced and together represents many years of banking expertise gained through academic qualifications and careers with highly-respected financial institutions.

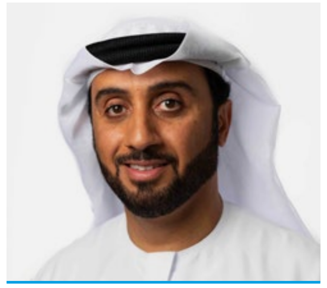
Sandeep Chouhan
Chief Operating Officer & Chairman of Steering Committee

Mohammed Abdelbary
Group Chief Financial Officer

Abdulrahman Abdullah
Head of Strategic Clients Group

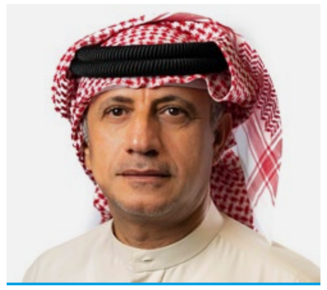


Yousaf Ahmed
Acting Co-Head of Wholesale Banking Group and Chief Underwriting Officer

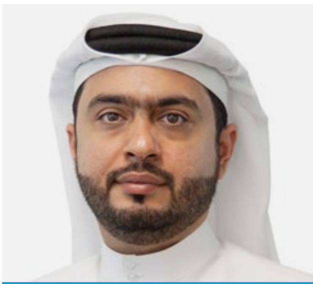


Mohammed Ali AL Fahim
Acting Co-Head of Wholesale Banking Group and Regional Head of Corporate Banking

Maher Mustafa Al Ruz
Group Chief Customer Officer

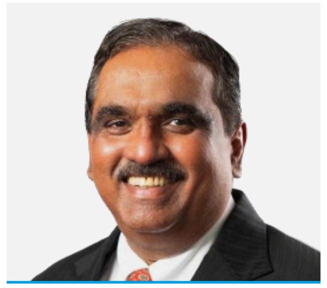


Abdulla Al Shehhi
Global Head International Business Group



Abdulla Yousuf Bastaki
Acting Co-Head of Wholesale Banking Group and Regional Head of Corporate Banking

Lamia Khaled Hariz
Group Head of Public Affairs and Corporate Communications



Jose Joseph
Group Chief Risk Officer

Dr Osaid M A Kailani
Global Head Sharia

Abdul Qadir Khanani
Group Treasurer

Phillip King
Global Head Retail Banking

Dr Ghaith Mismar
Global General Counsel

Eduardo Rangel
Global Head of Compliance

Kenneth Tan
Group Head of Audit

Alex Jakob Vanderlaan
Chief Credit Officer

RETAIL BANKING GROUP

2020 was a remarkable year for retail banking at ADIB. We continued to focus on our core strategy of serving our core and highly loyal Emirati client base and our growing expatriate segment.

ADIB's Retail Banking Group, is a national champion and a critical growth engine for ADIB. With a strategic focus on delivering an excellent customer experience, ADIB retail bank expanded its customer base in 2020 to serve more than 1 million customers.

2020 was a remarkable year for retail banking at ADIB. We continued to focus on our core strategy of serving our core and highly loyal Emirati client base and our growing expatriate segment throughout the year. The depth, strength and longevity of our customer relationships provided the Bank with the bandwidth to develop a highly targeted response to a fast-changing set of market dynamics in Q1 and Q2 of 2020.

Capitalizing on our unique market position, we launched an array of new products and digital capabilities, expanded new partnerships, and introduced new value propositions to grow and retain our customers. On service, we continued to introduce industry-leading digital capabilities, redesign the client experience, and enabled our customers to bank anytime, anywhere, on their preferred channels.

Most importantly, we continued our investment in key growth areas to drive a superior experience for clients, enhance our infrastructure and controls, strengthen cybersecurity and deliver value for ADIB shareholders.

A strong rebound in H2 2020

In an incredibly challenging year brought upon by the global COVID-19 pandemic, ADIB Retail Banking Group demonstrated strength, resilience and adaptability. ADIB retail bank generated Net profit of AED 1.3 billion against a macro backdrop of ongoing economic uncertainty. We are pleased with the significant recovery in our second half performance, which saw Retail Bank net profit grow by more than 40% compared to H1 2020.

This was made possible due to the resilient business model, and the outcome of our digital infrastructure. Our Card sales did very well, and the provision of the new digital remote sales platform, allowed the sales team to continue working during the pandemic, and for customers to interact remotely, driving significant sales across consumer finance products. Personal finance, home financing and auto finance grew significantly in the second half of the year, and covered cards sales, witnessed a surge during the lockdown as e-commerce grew during the pandemic.

Our liabilities also grew well in H2, significantly above market rates, outgrowing the market on deposits. This is a testament to the Bank's strong UAE national emirate strategy, which is at the core of our business. ADIB has forged strong, loyal relationships with its Emirati customer base, which is well served by emirate-wide in-branch provision.

Digital first

We achieved this by focusing on expanding our digital platforms and channels, and thanks to an already advanced digital transformation, we were able to progress the scale of digital adoption. Several services were launched, including the introduction of Apple Pay and the availability of the ADIB app on the Huawei AppGallery. We experienced an exceptionally enthusiastic uptake of Apple Pay across the entire customer base – one of the fastest rollouts that Visa had experienced in the region.

These and other platforms and services allowed retail banking to continue their operations during the crisis, with completely uninterrupted services.

In addition to this, we accelerated our branch network digitisation strategy, introducing a suite of new branch technologies, including Interactive Teller Machines (ITM) built around AI, analytics and biometric technologies which provide scope for customers to carry out almost every conceivable banking activity. Features include account opening, card and finance applications, larger daily withdrawal limits authorised through biometrics, cheque encashment and updating of personal information. The need for social distancing also led to the development of a digital service that enables customers to schedule branch visits up to seven days in advance, and an SMS alerting feature which notifies customers on the status of their appointment, helping them to plan their schedule easily.

Customers and the industry took note of our digital acceleration program. 78% of our customers are now digitally active, and client engagement and satisfaction meaningfully improved. ADIB was recognized with a number of industry awards for its digital progress, including Best Islamic Digital Bank by Global Finance and Most Innovative Bank by EMEA Finance.

Strengthening our value propositions

In 2020, we stayed close to our partners, including Etihad and Etisalat amongst others and we also went to the market with new platforms like ADIB Chat banking, an interactive customer care chatbot service via WhatsApp equipped with AI for customers to complete general inquires and providing them with instant access to their account information and finance. We also launched #hereforyou – a campaign that aims to support customers and individuals to plan their finances for 2021 better post Covid-19. #hereforyou provides a hands-on, practical introduction to personal finance and focuses on earning money, spending money wisely through budgeting, saving and investing money, using credit cautiously and protecting for the future.

Supporting future growth, ADIB launched its new 'ADIB Rise' segment in October 2020, a new banking proposition catering to emerging affluent customers' needs in the UAE. It provides these customers with a greater level of convenience and personalisation and privileged lifestyle and banking services.

ADIB Rise is aimed at salaried professionals and self-employed individuals with a monthly income between AED 20,000 and AED 40,000, or an account balance ranging between AED 100,000 to AED 250,000. 'Rise' customers benefit from world-class wealth management services and advisory with exclusive global rewards and lifestyle privileges.

Business Banking

During a busy year of product development and the introduction of new digital platforms, the Business Banking segment at ADIB set out to play an integral role in supporting the business community throughout a challenging period. Before Covid-19, ADIB rolled out a series of new business lines, which includes real estate financing in February 2020. In alignment with the Bank's strategy of supporting SME growth and broader national economic activity, several important business solutions were relaunched. These included ADIB Business Covered Cards and the Bank's suite of Fleet and Transportation Financing products.

As Covid-19 unfolded, the Bank moved to ease the ADIB direct registration process and acted to accelerate the progression of customers to ADIB Direct Channels by offering reduced pricing to the online transactions and services. The Bank proactively targeted a diverse customer base during the period, including the SME segment to support assets business growth.

The Bank heavily promoted WPS and FX services through ADIB Direct for the first time in 2020. In addition, the platform now also provides business owners with customisable dashboards that show dynamic financial information and forecasting tools for ADIB accounts and those the customer holds with other banks. Facilities include straight-through payments reducing transaction time and costs, detailed status and information on all transactions in real-time, alerts and notifications via web, mobile and smartwatch devices, and real-time digital customer service and requests

ADIB also entered into a new strategic partnership with the government of Abu Dhabi in April 2020 to offer SME credit guarantee program. The measure prioritises SMEs in Abu Dhabi by providing them with wider access to renewable financing options for working capital and CAPEX for up to four years. The move is critical in supporting further investment in Abu Dhabi. The initiative guarantees up to 80% of the finance extended under the scheme for SMEs in Abu Dhabi.

In addition to the provision of TESS-mandated support mechanisms, the Bank also provided advice and guidance on financial management for business owners during a difficult trading year, culminating in the new 'Here to Help' program that saw the Bank issue support.

Moving forward, ADIB Business Banking will focus on Term/Capex financing; the acceleration of digital onboarding strategies, digitally managed deposit accounts, digital LCs and LGs using AI and OCR technologies, and further development of payroll, cashflow management and bookkeeping services.

Business banking will also focus on accelerating the digital transformation and its ecosystem of partnerships.

AED1.3Bn

Net Profit – ADIB Retail Bank

40%

Growth in Net Profit in H2 2020 vs H1 2020

ADIB Private Bank

For private banking and similar to other segments, 2020 proved to be a very challenging investment environment where markets saw continued and sharp volatility, as well as slower than usual Sukuk and IPO issuances. However, thanks to our interactive approach, Private Banking grew Assets under Management by 2.3% and revenue from Assets under Management by 2.4% for the year. One of our preferred metric for clients' engagement, namely the number of investment transactions, has grown by 10%. Private Banking continued to diversify clients' portfolio away from Sukuk investment toward mutual funds and Private placement.

The overall slower real estate market also led to weak clients' appetite for financing, manifested in clients Risk-Off mode. Despite these challenges, ADIB Private Bank continued to benefit from close relationships with high net worth individuals, and through the rollout of new digital systems, worked hard to ensure that customers had access to real-time advice and guidance on how to protect their wealth, protect family businesses, and deliver bespoke equity proposals throughout the year.

We launched a series of initiatives to further position ADIB as the leading onshore-based private banking service provider in the UAE. On the financing side, Private Banking was able to maintain a healthy financing portfolio as we worked on further diversifying the business asset book beyond traditional real estate financing and relocated it more into investment finance and financial asset monetization solutions.

In 2020, we continued to leverage on our network presence and played a critical role in finalising a number of deals in commercial real estate with our subsidiary in United Kingdom, ADIB UK. Going forward, ADIB Private bank will continue to expand its offering to the top names in the UAE market, these includes HNWIs, prominent family members and family offices in the GCC region. We will also expand our offerings to Saudi wealthy clients who has high interest in investing in the UAE market. We predict further uptake from clients for our offering of credit advice and solutions; fixed income and equity investment advisory and execution capabilities; deposits and yield optimisation; and banking transactional services.

Private Bank continues to be recognised by the industry for our track record in providing high-quality, trusted distribution and placement capabilities to build close client relationships. As a testament to this , the business was recognised by industry experts and was recognised as "Best Private Bank for Islamic Services" by IFN.

Community

In 2020, ADIB Community Banking continued to serve organisations focused on benefitting the community through social impact investments, non-profit bodies and government programs that make a specific contribution to communities.

Since the inception of this division in 2011, we served our customers from the humanitarian, social, educational, cultural, environmental & Healthcare sector. In 2020, we served 170 customers from a range of organisations that serve the UAE community. The Community Banking division provided a range of customised banking services, including current and savings accounts, appropriate financing products, investment management solutions such as Sukuk, endowment management options, business planning and advisory, transactional banking, cash management and a wide range of Sharia-compliant products and services.

ADIB Community Bank remains the only community services bank for non-profit organisations in the UAE. Our long experience in this service resulted in optimising our business with client needs through different technology offerings. Other initiatives included donating AED 25 million to the government of Abu Dhabi's Ma'an 'Together We Are Good' program, designed to encourage financial and in-kind contributions from individuals and companies to support the community.

ADIB also made special provision to reach out to customers within the medical community who might have been affected by the repercussions of working on the frontline of defence against the spread of Covid-19. The Bank launched a series of special offers exclusively to healthcare professionals as part of the Bank's programme to support customers and the community during the ongoing COVID-19 pandemic. These offers included reducing the profit rate of financing and pricing discounts on some ADIB products. They included a 20% fee reduction on all wealth management products, a free iPad with every Life and Savings Takaful plan and fixed profit rates on home financing to provide a greater sense of fiscal predictability in a volatile world.

WHOLESALE BANKING GROUP & TREASURY

WBG earned fees from financing and advisory, supporting clients in capital markets, M&A advisory, syndicated financing, cash management and global trade services.

Achieving balance and diversity
Whilst 2020 present ADIB's 'Wholesale Banking Group' (WBG) with unforeseen challenges related to dynamics of a global crisis, it continued to make significant strategic advances through the enhancement of digital solutions and success in growing lines of business.

WBG earned fees from financing and advisory, supporting clients in capital markets, M&A advisory, syndicated financing, cash management and global trade services. These services provide the Bank with even greater diversity as it looks to a period of continued uncertainty in global markets. WBG also sought to balance exposure through opportunities within vital sectors that promote and support economic growth. These reflect a long-term commitment to delivering value to clients and to supporting national economic growth within the UAE.

In trade finance, WBG succeeded in capturing trade corridors by providing relevant trade finance facilities for clients, which has been achieved through a global network of financial institutions (FIs), with products including letter of credit (LC) confirmation facilities. This reflects a crucial move beyond a basic trade finance model towards a strategy of providing financing solutions for creditworthy entities to finance their suppliers against their risk, mitigating the stretch experienced by many during the pandemic.

Most trade finance clients supported by WBG in 2020 were in the UAE and Saudi Arabia. Bolstering trading activity during the crisis represents one of the Bank's wider socio-economic objectives: strong import/export activity is critically important to SME growth and the enhancement of value chains inside the UAE and wider region. The UAE's ability to import and export was also smoothly facilitated by proactive port authorities that worked to ensure trade flows.

WBG focused on credit-resilient industries and organisations in 2020, with a sharp focus on those that have a stable footprint in the UAE. They include sovereigns, large corporates that are credit strong, national aviation giants, and opportunities in shipping large manufacturing. Like other major banks, the Central Bank Targeted Economic Support Scheme (TESS), played an important role in supporting institutional clients and in providing them with the relief they required during the most difficult months of the pandemic-induced credit situation.

Digital services
As we advance over the next twelve months, Wholesale will look to make advances in the midmarket commercial banking segment to tap into larger corporates. An important tool in achieving this is the Bank's particularly advanced digital platforms, which enable ADIB to plug into e-government platforms across various aspects of government services. Progress was made in e-government in 2020 through the creation of digital e-toll payment solutions for Abu Dhabi's road infrastructure. WBG also seeks to achieve further diversification in wealth and asset management, family offices and focus on growing in these areas.

The ADIB state-led development model means that WBG will look at supporting strategic projects across industry-critical sectors like energy and utilities, and others that result in greater economic activity and growth. Simultaneously WBG will look to support the mid-market and large corporate segments, which are likely to be the beneficiaries of the wider economic growth.

Global Transaction Banking
With its remit to provide Cash Management and Trade Finance solutions to Wholesale Banking, Business Banking and Financial Institutions clients across the ADIB network, Global Transaction Banking (GTB) played an important role during a difficult climate in 2020.

The ADIB Direct and ADIB Office Banking platforms came into their own in a critically important way during year, with the provision of digital automated payments, collections, liquidity management and trade finance over the flagship platform, ADIB Direct. The platform provided much-needed ease of access to the Bank's full suite of services remotely, delivering cost and time efficiencies. The customisable ADIB Direct dashboard provided customers with direct access to their capital position in real-time either at a PC or on the mobile application. It also provided digital access to payment solutions, liquidity and account services, cheque printing and scanning, and collection services within the UAE and internationally.

ADIB Direct also went live in Iraq in 2020, providing Iraq clients with access to the full suite of online services there. ADIB Direct will also go live in Sudan in 2021, enabling the Bank to further extend its digital footprint across new markets.

The digital transformation also enabled ADIB to become the first Islamic bank to successfully execute trade finance distribution transactions using Blockchain technology. The cross-border transactions, which were completed with multiple based banks, were made possible through ADIB's partnership with TradeAssets, a trade finance e-marketplace powered by Blockchain technology to help digitise the traditional processes of origination and distribution of trade assets. In 2020, ADIB's collaboration with TradeAssets enabled it to automate trade finance transactions and conclude transactions successfully with banking counterparts in emerging markets.

ADIB's investment in adopting and deploying the very latest digital technologies reflect its continued position at the cutting-edge of global transaction banking. As the only Islamic bank providing end-to-end Sharia'a-compliant trade financing through digital channels, ADIB is committed to expanding its digital footprint in trade financing and distribution, enhancing the efficiency and productivity of businesses across the region and globally.

Strong Corporate Financing And Investment Banking Momentum
It is notable that in an exceptionally unpredictable and challenging market, 2020 proved to be a year of resilience, decisiveness and strategic growth in corporate finance and investment banking (CFIB).

For the ADIB CFIB team, it was a period of product innovation and expansion – a year that concluded with the introduction of a Project Financing division. The team continued its active engagement with strategic clients, including financial institutions, large corporates and a growing number of sovereigns which drove deal flow in 2020.

Despite the challenging market backdrop, the CFIB team successfully concluded landmark transactions in the capital markets, syndicated financing and project financing spaces. The year was also notable for an increased focus within the markets on sustainable financing initiatives, M&A, and resultant acquisition financing activity and capital markets issuance.

The region saw continued investments by the UAE and regional governments in renewable energy and infrastructure projects driving project financing momentum, re-profiling and refinancing of existing facilities in line with market conditions where clients took advantage of the continued low rates environment. These market dynamics are unlikely to change dramatically in 2021, and it is expected, therefore, that CFIB's strategy will continue to serve the Bank well by working closely with clients to assist them in their financing and capital raising requirements.

In addition to a robust and increasingly strong corporate financing momentum, the team worked on expanding its strategic advisory and M&A focus in 2020, working with ADIB's key clients on raising capital through private placements, issuance of convertibles and sale/leaseback transactions, amongst others.

The year ahead is expected to be characterised by, capital market issuances, client balance sheet reorganisations, innovative structuring, and asset monetisation. CFIB will continue to focus on taking the lead on helping clients access Islamic pools of liquidity in the capital and syndicated financing markets, and launching and scaling up asset management initiatives, in addition to the increased focus on advisory and M&A services.

TREASURY

ADIB Treasury provides solutions spanning foreign exchange, Sukuk, money markets, profit rates, equities, and commodities together with managing the Group's liquidity. The Treasury department continued to build on its strengths in 2020, adapting to the environment and innovating new ways to help customers navigate through a challenging economic environment. Treasury also actively invested on behalf of the Bank itself, in line with an appropriate level of market risk for the Bank.

ADIB Treasury saw another strong year of revenue growth in 2020. Treasury further enhanced its product capabilities which, combined with closer relationships with customers resulted in a record volume of hedging solution transactions. The Trading Desk again delivered a solid performance despite challenging global market conditions, thanks to a proactive risk management strategy. The Asset Liability Management business also delivered good results after rationalising the balance sheet and taking advantage of profit rate movements.

INTERNATIONAL BANKING GROUP

Whilst the global environment that ADIB's International Banking Group (IBG) operated in throughout 2020 remained challenging, the net profit grew by 20% vs 2019 due to a strong growth in the UK and Iraq cost management strategies across all operations and tax gains on the back of the restructure of the UK business.

Iraq
Whilst 2020 presented obvious challenges, it was a successful year that saw the Iraq business report revenue growth in excess of 30%, thanks to its strategic low-risk business model and flat costs during the year. This strong revenue growth and strict cost management led to operating profit doubling in 2020. Despite the challenging economic and geopolitical circumstances, the Iraq operations are well placed for growth in 2021 and beyond.

UK
Located in the prestigious 1 Hyde Park in London, the ADIB UK operations finished 2020 with a substantial 29% growth in revenue material 15% reduction in operation expenses, both of these were achieved as a result of the implementation of a new business model. The restructure resulted in a more streamlined and focussed business model focussed principally on financing GCC nationals investing in UK Commercial Real Estate. We remain bullish about future growth opportunities in the UK.

Qatar
Operating from the Qatar Financial Centre in Doha, the ADIB Qatar operations continued its focus on serving its existing clients. The wider economic situation caused revenue to fall by 40% as a number of facilities matured. Now that relations have been restored with Qatar's neighbours we are re-evaluating our future strategy.

Sudan
ADIB's Sudan operations are largely focused on corporate banking to support the growth of local corporates, and ADIB group-level customers that operate in Sudan. It also serves a selection of public sector bodies. ADIB Sudan benefitted from a cautious approach to operations in 2020 as a result of the social and economic challenges thrust upon the country during the Covid-19 pandemic. Despite the situation, Sudan's geopolitical standing improved during the year, as did the nation's domestic economic stability. Looking ahead, we will continue to review opportunities in Sudan.

Saudi Finance Company (SFC)
Despite the material impact of Covid-19 on the wider economy and on confidence, financings grew by over 50% at SFC as the business focussed on larger ticket transactions that were supported by government credit guaranties and subsidised funding. As a specialised financing company, SFC will seek continued growth opportunities and focus on its digital capabilities during a period of expected recovery in domestic, regional, and global markets in 2021 and beyond

Financial Institutions (FI)
The global economic crisis in 2020 and continued fall in interest rates applied pressure to ADIB's FI business, which manages the ADIB correspondent banking relations, and covers over 20 international markets and trade corridors with the UAE. Despite a challenge context, the FI business delivered revenue growth in 2020 and the business is well placed to continue its growth trajectory as world markets begin to recover in the coming period.

Looking ahead
ADIB's International Banking Group will continue to focus on its existing countries and will seek to benefit from the repositioning of the UK and Iraq whilst at the same time will re-evaluate its strategy in Qatar and Sudan given the material geopolitical and economic changes affecting both countries. The restructured operations will deliver efficiencies and improved customer services. The high-growth prospects of operations in the UK and Iraq will mean that their respective operations will continue to be subject to product and service development. IBG will look to achieve growth across all fiscal metrics in 2021 through customer acquisition, a conservative risk framework and a sharp focus on cost and operational efficiencies.

OPERATIONS

The Bank's digital transformation was already in an advanced stage before Covid-19, and as such, Operations were in a strong position from which to scale up and enhance digital provision dramatically.

Customer-Centric Digital Operations
In 2020 ADIB Operations doubled-down on its ambitious transformation into a centre of excellence for 'Customer-Centric Digital Operations'. The nature of the challenges in 2020 laid bare the extent to which ADIB customers depend on flexible, real-time digital services. The Bank's digital transformation was already in an advanced stage before Covid-19, and as such, Operations were in a strong position from which to scale up and enhance digital provision dramatically. Consequently, ADIB delivered consistent real-time services and even greater benefits for its customers by automating and digitising back-end processes to enhance the customer experience.

Robotics and AI
Behind the scenes, automation and digitization is at the heart of the Bank's and operations transformation. The development of digital tools was already at an advanced stage pre-pandemic, and as 2020 progressed, robotics and AI infrastructure were installed and rolled out. Specific tools included AI-driven data analytics, Optical Character Recognition (OCR), Business Process Management (BPM), Robotics Process Automation (RPA) and many more to increase back end automation and straight-through processing (STP). Collectively, these tools form an advanced digital architecture that enabled the installation and launch of a series of new retail, commercial, corporate and wholesale platforms, including Apple Pay for ADIB debit and covered card customers for smartphone contactless payments, and the E-Dirham card (launched in collaboration with the UAE Ministry of Finance), which now enables UAE residents to access all government services and make payments instantly.

Unobstructed service
In addition to launching these and other digital tools, the Bank worked to meet all evolving regulatory and control requirements as the pandemic unfolded and afterwards. Operations quickly moved to install a work from home strategy, which shifted 90% of employees to work from home during the COVID-19 lockdown period – with zero customer service disruption.

Operations sharply focused on automated services and systems, resulting in 99% ATM availability for customers, including during the Covid-19 lockdown period. Automated processing reached 95% STP for customers fund transfers and the Bank saw a 40% reduction in customer inquiries and complaints compared to the previous year for operations.

During a year of unprecedented upheaval for the employee, with a sudden shift to remote working for, Operations worked to support ADIB's Human Resources (HR) strategies in line with business and functional requirements.

All service level agreements (SLA) and turnaround time (TAT) KPIs were delivered across all teams in Operations in 2020, reflecting the department's unrelenting focus on delivering on the Bank's strategy for Customer-Centric Digital Operations. This will remain so for 2021 and beyond as our journey to delivering a superior banking experience for all ADIB customers progresses.

ADIB Operations remains at the forefront and the heart of the Bank's actions and initiatives. ADIB Operations will continue to further drive and embed its digital and operational transformation agenda with an efficient operating model, strengthened regulatory compliance, and a robust controls framework that delivers customer service excellence.

GROUP COMPLIANCE

ADIB's group-wide compliance and oversight framework is managed by the Bank's Group Compliance Department (GCD), which operates as an independent support function to the various businesses.

ADIB has in place, as part of its firm-wide risk management framework, a 'three lines of defence' model. The first line of defence, represented by the various lines of businesses (LOBs), owns the identification of risks, as well as the design and execution of controls to manage those risks. It is the responsibility of the first line of defence to adhere to their own policies, procedures, as well as those internal controls set by the Bank's second line of defence.

GCD is part of the Bank's second line of defence. GCD is responsible for assessing and challenging the first line of defence risk management practices. GCD is also responsible for its own adherence to applicable laws and regulations and for the implementation of its own policies and procedures. Additionally, GCD partners with LOBs as an enabler to support achievement of the LOBs' objectives, while ensuring appropriate management of risks. GCD also manages the relationship with Central Banks and Regulators in those jurisdictions where ADIB operates.

The Internal Audit Department (IAD) acts as the Bank's third line of defence and operates independently from the rest of the organization to perform independent testing and evaluation of processes and controls.

The GHOC crafts the Bank's Compliance Governance Framework which is approved by the Board Audit Committee. Pursuant to the Bank's Compliance Governance Framework, the GHOC reports monthly Management Information (MI), which includes key risk indicators and key performance indicators to the Compliance Board Risk and Controls Committee. Also, on a quarterly basis, the GHOC escalates material issues to the Bank's Controls and Compliance Committee to take actions to manage and mitigate risks. Additionally, GHOC provides a comprehensive activity report and MI to the Board Audit Committee quarterly and on an ad-hoc basis when issues may require immediate attention and follow up.

The GCD supports the Bank through its three pillars, namely a) Financial Crime, b) Regulatory Affairs and b) Compliance, Monitoring, Assurance and Testing (CMAT). Financial Crime encompasses the management of a variety of key risks, including sanctions screening, anti-money laundering, anti-bribery and corruption, the financing of terrorism, proliferation of weapons of mass destruction, and transaction monitoring, among others.

Regulatory Affairs, part of GCD, is responsible for the management of the relationship with the CBUAE, as well as Central Banks and Regulators in those jurisdictions where ADIB operates. Regulatory Affairs also manages the Bank's Ethical Policies, which deal with special risks including conduct risk, conflict of interest, insider trading, Chinese walls, whistle blower, regulatory obligations mapping and obligations register, among others.

CMAT is responsible for conducting periodic independent reviews on the effectiveness of the Bank's internal controls, assurance of bank-wide protocols and testing of those checks and balances implemented by the LOBs to identify, manage and mitigate inherent and residual risks across the Bank's suite of products and services. Additionally, CMAT coordinates with the Bank's Academy to define and review the scope and content of ongoing compliance training for the entire organization and more in-depth roles-based training for relevant stakeholders.

This year, ADIB continued making significant progress across various Bank-wide Compliance change programs to improve ADIB's Compliance framework and intends to continue making significant investments in technology in 2021, which will support the digital transformation of ADIB's compliance function.

RISK MANAGEMENT

Risk management is at the core of our activities and managed through a clearly defined set of roles, responsibilities, and limits. Our enterprise-wide Risk Governance Framework is aligned with our overall objective of risk and reward optimisation. The development of the relevant risk management techniques and methodologies and their ongoing evaluation and assessment is achieved through periodic and comprehensive risk reports.

The Risk Appetite of the Bank is set by the Board based on extensive discussion with Management and incorporates Regulatory and Market expectations. Overall accountability lies with the Board of Directors for establishing the Bank's risk management policies and framework and the development of reward structures that promote risk awareness and a strong control environment. The Board relies principally on the Board-level Governance, Governance and Risk Policy Committee (GRPC) in carrying its oversight responsibilities. The GRPC is the nexus between the Board and the Bank's Risk Management organisation.

We seek to maintain a strong risk culture and employ a 'three lines of defence' model, which provides a clear delineation of responsibilities between day-to-day operations, monitoring and oversight, and independent assurance.

Risk Review

The Bank's Risk Governance Framework promotes continuous monitoring of the risk environment and encourages risk awareness and sound operational and strategic decision making. It also provides a consistency of approach in monitoring, managing, and mitigating the Bank's Risk.

Unprecedented global events have led to a slowdown in the global economy and to meet these challenges, ADIB has enhanced its existing approach to risk management with additional tools and practices. These include an increased focus on the quality and timeliness of the data used to inform management decisions through early warning indicators, prudent active risk management of the risk appetite, and regular communication with the Board and key stakeholders.

Risk Appetite

The Risk Appetite policy sets out how our risk appetite is established, communicated, and monitored. It includes a Risk Appetite Statement, Risk Limits and an outline of the roles and responsibilities of those overseeing and monitoring our risk profile and appetite. This Policy also provides an objective baseline to guide strategic decision-making, ensuring that planned business activities provide an appropriate balance of return for the risk assumed while remaining within acceptable risk levels.

Our Risk Appetite comprises various components. We establish and regularly confirm our risk appetite, comprised of strategic drivers and self-imposed constraints that define the maximum amount of risk we are willing to accept given our financial strength, corporate objectives, and business strategies. Management follows such limits and tolerances to ensure that risk-taking activities are within risk appetite. We regularly measure, evaluate, and report our risk profile, representing the risks we are exposed to relative to our risk appetite.

In 2020, the Bank placed a specific emphasis on capital and liquidity to ensure the Group could withstand extreme but plausible stress and had adequate capacity to provide increasing levels of financial support to customers. The year-end results indicate that the Bank's regulatory capital and liquidity limits remain strong and adequate to manage unpredictable events that the Bank may face.

Regular reviews were carried out of the Bank's portfolios throughout 2020. These enabled ADIB to assess the impact of the prevailing economic conditions, and all material findings were raised to the Senior Management on a timely basis to enable them to make better-informed strategic decisions in light of events.

Stress tests

The Bank regularly conducts stress tests to assess the potential effects of a specific event or movement in a set of financial variables on the Bank's financial condition. It also provides actionable insights into how various portfolios may behave during crises. The results of Stress Tests are used to calibrate the Bank's risk appetite. They also serve to guide the soundness of strategic and financial plans, improving the quality of the Management's decision making.

The results of these stress tests are discussed in the Enterprise Risk Committee, which also includes the Business Heads. The potential vulnerabilities and triggers identified in the stress tests are communicated to the Business Heads and any corrective action.

In 2020, Internal Stress Tests conducted included scenarios covering possible Covid-19-related outcomes, incorporating assessments of ADIB exposures. These actions help the Bank to assess key balance sheet metrics' resilience, including capital adequacy and liquidity. Our balance sheet and capital adequacy remained resilient based on regulatory and internal stress test outcomes throughout the year.

OUR PEOPLE

In 2020 the Abu Dhabi Islamic Bank worked to enhance its talent management and skills development capabilities as part of a wider contribution to nurturing Emirati talents for the long-term benefit of our business and the national economy.

The ADIB approach is to provide inclusive opportunities for personal development that equips employees with the skills and attributes they need to deliver superior customer services and to become the leaders of the future.

To achieve the goal of excellence across the workforce we actively seek out the best and brightest talents in the industry and at graduate levels to ensure that the Bank can serve its customers now and into the future, whilst creating value for our shareholders.

Talent development

Talent management is vital to our success. In 2020 we delivered over 900 training hours for employees, with each achieving an average of 60 training hours during the year. To support talent advancement, we delivered a number of training programs in 2020 through the ADIB academy. They include the Qiyadat and Tamkeen programs, which help us to identify and train UAE national employees for succession to more senior roles. ADIB also operates programs that prepare talents for key roles in corporate and investment banking, finance, audit, risk, and credit. We continue to develop these training development curriculums with top learning and development institutions to help employees upskill and gain the knowledge required for key roles at ADIB.

Building a skilled local workforce

In line with Abu Dhabi Vision 2030 and Federal priorities, ADIB remains one of the leading Banks in advocating the recruitment, development, and promotion of local talent. With a diverse and international workforce, the Bank currently employs over 768 Nationals in the UAE, representing 40% of ADIB's UAE based employees. The Bank has successfully exceeded its targets based on the points-based system approved by the UAE Central Bank, which promotes the entry of Emiratis into the financial sector as well as their career development and future deployment into critical roles.

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UAE National Staff

AREA MANAGERS

Samih Awadhalla
Distribution Head Retail – UAE

Nasser Mohammed Al Abdool
Area Manager – Dubai Area

Ibrahim Mohammed Alqasser
Area Manager – Deira Area

Abdulla Ali Al Najjar
Area Manager – Al Fujairah

Hasan_Al_Shamsi
Area Manager – Abu Dhabi Central Area

Khalid Saeed Al Awadhi
Area Manager – Sharjah Northern Emirates Area

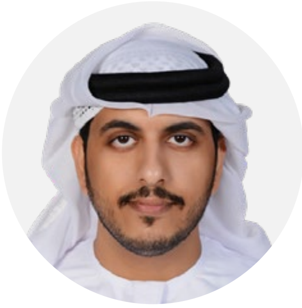
Ahmed Ateeq Al Dhaheri
Area Manager – Al Ain

Maryam Talib Al Tamimi
Area Manager – AUH East Area

BRANCH MANAGEMENT


Mohamed Sayed Ahmed Abouzeid


Hamad Al Ahbabi


Suhail Salem Alameri


Khalid Hmoud Alameri


Ahmed Helal Albalooshi


Ahmed Abdulla Alblooshi


Abdulla Ali Aldhanhani


Ateeq Al Dhaheri


Mohamed AlDhanhani


Sultan Al Ghallabi


Yousif Al Hammadi


Yaaqoub Yousif Al Hammadi


Ali Al Hammadi


Siddique Abdalla Alhammadi


Ahmed Husain Alhosani


Ibrahim A. Ibrahim


Hussain Mohamed Al Hosani


Khaled Al Hosani


Jaber Abdul Jalil Ali


Hussain Abdelaziz Kashwani


Khalid Abdul Qader Karmustaji


Mohammed Hassan Khalil


Suhaib Mohammed Yaseen AlKhudair


Yousif Mohamed Almarzooqi

BRANCH MANAGEMENT

Saddeeq Abdulla Al Marzooqi

Fahad Saeed Al Marzooqi

Mohammed Mubarek Al Mehairy

Ahmed Sultan Almemari

Mohamed Al Mitwali

Ali Mohammed Al Mutairi

Rashid Al Mutawwa

Hasan AlNaqeeb

Fahad Al Mutawa Al Naqbi

Mohamed Abdulla Alnuaimi

Ali Mohamed Qodour

Fahad Al Rais

Jasem Hamad Alraeesi

Sara Al Rafaei

Essa Abbas Al Safar

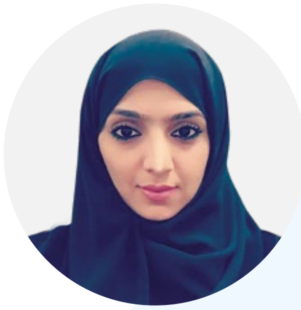
Faisal Ahmed Saeed

Aref Sulaiman Mohamed S. Al Shehhi

Ali Saleh Al Shehhi

Khalid Saeed Alshamsi

Omran Abdalla Thoban



Amna Mohammed Yousif

Mohamed Yousif Ali

Mohd. Hussain Zainal

BANK BRANCHES' NETWORK

Abu Dhabi Central
1 Najda Branch
2 Al Wahda Mall – Abu Dhabi
3 Abu Dhabi Police GHQ
4 Sheikh Zayed Main branch
5 Khalidiya Gents
6 AD Chamber of Commerce Cash Office
7 Sheikh Khalifa Energy Complex
8 ADIA Cash Office
9 Al Bateen
10 Marina Mall
11 Nation Towers
12 Abu Dhabi Judicial Department Branch

Abu Dhabi East Area
13 Baniyas
14 Mussafah
15 Rabdan
16 AD Airport
17 Dalma Mall
18 Khalifa A City
19 Bawabat Al Sharq Mall
20 Shahama
21 Yas Mall

Abu Dhabi West Area
22 Madinat Zayed
23 Mad.Zayed Immigration
24 Al Sila
25 Al Marfaa
26 Delma Island
27 Liwa
28 Gayathi
29 Ruwais Mall Ladies

Al Ain Area
30 Al Ain
31 Al Jimi
32 Sinayia
33 Al Yahar
34 Al Murabbaa
25 Al Ain Municipality
36 Al Ain court cash office – Under Al Murabaa Br.
37 Al Wagan
38 Al Hili Mall Branch
39 Oud Al Tobba Ladies
40 Al Bawadi Mall
41 Makani Mall
42 Al Tawaam

Dubai (Bur Dubai Area)
43 Sh. Zayed Road
44 Arenco-DIC
45 Dubai Mall
46 Second of December
47 Jumeirah
48 Al Barsha

Dubai (Deira Area)
49 Nad Al Hamar
50 Al Muhaisnah
51 Al Mamzar
52 Al Twar
53 Deira

Sharjah and NE Area
54 Sharjah
55 Ajman
56 Wasit St.
57 Umm Al Qaiwain
58 Sahara Center
59 Al Buhairah
60 Al Juraina

East Coast Area
61 Fujairah
62 Ras Al Khaimah
63 Dibba
64 Khorfakkan
65 Al Dhaid
66 RAK Airport Road
67 Kalba
68 Al Hamra Mall
69 Fujairah City Centre

FINANCIAL SERVICES BUSINESS REVIEW

ADIB Securities

Our stock brokerage subsidiary, ADIB Securities accounted for 10% of the overall number of transactions executed in the UAE markets. Furthermore, 45% of the overall mobile channel transactions on the Dubai Financial Market were channeled by ADIB Securities.

ADIB Securities registered a net profit of AED 22.7 million in 2020, a 12% growth compared to last year. ADIB Securities continued to attract new customers winning their trust through its state-of-art trading platforms and superb client services. It had also added Saudi Tadawul and all major US exchanges to its trading platform thus setting the stage to offer its clients a diversified access to trade outside the UAE. ADIB Securities continues to be a market leader in sharia compliant equities trading thus ranking 1st in UAE in terms of Islamic brokerage volumes.

Abridged Balance Sheet	31 December 2019 AED (million)	31 December 2020 AED (million)
ASSETS		
Bank balances and cash	682.4	**729.1**
Account recievables and prepayments	144.0	**109.2**
Property and equipment	1.9	**1.4**
Total Assets	828.2	**839.7**
LIABILITIES		
Accounts payable and accruals	29.0	**42.1**
	29.0	**42.1**
EQUITY		
Share capital	30.0	**30.0**
Unconditional shareholder advance	600.0	**600.0**
Retained earnings and other reserves	169.2	**167.6**
	799.2	**797.6**
Total Liabilities and Equity	828.2	**839.7**

The above financial results are consolidated line by line in the Abu Dhabi Islamic Bank's consolidated financial statements as required by IFRS10-Consolidated Financial Statements.

Abridged Income Statement	For the year ended 31 December 2019 AED (million)	For the year ended 31 December 2020 AED (million)
Commission Income	14.7	**20.8**
Other revenues	21.4	**16.3**
Total Revenues	36.1	**37.1**
Total expenses	(15.8)	**(14.4)**
Profit for the year	20.3	**22.7**

NON-FINANCIAL SERVICES BUSINESS REVIEW

Burooj Properties LLC

The repositioning of ADIB's Real Estate subsidiary, Burooj Properties, to better reflect the Group's investment and development property portfolio, continued in 2020. With the downturn in some aspects of the Real Estate market in the UAE we deemed it prudent to increase the impairments relating to Burooj's historical activities by a further AED 31.8 Mn in 2020.

Abridged Balance Sheet	31 December 2019 AED (million)	31 December 2020 AED (million)
ASSETS		
Bank balances and cash	68.9	**159.2**
Investment in properties	1,728.3	**1,676.7**
Investments in equities	17.1	**13.4**
Property and equipment	132.8	**143.2**
Other receivables	0.6	**7.9**
Total Assets	1,947.6	**2,000.4**
LIABILITIES		
Murabaha payable	1,996.6	**1,996.6**
Other payables	648.2	**726.8**
	2,644.7	**2,723.4**
EQUITY		
Share capital	500.0	**500.0**
Accumulated loses	(1,197.1)	**(1,223.0)**
	(697.1)	**(723.0)**
Total Liabilities and Equity	1,947.6	**2,000.4**

The above financial results are consolidated line by line in the Abu Dhabi Islamic Bank's consolidated financial statements as required by IFRS10-Consolidated Financial Statements.

Abridged Income Statement	For the year ended 31 December 2019 AED (million)	For the year ended 31 December 2020 AED (million)
Investment revenues	14.0	**24.8**
Other revenues	1.3	**1.6**
Total Revenues	15.4	**26.4**
Total expenses	(14.6)	**(17.5)**
Provision for impairment	(124.4)	**(31.8)**
Loss for the year	(123.6)	**(22.9)**

NON-FINANCIAL SERVICES BUSINESS REVIEW

CONTINUED

MPM Properties

MPM Properties became a stand-alone subsidiary of the Bank in 2014. The primary focus is on bringing MPM's customer service levels up to the same standards as those of the Bank in the UAE. MPM's new business model as an integrated real estate services company focused on property management, valuations, sales and leasing and real estate advisory has continued to contribute positively, despite a tough property market across the UAE in 2020.

MPM continues to manage significant portfolios and through an ongoing focus on developing the skill sets and capabilities of the teams within, continues to expand its business, most recently in the Property Advisory sector, beyond Abu Dhabi into Dubai and the Northern Emirates.

Abridged Balance Sheet	31 December 2019 AED (million)	31 December 2020 AED (million)
ASSETS		
Bank balances and cash	45.9	**69.7**
Property and equipment	4.2	**2.5**
Accounts receivables and prepayments	72.6	**62.8**
Total Assets	122.8	**135.0**
LIABILITIES		
Accounts payable and accruals	79.4	**95.4**
	79.4	**95.4**
EQUITY		
Share capital	1.0	**1.0**
Retained earnings and other reserves	42.4	**38.6**
	43.4	**39.6**
Total Liabilities and Equity	122.8	**135.0**

The above financial results are consolidated line by line in the Abu Dhabi Islamic Bank's consolidated financial statements as required by IFRS10-Consolidated Financial Statements.

Abridged Income Statement	For the year ended 31 December 2019 AED (million)	For the year ended 31 December 2020 AED (million)
Fees and commissions	52.2	**45.1**
Total Revenues	52.2	**45.1**
Total expenses	(53.1)	**(48.9)**
Loss for the year	(0.9)	**(3.8)**

A FOCUS ON SUSTAINABILITY

A proud corporate citizen

As the social and economic challenges of 2020 became apparent, ADIB's corporate social responsibility (CSR) activities pivoted towards providing community engagement initiatives that touched and improved people's lives. The Bank committed considerable time and resources to support its customers, employees, and the wider community during Covid-19 – including a donation of AED 25 million to the Ma'an's 'Together We Are Good' program, designed to encourage financial and in-kind contributions from individuals and companies to support the community.

In addition, and in line with the Central Bank of the UAE's Targeted Economic Support Scheme (TESS), ADIB provided payment holidays for customers. The Bank also provided fee waivers to help alleviate the financial pressures faced by individuals and businesses across the nation. These measures will extend into 2021 to ensure ADIB is doing what it can to support its community.

Addressing the immediate aftermath of the first wave of Covid-19, at the end of 2020, ADIB launched its #HereForYou campaign to assist UAE residents to better understand and manage their finances. Through this campaign, the Bank continues to cover important topics for its customers, such as personal finance, budgeting, saving, investing, and planning for the future.

Thank you

ADIB also launched a program called the 'Thanking our Hero Initiative', which saw the Bank distribute 1,100 giveaways across 10 tents of the Abu Dhabi Health Services Company (SEHA) as a token of appreciation for medical front liners. Additionally, ADIB launched the 'Labour Initiative', which saw the distribution of 2000 giveaways to laborers in partnership with the Ministry of Human Resources and Emiratisation (MOHRE), which included kits to keep them safe during Covid-19.

The shared human challenges of 2020 demonstrated perhaps more than ever the important role that corporates can and should play in society. Giving back should be a sustained investment that is in line with a company's own values in a way that deepens the relationship between businesses and the communities that surround them. These are belief systems that run through the essence of Islamic finance and ADIB is proud to have been able to serve as an active, authentic, and passionate corporate citizen in a way that made an impactful contribution in 2020.

ADIB will be issuing its 2020 sustainability report shortly to highlight all the initiatives that the Bank is taken.

Ethical and Responsible Banking

- Financial Education Campaign
- Covid-19 Relief Programs
- University & students programs
- Newlyweds Financial education
- Information security campaign

Employer of Choice

- ADIB Club Committee
- Diversification and inclusion
- Staff wellbeing programs
- UAE Nationals empowerment
- Rewards and recognition

Social Impact

- Mass wedding
- Contribution to local community Iftar boxes
- Volunteering programs
- Planting campaign
- Blood donation
- Senior citizen support

Environmental Responsibility

- Leed design certification
- Environmental awareness and training
- Waste management and energy efficiency programs

CORPORATE GOVERNANCE REPORT 2020

Effective corporate governance remains central to the culture and business practices of Abu Dhabi Islamic Bank PJSC ("ADIB" or "the Bank") and its subsidiaries (collectively known as the "the Group"). ADIB endeavours to continually upgrade and adopt best practices in the areas of governance, transparency, ethics, management and oversight of risk, audit and compliance.

ADIB's overarching objective is to be "a top tier Islamic financial services group" and has committed to the following corporate values in order to achieve this objective:

- "We keep it simple and sensible"
- "We are transparent"
- "We work for mutual benefit"
- "We nurture hospitality and tolerance"
- "We are Shari'a inspired"

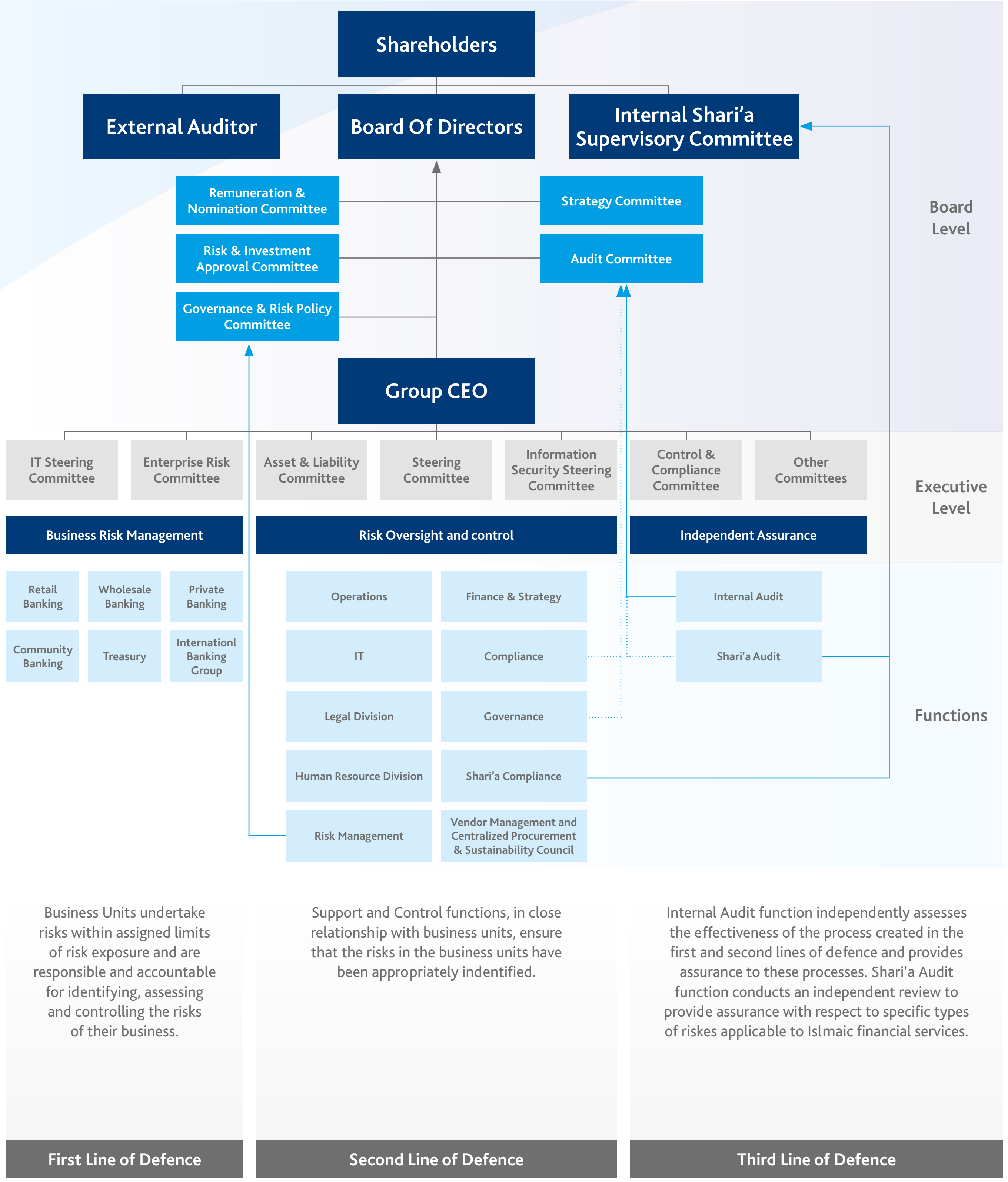
1. Corporate Governance Framework

These values are embedded across the Group through a corporate governance framework that is relevant and proportionate to the scope and size of ADIB's businesses. The framework is built on the principles prescribed by the Basel Committee on Banking Supervision, the Corporate Governance Regulation and Standards of the Central Bank of the UAE, and the Standards of Institutional Discipline and Governance of Public Shareholding Companies issued by the Securities and Commodities Authority.

The Corporate Governance structure including the Board, Board committees, Management committees and various functions are shown in the following page:

CORPORATE GOVERNANCE REPORT 2020

CONTINUED



1. Corporate Governance Framework continued

ADIB operates a three lines of defence model which ensures clear delineation of responsibilities between day to day operations, monitoring and oversight as well as independent assurance. The three lines of defence are:

- Business Units act as the first line of defence. They undertake risks within assigned limits of risk exposure. Also they are responsible and accountable for identifying, assessing and controlling ongoing risks of their business.
- The support and control functions act as the second line of defence. Each of these functions, in close relationship with business units, ensure that the risk of exposure in the business units has been appropriately identified and managed. The business support and control functions work closely to help define strategy, implement the Bank's policies and procedures, and collect information to create a Bank-wide view of risks. Shari'a Compliance function at the Group ensures that the Bank's operations are conducted in adherence to applicable Shari'a provisions, as per the fatwas (Shari'a resolution), policies and procedures approved by the internal Shari'a Supervisory committee of ADIB, and the resolution of Higher Shari'a Authority.
- The third line of defence is provided by Internal Audit that independently assesses the effectiveness of the processes created in the first and second lines of defence and provides assurance to these processes. Shari'a Audit function at the Group conducts an independent review to provide assurance with respect to specific types of risks applicable to Islamic financial services.

The Corporate Governance Framework cuts across four broad levels:

- Board: The Board has the ultimate responsibility for ensuring that an appropriate and effective governance framework is established and maintained to manage and control ADIB's activities.
- Board-level and management committees: The Board delegates authority to committees and establishes standards for the control and governance of the Bank. Committees have responsibilities and authorities as defined in their charters.
- Functions: Individual functions perform business and control activities which are compliant with all internal policies and external laws and regulations, in addition to Shari'a requirements. To ensure effective adherence to overarching Shari'a principles, the Shari'a Compliance and Shari'a Audit functions provide ongoing oversight and assurance.
- Individuals: Executive and head of function roles are clearly articulated and allocated to identified individuals. The key executives of ADIB are the Group Chief Executive Officer (Group CEO), Group Financial Controller, Group Chief Risk Officer, Group Operating Officer and the Global Heads of Compliance and Internal Audit.

2. Board of Directors

The Board of Directors of ADIB (the "Board") is responsible for the supervision of the management of the business affairs of the Group (which includes Abu Dhabi Islamic Bank PJSC and its Subsidiaries and Affiliates). The Board of Directors provides leadership in the development and implementation of the Vision and Mission of the Group. The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls.

The Board carries out the responsibilities and duties set out below either directly or through its committees, currently consisting of the Audit Committee, Remuneration & Nomination Committee, Strategy Committee, Risk & Investment Approval Committee and Governance & Risk Policy Committee.

The Board derives its authority to act from the Bank's Memorandum and Articles of Association and other laws governing companies and Banks in the UAE and the Emirate of Abu Dhabi. Its responsibilities include:

- Supervision of the management of the business affairs of ADIB.
- Providing leadership in the development and implementation of the Group's vision and mission, both within the UAE and as the Group expands abroad.
- Establishment and oversight of the Bank's risk management framework, as well as approving the Bank's overall risk appetite and ensuring that business is conducted within this framework.

3. Female Representation on the Board of Directors

During 2020 the Board of Directors consisted of 7 members with no female representation. No female candidate has applied for ADIB Board membership or was nominated during 2019 elections.

CORPORATE GOVERNANCE REPORT 2020

CONTINUED

4. Independence from Management

The roles of the Chairman and the Group Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all directors. The Group Chief Executive Officer has responsibility for all ADIB Group businesses, including their strategy, policy and operational management, and he acts in accordance with the authority delegated by the Board.

The Board establishes the rules relating to administrative, financial and employee matters, sets out the requirements for the carrying out of Board business and meetings, and mandates the roles and responsibilities of the Board members.

5. Selection and Qualification of Board Members

The Group Remuneration & Nomination Committee is responsible for identifying, evaluating and selecting candidates for the Board of Directors. In doing so, it seeks to identify the skills that the members of the Board and Board Committees require in order to discharge their responsibilities effectively, taking into account the Group's risk profile, business operations and business strategy.

6. Election of Directors

In compliance with the Bank's Articles of Association, the shareholders elected the Board members at the General Assembly Meeting held on 13 March 2019, for three years.

7. Information, Induction and ongoing Development

The Directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Head of Legal & Corporate Secretary who is responsible to the Board for ensuring that Board procedures are followed and applicable rules and regulations complied with.

A formal induction process exists for new Directors joining the Board, including visits to ADIB's major business areas and meetings with other Directors, and key members of senior management. ADIB provides any professional development that Directors consider necessary to assist them in carrying out their duties. The Directors are also updated about the new regulations and standards, developments in banking business, and the changes in information technology and information security.

8. Directors' and Board Assessments

Board self-assessment exercise includes self-assessment of the Board by each Board member, each Board member's assessment by the Chairman, Board committees' self-assessment and Chairman's self-assessment. The results are presented to the Board Remuneration & Nomination Committee to share with the Board.

9. Composition of the Board and Board Committees

In 2020 the Board comprised the Chairman, Vice Chairman and five other members. Majority of the Board members are UAE nationals, as required by the Federal Commercial Companies Law and the Bank's Articles of Association. The Board Committees comprise Directors and external independent subject matter experts, with a diversity of backgrounds aimed at ensuring that no undue reliance is placed on any one individual. The current Board of Directors was elected at the General Assembly Meeting in March 2019 for three years.

The Board held 11 meetings during 2020. The detail of Board membership and attendance is as below:

Name	Position	Status	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	Non-Executive	10
Khamis Mohamed Buharoon	Vice Chairman	Executive Director	11
Khalifa Matar Khalifa Al Mheiri	Member	Independent	11
Najib Youssef Fayyad	Member	Non-Executive	11
Abdulla Ali Musleh Al Ahbabi	Member	Independent	11
Dhaen Mohamed Dhaen Al Hameli	Member	Independent	10
Faisal Sultan Naser Al Shuaibi	Member	Independent	11

The quorum for a Board meeting was by the majority of Board members. The Board made decisions by majority vote. However, under the circumstances where the members present in the meeting are equally divided, the Chairman of the Board or his deputy has the casting vote. Any matter requiring decision by unanimous vote is dealt with accordingly.

10. Board Committees

The following Board Committees continued to work effectively and independently during 2020.

- Group Strategy Committee;
- Group Audit Committee;
- Group Governance and Risk Policy Committee;
- Group Risk and Investment Approval Committee; and
- Group Remuneration and Nomination Committee.

ADIB's corporate governance policies mainly the Corporate Governance Framework, Group Board charter and Board Committees charter were reviewed and amended in coordination with Al Tamimi & Co to comply with the new CBUAE Corporate Governance Regulations & Standards for Banks 83/2019 dated 18/07/2019.

Further, a detailed plan with implementation dates was prepared in this regard. The revised action plan with implementation dates in addition to 25 revised Corporate Governance related documents were reviewed and approved by the Board on 24 September 2020 and were shared with CBUAE on 26 October 2020.

10.1 Group Strategy Committee

The Group Strategy Committee guides ADIB's Executive Management in the execution of the Group's strategic objectives and business strategy, conducts periodic reviews in the achievement thereof and directs corrective actions wherever required. In addition, this Committee also acts as a conduit between the Board and senior management on business issues. The Committee has the following major responsibilities:

i. Review, consider, discuss and challenge the recommendations submitted by the executive management with regard to business strategy, budgets and annual plans;

ii. Work with management to make recommendations to the Board on the business strategy and long-term strategic objectives of ADIB, including all subsidiaries and associates;

iii. Review the financial performance of each business group on a quarterly basis and make recommendations should action be required;

iv. Review and recommend capital allocation within the ADIB Group to the Board;

v. Review the organisational structure of ADIB and make recommendations to the Board on any changes deemed necessary; and

vi. Review proposals from management for the establishment or disposal of branches, subsidiaries and new joint ventures, referring them to the Risk and Investment Approval Committee for final decision.

The Group Strategy Committee held 4 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
Faisal Sultan Al Shuaibi	Chairman	3
Khalifa Matar Almheiri	Vice Chairman	4
Khamis Mohamed Buharoon	Member	3
Najib Youssef Fayyad	Member	4
Abdulla Ali Al Ahbabi	Member	3
Dhaen Mohamed Alhameli	Member	3

CORPORATE GOVERNANCE REPORT 2020

CONTINUED

10. Board Committees continued

10.2 Group Audit Committee

The Group Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to auditing and financial reporting. Internal Audit, Compliance and Governance functions of the Group functionally report to the Committee. The Committee has the following major responsibilities:

i. Assist the Board in fulfilling its oversight responsibility relating to the integrity of Group's consolidated financial statements and financial reporting process;

ii. Review the financial and internal control systems, quality assurance and risk management framework;

iii. Review the performance of the internal audit function;

iv. Review the internal controls over financial reporting and annual independent audit of the Group's consolidated financial statements;

v. Recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and

vi. Ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

The Group Audit Committee held 4 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
Najib Youssef Fayyad	Chairman	4
Khamis Mohamed Buharoon	Vice Chairman	4
Abdulla Ali Al Ahbabi	Member	4
Dhaen Mohamed Alhameli	Member	4

10.3 Group Governance and Risk Policy Committee

The Group Governance and Risk Policy Committee assists the Board in fulfilling its oversight responsibilities in respect of the following:

i. Review the risk profile of the Group at the enterprise level and recommendations on appropriate calibration of this profile, in line with the applicable regulatory standards, rating consideration and business strategy; and

ii. Review of the corporate governance and risk management frameworks for the Group and recommend the same to the Board, in alignment with the requirements of the Basel Committee on Banking Supervision, and in compliance with all local regulatory requirements.

The Committee has the following major responsibilities:

i. Review and recommend the following for approval by the Board on an annual basis or more frequently as circumstances dictate:

a. Risk strategy covering Risk appetite, Risk management framework encapsulating risk infrastructure, framework for risk policies and procedures, adequacy of risk staffing and implementation plan. In addition, any major changes in the risk rating approaches followed by the Group will also be reviewed and recommended to the Board.

b. Portfolio limits relating to the key risk exposures undertaken by the Bank.

c. Risk and compliance framework and overall control environment.

ii. Monitor the alignment of ADIB's risk profile with its approved risk strategy and risk appetite.

iii. Receive regular reports from the Group Chief Risk Officer on the Group's major risk exposure, monitor significant financial and other risk exposures, and review the steps taken by the management to control such risks within the approved risk appetite of the Group.

iv. Review annual Internal Capital Adequacy Assessment Process (ICAAP) plan and recommend its approval to the Board.

v. Review and recommend Corporate Governance framework encapsulating the structure of the Board Subcommittees, roles and responsibilities of Board and Board Subcommittees.

vi. Review and recommend key risk policies including credit risk, market risk, trading risk, liquidity risk, and operational risk.

10. Board Committees continued

10.3 Group Governance and Risk Policy Committee continued

vii. Review and recommend to the Board other policies including Business Continuity Management, Disaster Recovery, Asset Liability Management, Anti Money Laundering, and impairment or any other policy identified by the Committee.

viii. Review and recommend the annual funding and liquidity plan (including contingency funding plan).

ix. Ensure through Group Chief Risk Officer the common standards, policies, measurement and reporting of risks at the enterprise level.

x. Review the "Delegation of Authority" matrix of the Group relating to the credit, and recommend for the Board approval.

xi. Review and confirm to the Board at least annually the effectiveness of the risk management Organisation, and adequacy of management's resources, infrastructure and control framework to implement the Group's approved risk policies and methodologies.

xii. Review reports from regulatory agencies or internal audit relating to risk issues, and monitor management's responses.

The Committee gets regular updates and reports from the Group Risk Management function and the Enterprise Risk Committee (ERC). The ERC ensures that the Bank's enterprise risk management framework, related policies, systems and practices are fully aligned with the Board approved strategy and risk appetite. The ERC also ensures that risk governance of the Bank is sufficiently robust to meet the needs of the business.

The Group Governance and Risk Policy Committee held 4 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
Khalifa Matar Al Mheiri	Chairman	4
Khamis Buharoon Al Shamsi	Member	4
Najib Youssef Fayyad	Member	4
Dhaen Mohamed Alhameli	Member	3
Faisal Sultan Al Shuaibi	Member	4

10.4 Group Risk and Investment Approval Committee

The Group Risk and Investment Approval Committee considers and approves ADIB's risk exposures, high value transactions and major items of capital expenditure. In addition, this Committee is also responsible for monitoring credit portfolio quality and provisions. The Committee has the following major responsibilities:

i. Review and approve credit and other risk exposures;

ii. Review the credit portfolio on a periodic basis in order to assess alignment with the approved credit strategy and risk appetite of the Group;

iii. Review actions undertaken by management with regard to remedial activities;

iv. Monitor general and specific provisions;

v. Approve significant and high value transactions with regard to acquisitions and divestures, new business initiatives and proprietary investments, international business and merger and acquisitions;

vi. Review and recommend to the Board approval for those investment proposals requiring such approval due to regulations;

vii. Approve high value transactions in respect of capital expenditure, IT projects and procurement of equipment and materials for the Bank's operations; and

viii. Review and make recommendations to the Board on any material non-credit related party transactions.

CORPORATE GOVERNANCE REPORT 2020

CONTINUED

10. Board Committees continued

The Group Risk and Investment Approval Committee held 31 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	3
Khalifa Matar Al Mheiri	Vice Chairman	31
Khamis Buharoon Al Shamsi	Member	30
Najib Youssef Fayyad	Member	30
Abdulla Ali Al Ahbabi	Member	24
Dhaen Mohamed Alhameli	Member	21

10.5 Group Remuneration and Nomination Committee

The Group Remuneration and Nomination Committee assists the Board in fulfilling its oversight responsibilities in respect of the following for the Group:

i. Review the selection criteria and number of executive and employee positions required by ADIB; approve the overall manpower of ADIB based on reports submitted by the Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm;

ii. Review on an annual basis the policy for the remuneration, benefits, incentives and salaries of all ADIB employees, including Bank and non-Bank subsidiaries and affiliates, as submitted by the Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm;

iii. Identify and nominate, for approval of the Board, candidates for appointment to the Board;

iv. Recommend on succession plans for Directors;

v. Input on renewal of the terms of office of non-executive Directors;

vi. Assist with membership of Board committees, in consultation with the Board's Chairman and the Chairmen of such committees;

vii. Guide on matters relating to the continuation in office of any Director at any time;

viii. Recommend on appointments and re-appointments to the Boards of major subsidiaries and controlled affiliated companies;

ix. Ensure the independence of the independent directors and any qualified subject matter expert appointed to a Board Sub Committee; and

x. Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes.

The Group Remuneration and Nomination Committee held 5 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
HE Jawaan Awaidha Suhail Al Khaili	Chairman	2
Khamis Buharoon Al Shamsi	Vice Chairman	5
Khalifa Matar Al Mheiri	Member	5
Najib Youssef Fayyad	Member	5

11. Related Party Transactions and Compensation of key management personnel

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising associates, directors, major shareholder, 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.

11. Related Party Transactions and Compensation of key management personnel continued

Significant transactions with related parties during the year 2020 and compensation of key senior management personnel were included in the consolidated income statement and given in (note 40) to the Financial Statements.

12. Directors' remuneration and interests in the Group's shares

During 2020, AED 7.35 million was paid to Board of Directors as directors' remuneration pertaining to the year ended 31 December 2019, after it was approved by shareholders in the Annual General Assembly held on 29 March 2020. In addition Board members also received an attendance fee of AED 3,000 for every Board Committee meeting attended.

Directors' interests in the Group's shares are as follows:

Board Members	Shareholding at 1 January 2020	Shareholding at 31 December 2020	Changes in shareholding
HE Jawaan Awaidha Suhail Khaili	64,158,605	64,158,605	—
Khamis Mohamed Buharoon	—	—	—
Khalifa Matar Al Mheiri	252,222	252,222	—
Najib Youssef Fayyad	—	—	—
Abdulla Ali Musleh Al Ahbabi	—	—	—
Dhaen Mohamed Dhaen Al Hameli	25,000	—	25,000
Faisal Sultan Naser Al Shuaibi	—	—	—

13. Major share ownership and voting rights

ADIB has an authorised share capital of 4,000,000 thousand ordinary shares of AED 1 each, issued and fully paid share capital of 3,632,000 thousand ordinary shares of AED 1 each. All of the shares in the company are nominal of which (60%) shall be fully owned by nationals of United Arab Emirate, while non-nationals are permitted to own shares of the company to the extent, but not exceeding (40%), and maximum limit per shareholder is (5%).

As of 31 December 2020, the major owners that hold directly more than (5%) as published by the Company via the electronic publishing platform of Abu Dhabi Exchange (ADX) and ADIB website and their voting rights were as follows:

Significant Shareholders	Number of Shares	% of Holdings and Voting Rights
Emirates International Investment Company LLC	1,431,110,701	39.4%
Abu Dhabi Investment Council	276,594,630	7.62%
Other Investors *	1,924,294,669	52.98%
TOTAL ADIB SHARES	**3,632,000,000**	**100.00%**

* Note: No other investors hold directly more than (5%) apart from those named above.

14. Relations with Shareholders

In line with its values, ADIB applies high standards of transparency and disclosure. Relevant financial and non-financial information is communicated to shareholders, customers, regulators, employees and other stakeholders timeously, through ADIB's website, via Abu Dhabi Securities Market (ADX) and various other mechanisms.

ADIB also communicates with shareholders through the Annual Report and by providing information at the General Assembly Meeting. Shareholders are given the opportunity to ask questions at the General Assembly Meeting that was held on 29 March 2020.

Executive management also holds regular meetings with and makes presentations to institutional investors. In addition to this, individual shareholders can raise matters relating to their shareholdings and the business of ADIB at any time during the year.

The Group maintains an Investor relations section on its website that provides extensive information about the Group's Corporate Governance structure and other related information.

15. General Assembly Meeting – 29 March 2020

The General Assembly Meeting of the shareholders was conducted on 29 March 2020, wherein the following matters were discussed and approved:

I. The Board of Directors' Report on the Bank's activities and financial statements for the year ended 31 December 2019;

II. The External Auditor's report for the year ended 31 December 2019;

III. The Internal Shari'a Supervisory Committee Report on the Bank's activities for the year ended 31 December 2019;

IV. The audited Balance Sheet and Profit & Loss account for the year ended 31 December 2019;

V. The proposal of the Board of directors to distribute cash dividends of 27.38 fills per share to the shareholders from the year 2019 profits;

VI. The proposal of Board members remuneration for the year ended 31 December 2019;

VII. To discharge the Board of Directors from liability for their work during the year ended 31 December 2019;

VIII. To discharge the External Auditors from liability for their work during the year ended 31 December 2019;

IX. Appointment of the member of the Internal Shari'a Supervisory Committee for one fiscal year; and.

X. Appointment of External Auditors for the year 2020 and determination of their fees.

16. Internal Shari'a Supervisory Committee of ADIB

The members of the Internal Shari'a Supervisory Committee of ADIB ("the Committee") were appointed in the General Assembly Meeting held on 29 March 2020 in compliance with the Bank's Article of Association.

The Committee, whose members are not members of the ADIB Board, has a term of one year and all members are required to form a quorum, whether by principal or by proxy. It has the following mandate:

- It issues Shari'a Resolutions pertaining to the ADIB Group's activities at the request of the executive management or Board. It also supervises and controls the validity of ADIB's activities to ensure that they comply with principles and rulings of the Islamic Shari'a in accordance with Higher Shari'a Authority's resolutions and AAOIFI Shari'a standards, and provides its recommendations;
- It has the right to submit written objections to the Board of Directors with respect to any of ADIB's activities which it considers do not comply with any of the principles and rulings of the Islamic Shari'a. In addition, it reviews all forms of contracts and agreements relating to any of ADIB's business and products to ensure their compliance with Islamic Shari'a principles as above;
- Any disagreement between the Internal Shari'a Supervisory Committee and the Board of Directors in a Shari'a matter has to be raised to the Higher Shari'a Authority and the decision of the Higher Shari'a Authority will be final; and
- It has the right to review, at any time, ADIB's books, records and documents, and request any information it may deem necessary. In the event of its inability to discharge its duties, it will report this formally to the Board of Directors.

The members of the Internal Shari'a Supervisory Committee of ADIB held 5 meetings during 2020. The detail of membership and their attendance is as below:

Name	Position	No. of meetings attended
*Sheikh Muhammad Taqi Usmani	Chairman	1
Prof. Jassim Ali Salem Al Shamsi	Vice Chairman	5
*Dr. Nedham Yaqoobi	Member & Executive Member	2
Dr. Mohamed Elgari	Member	4
Sheikh Isam Mohamed Ishaq	Member	5

* Left Internal Shari'a Supervisory Committee during 2020.

16. Internal Shari'a Supervisory Committee of ADIB continued

16.1 Internal Shari'a Supervisory Committee Report

With reference to Article (117) of Federal Law No (2) of 2015, Regarding Commercial Companies, Article (80) of Decretal Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities, Articles of the Association of ADIB, Resolution of Higher Shari'a Authority No. (12/2/2018) and Resolution of Higher Shari'a Authority No. (18/3/2018).

The Internal Shari'a Supervisory Committee issues annual report to the Shareholders, the report is available in ADIB Annual Financial Report, the report shall be read in conjunction with the auditors' report at the General Assembly Meeting for discussion and approval.

17. Executive Management

The Group Chief Executive Officer is supported by executive management including Group Chief Risk Officer, Group Chief Financial Officer, Group Chief Operating Officer, the Global Heads of Compliance and Internal Audit, Shari'a and Legal and various management committees. ADIB has following management committees:

a) Steering Committee

b) Enterprise Risk Committee

c) Control and Compliance Committee

d) Asset and Liability Management Committee

e) Charity Account Committee

f) IT Steering Committee

g) Information Security Steering Committee

h) Sustainability Council

i) Other management and special task Committees

18. Risk Management Framework

ADIB has established a comprehensive risk management framework owned by the Group Chief Risk Officer who reports to the Board's Group Governance and Risk Policy Committee. He is also a member of the Enterprise Risk Committee and responsible for the management of all risks including credit, market, and operational risks. The Board sets the tone from the top by means of an articulated risk culture, principles and appetite. The Risk management and Internal control infrastructure is reviewed on an ongoing basis at management and Board levels. Additional details of ADIB's approach to risk management are given in (note 42) to the Financial Statements.

CORPORATE GOVERNANCE REPORT 2020

CONTINUED

19. Internal Control

The Board is responsible for ADIB's system of internal control. It ensures that management maintains a system of internal control that provides effective and efficient operations, internal financial controls and compliance with laws and regulations. The Board also ensures that internal controls assess, manage and, where appropriate, mitigate against risk. The internal control system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risk of material misstatement, fraud or losses. ADIB, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

ADIB's system of internal control includes:

I. An organisational structure with clearly defined authority limits and reporting mechanisms to senior levels of management and the Board;

II. A Risk Management function with responsibility for ensuring that risks are identified, assessed and managed throughout ADIB;

III. A set of policies and guidelines relating to credit risk management, asset and liability management, compliance, operational risk management and business continuity planning;

IV. An annual budgeting and monthly financial reporting system for all Group business units, which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon;

V. An Internal Audit function to evaluate the adequacy and effectiveness of governance, risk and control systems, and to review the management's compliance with policies and procedures; and

VI. A Group level Control and Compliance Committee that provides oversight on the operational risk and compliance to regulations, laws, policies and procedures and ensures the implementation of a strong internal control framework within ADIB Group. The Committee also ensures that the Group internal control framework is robust and supports effective and efficient management of compliance, Anti Money Laundering and operational risk and escalates all material issues to the Enterprise Risk Committee, the Steering Committee, and the Audit Committee.

The effectiveness of the ADIB internal control system is reviewed regularly by the Board and the Audit Committee, which receive regular reports on significant risks facing the business and how they are being controlled. The Board received a number of reports from Internal Audit and the Group Audit Committee during the year under review and has received confirmation that management has taken, or is taking, the necessary action to remedy any failings or weaknesses identified in these reports.

In addition, external auditors present to the Group Audit Committee a series of reports that include details of any significant internal control matters which they identified. The system of internal controls of the Group is also subject to regulatory oversight by the UAE Central Bank.

20. External Auditors

The Group Audit Committee undertakes an annual evaluation to assess the independence and objectivity of the external auditors and the effectiveness of the external audit process. The Group Audit Committee is also responsible for making recommendations to the Board on the appointment, reappointment, remuneration and removal of the external auditors. The Group Audit Committee also carries out a review of all non-audit services provided by the external auditors, in line with ADIB's policy to ensure external auditor independence.

The shareholders approved the appointment of Deloitte as the external auditors of ADIB for 2020 at the General Assembly Meeting held on 29 March 2020.

21. Sustainability Report

ADIB issues annual Sustainability Report that reflects the work we have done to enhance all aspects of our sustainability performance and governance, whether it is social, environmental, operational or financial. The report has been prepared in accordance with the GRI Standards: Core option. It also refers to other guidelines, including the GRI G4 Financial Services Sector Disclosures and the United Nations Global Compact (UNGC) principles, which regulate sustainable business practices globally. The report is available on ADIB's website.

BOARD OF DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

The Board of Directors have pleasure in submitting their report together with the consolidated financial statements of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (collectively known as the "the Group") for the year ended 31 December 2020.

Incorporation and registered office

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 and applicable requirements of the laws of the UAE and the Amiri Decree No. 9 of 1997.

Principal activity

The activities of the Bank are conducted in accordance with Islamic Shari'a, which prohibits usury as determined by the 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.

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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.

Financial commentary

The Group net profit AED 1,604.0 million (2019: AED 2,601.1 million) for 2020 down by 38.3%. The financial highlights of the full year results are as follows:

Group net revenue (total operating income net of distribution to depositors) for 2020 was AED 5,358.2 million (2019: AED 5,915.2 million) decreased by 9.4%.

- Group operating profit ("margin") for 2020 decreased by 10.9% to reach at AED 2,908.2 million (2019: AED 3,262.2 million).
- Total provisions for impairment for 2020 were AED 1,314.1 million (2019: AED 658.1 million).
- Group net profit for 2020 was AED 1,604.0 million (2019: AED 2,601.1 million) down by 38.3%.
- Group earnings per share decreased to AED 0.364 compared to AED 0.632 in 2019.
- Total assets as of 31 December 2020 were AED 127.8 billion (2019: AED 126.0 billion).
- Net customer financing (murabaha, ijara and other Islamic financing) as of 31 December 2020 was AED 83.4 billion (2019: AED 81.1 billion).
- Customer deposits as of 31 December 2020 were AED 101.3 billion (2019: AED 101.4 billion).

Dividends and proposed appropriations

The Board of Directors has recommended the following appropriations from retained earnings:

	AED '000
Proposed dividends to charity for the year ended 31 December 2020	(20,000)
Transfer to general reserves	(156,983)
Profit paid on Tier 1 sukuk – Listed (second issue) during the year	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi during the year	(85,646)

Board of Directors

The directors during the year were as follows:

I. H.E. Jawaan Awaidha Suhail Al Khaili	Chairman
2. Khamis Mohamed Buharoon	Vice Chairman
3. K.halifa Matar Al Mheiri	Board Member
4. Najib Youssef Fayyad	Board Member
5. Abdulla Ali Musleh Jumhour Al Ahbabi	Board Member
6. Dhaen Mohamed Dhaen Mahasoon Alhameli	Board Member
7. Faisal Sultan Naser Salem Al Shuaibi	Board Member

On behalf of the Board of Directors

HE Jawaan Awaidah Suhail Al Khaili
Chairman
14 February 2021
Abu Dhabi

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the "Bank") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment for financing assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financing assets measured at amortised cost

Area of focus

The assessment of the Bank's determination of impairment allowances for financing assets measured at amortised cost requires management to make significant judgements over the staging and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality and the complexity of the judgements applied and assumptions and estimates used in the ECL models. As at 31 December 2020, gross financing assets measured at amortised cost amounted to AED 87.3 billion against which an allowance for impairment of AED 4 billion was recorded refer to Notes 17 & 18 to the consolidated financial statements for financing assets, Note 3 for the accounting policy, Note 3.4 for critical judgements and estimations used by management and Note 42 for the credit risk disclosure.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Bank employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD); and exposure at default (EAD), which are defined in Note 42.2 to the consolidated financial statements.

The material portion of the non-retail portfolio of financing assets measured at amortised cost is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. There is the risk that management does not capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management bias may also be involved in manual staging override in accordance with the Bank's policies. There is also the risk that judgements, assumptions, estimates, proxies and practical expedients implemented previously, are not consistently applied throughout the current reporting period or there are any unjustified movements in management overlays.

The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and went through a validation process.

The impact of the Covid-19 pandemic and the resulting economic support and relief measurement programmes of government and central bank have been incorporated in the Bank's measurement of ECL. The Bank has updated its macro-economic forecasts by taking into account the impact of the Covid-19 pandemic.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Key Audit Matters continued

Impairment for financing assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financing assets measured at amortised cost continued

Our audit approach

We have obtained a detailed understanding of the financing origination process, credit risk management process and the estimation process of determining impairment allowances for financial assets measured at amortised cost and tested the design, implementation and operating effectiveness of relevant controls within these processes, which included testing:

- System-based and manual controls over the timely recognition of impaired financing assets;
- Controls over the ECL calculation models;
- Controls over collateral valuation estimates;
- Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management.

We understood and evaluated the theoretical soundness of the ECL models by involving our internal experts to ensure its compliance with the requirements of IFRSs. We tested the mathematical integrity of the ECL model by performing recalculations on a sample of the financing assets measured at amortised cost and assessed the consistency of the various inputs and assumptions used by management to determine impairment.

On a sample basis, we selected individual samples and performed a detailed review of these exposures and challenged the Banks's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions, such as estimated future cash flows, collateral valuations and estimates of recovery, underlying the impairment allowance calculation. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for the computation of impairment allowances for the financing assets measured at amortised cost.

For financing assets measured at amortised cost not tested individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios.

We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances.

We evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the reasonableness of forward looking information incorporated into the impairment calculations by using our specialists.

For forward looking assumptions used by the Group's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information.

We have evaluated methodology and framework designed and implemented by the Bank as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the Bank's forecasts of future economic conditions at the reporting date.

We have evaluated the approach employed by the Bank to measure the impact of Covid-19 on ECL by evaluating controls over the governance process that reviews and approves all stage migrations and macro-economic scenarios and weightings. We also tested the impact on individual financing facilities through our detailed credit reviews referenced above.

We assessed the disclosures in the consolidated financial statements to determine that they were in compliance with IFRSs.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Key Audit Matters continued

Risk of inappropriate access or changes to information technology systems

Area of focus

The Bank is vitally dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks.

Inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of change to an application or underlying data.

Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of financial statements. Therefore, we considered this area as key audit matter.

For further information on this key audit matter refer to Note 42.

Our audit approach

Our audit approach depends to a large extent on the effectiveness of automated and IT-dependent manual controls and therefore we updated our understanding of the Bank's IT-related control environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit.

For relevant IT-dependent controls within the financial reporting process we identified, with the involvement of our internal IT specialists, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We updated our understanding of applications relevant for financial reporting and tested key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant for financial reporting:

- IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations;
- Controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and it was approved by authorised persons;
- Controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank;
- Controls regarding the appropriateness of system access rights for privileged or administrative authorisations (superuser) being subject to a restrictive authorisation assignment procedure and regular review thereof;
- Password protection, security settings regarding modification of applications, databases and operating systems, the segregation of department and IT users and segregation of employees responsible for program development and those responsible for system operations;
- Program developers approval rights in the modification process and their capability to carry out any modifications in the productive versions of applications, databases and operating systems; and
- We performed journal entry testing as stipulated by the International Standards on Auditing.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Bank but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements continued

From the matters communicated with the Bank's Board Audit & Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the UAE Federal Law No. (2) of 2015 for the year ended 31 December 2020, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements of the Bank have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Bank has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Bank's books of account;
- Note 20 to the consolidated financial statements of the Bank discloses purchased or investment in shares during the financial year ended 31 December 2020;
- Note 40 to the consolidated financial statements of the Bank discloses material related party transactions, the terms under which these were conducted and principles of managing conflict of interests;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and
- Note 44 to the consolidated financial statements of the Bank discloses social contributions made during the financial year ended 31 December 2020.

Further, as required by the UAE Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)
Mohammad Khamees Al Tah
Registration No. 717
14 February 2021
Abu Dhabi
United Arab Emirates

In the name of Allah, the most Beneficent, the most Merciful

All Praises are due to Allah, Lord of all the worlds and may peace and blessings be upon our Messenger Mohammed, his Family and his Companions.

Issued on: 15/02/21

To Shareholders of Abu Dhabi Islamic Bank (the "Institution")

May the peace, mercy and blessings of Allah be upon you,

Pursuant to the requirements stipulated in the relevant laws, regulations and standards ("Regulatory Requirements"), the Internal Shari'a Supervisory Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2020 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to undertake Shari'a supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'a resolutions in this regard. The ISSC's other responsibility is to determine Shari'a parameters necessary for the Institution's Activities, and the Institution compliance with Islamic Shari'a within the framework of the rules, principles, and standards set by the Higher Shari'a Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'a.

The senior management is responsible for assuring compliance of the Institution with Islamic Shari'a in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'a") regarding the Institution's Activities, and the Board of Directors ("Board") bears the ultimate responsibility in this regard.

2. Shari'a Standards

In accordance with the HSA's resolution (No. 18/3/2018), the ISSC has abided by the Shari'a standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'a requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception within the Financial Year.

3. Works Undertaken by the ISSC during the Financial Year

The ISSC undertook Shari'a supervision of the Institution's Activities through review of those Activities, and monitoring them through Shari'a Division (and internal Shari'a audit), in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. Works of the ISSC included the following:

a. Convening 4 meetings during the year and (1) meeting for its Executive Committee and (1) meeting of its Executive Member.

b. Providing fatwas, opinions and resolutions on matters presented to the ISSC (or its Executive Committee or its Executive Member) in relation to the Institution's Activities.

c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.

d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders with parameters set by the ISSC.

e. Supervision through Shari'a Division (and internal Shari'a Audit) of the Institution's Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.

f. Providing directives to relevant parties of the Institution to rectify (where possible) findings cited in the reports submitted by Shari'a Division (and internal Shari'a Audit) and issuing resolutions to set aside revenue derived from transactions in which non-compliance were identified to be disposed towards charitable purposes.

g. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.

h. Specifying the amount of Zakat due on each of the Institution's share.

ANNUAL REPORT OF THE INTERNAL SHARI'A SUPERVISORY COMMITTEE OF ABU DHABI ISLAMIC BANK (CONTINUED)

i. Monitoring the approved internal Shari'a audit plan for the Financial Year and approved the internal Shari'a audit plan for the year ends on 31 December 2021.

j. Issuing the required Shari'a reports for the international branches of the Institution.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'a.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution and the ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'a requirements.

5. The ISSC's Opinion on the Shari'a Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'a, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities in the Financial Year are in compliance with Islamic Shari'a, and the incidents of non-compliance observed were highlighted in the relevant reports, and the ISSC issued the corrective or preventative actions to take appropriate measures in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the Financial Year.

We ask Allah, the Most High and Capable, that He guides the Bank and those responsible for it with that which is right and that which is good.

May the peace, mercy and blessings of Allah be upon you,

Signatures of the members of ADIB's Internal Shari'a Supervisory Committee

Dr Jasem Ali Salem Al Shamsi
Vice Chairman of the Committee,
Chairman of its Executive Committee

Esam Mohammed Ishaaq
Member of the Committee
and its Executive Committee

Dr Muhammad El-Gari
Member of the Committee

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		**61,015**	131,299
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**3,765,824**	4,500,165
Income from sukuk measured at amortised cost		**565,632**	500,556
Income from investments measured at fair value	6	**164,647**	131,001
Share of results of associates and joint ventures	21	**10,781**	15,202
Fees and commission income, net	7	**992,163**	1,083,270
Foreign exchange income		**223,366**	317,542
Income from investment properties	8	**50,325**	40,212
Other income		**26,770**	
		5,860,523	6,728,422
OPERATING EXPENSES			
Employees' costs	9	**(1,508,212)**	(1,529,670)
General and administrative expenses	10	**(619,846)**	(754,926)
Depreciation	22 & 25	**(267,190)**	(313,703)
Amortisation of intangibles	26	**(54,752)**	(54,752)
Provision for impairment, net	11	**(1,314,112)**	(658,096)
		(3,764,112)	(3,311,147)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		**2,096,411**	3,417,275
Distribution to depositors	12	**(502,358)**	(813,211)
PROFIT FOR THE YEAR BEFORE ZAKAT AND TAX		**1,594,053**	2,604,064
Zakat and tax		**9,908**	**(2,953)**
PROFIT FOR THE YEAR AFTER ZAKAT AND TAX		**1,603,961**	2,601,111
Attributable to:			
Equity holders of the Bank		**1,602,828**	2,600,096
Non-controlling interest		**1,133**	1,015
		1,603,961	2,601,111
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	**0.364**	0.632

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
PROFIT FOR THE YEAR AFTER ZAKAT AND TAX		1,603,961	2,601,111
Other comprehensive (loss)/gain			
Items that will not be reclassified to consolidated income statement			
Net (loss)/gain on valuation of equity investments carried at fair value through other comprehensive income	33	(12,148)	24,811
Directors' remuneration paid	40	(7,350)	(4,900)
Items that may subsequently be reclassified to consolidated income statement			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	33	37,504	11,951
Exchange differences arising on translation of foreign operations	33	(53,232)	62,159
Loss on hedge of foreign operations	33	(16,990)	(8,002)
Fair value (loss)/gain on cash flow hedges	33	(2,336)	9,319
OTHER COMPREHENSIVE (LOSS)/GAIN FOR THE YEAR		(54,552)	95,338
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,549,409	2,696,449
Attributable to:			
Equity holders of the Bank		1,548,276	2,695,434
Non-controlling interest		1,133	1,015
		1,549,409	2,696,449

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
ASSETS			
Cash and balances with central banks	14	19,579,524	19,823,409
Balances and wakala deposits with Islamic banks and other financial institutions	15	2,287,134	2,283,242
Murabaha and mudaraba with financial institutions	16	132,864	1,080,027
Murabaha and other Islamic financing	17	35,978,091	34,627,565
Ijara financing	18	47,431,270	46,480,441
Investment in sukuk measured at amortised cost	19	10,350,377	10,658,620
Investments measured at fair value	20	3,458,194	2,281,665
Investment in associates and joint ventures	21	1,301,662	1,280,677
Investment properties	22	1,310,347	1,341,436
Development properties	23	713,701	744,849
Other assets	24	2,820,609	2,860,736
Property and equipment	25	2,251,278	2,268,665
Goodwill and intangibles	26	201,087	255,839
TOTAL ASSETS		127,816,138	125,987,171
LIABILITIES			
Due to financial institutions	27	3,773,245	2,461,478
Depositors' accounts	28	101,276,128	101,404,275
Other liabilities	29	3,604,881	3,018,001
Total liabilities		108,654,254	106,883,754
EQUITY			
Share capital	30	3,632,000	3,632,000
Legal reserve	31	2,640,705	2,640,705
General reserve	31	2,407,016	2,250,033
Credit risk reserve	31	400,000	400,000
Retained earnings		5,671,295	5,776,978
Other reserves	33	(354,766)	(361,775)
Tier 1 sukuk	34	4,754,375	4,754,375
EQUITY ATTRIBUTABLE TO THE EQUITY AND TIER 1 SUKUK HOLDERS OF THE BANK		19,150,625	19,092,316
Non-controlling interest	35	11,259	11,101
Total equity		19,161,884	19,103,417
TOTAL LIABILITIES AND EQUITY		127,816,138	125,987,171
CONTINGENT LIABILITIES AND COMMITMENTS	36	13,913,242	13,153,682

To the best of our knowledge, the consolidated 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 therein.

H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

Mohamed Abdelbary
Group Chief Financial Officer

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2020

	Notes	Attributable to the equity and Tier 1 sukuk holders of the Bank								Non-controlling interest AED '000	Total equity AED '000
		Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit risk reserve AED '000	Retained earnings AED '000	Other reserves AED '000	Tier 1 sukuk AED '000	Total AED '000		
Balance at 1 January 2019		3,632,000	2,640,705	1,980,827	400,000	5,183,466	(865,449)	4,754,375	17,725,924	10,761	17,736,685
Profit for the year		—	—	—	—	2,600,096	—	—	2,600,096	1,015	2,601,111
Other comprehensive gain		—	—	—	—	(4,900)	100,238	—	95,338	—	95,338
Profit paid on Tier 1 sukuk – Listed (second issue)	34	—	—	—	—	(196,250)	—	—	(196,250)	—	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	34	—	—	—	—	(107,479)	—	—	(107,479)	—	(107,479)
Dividends paid	32	—	—	—	—	(994,313)	—	—	(994,313)	(675)	(994,988)
Dividends paid to charity		—	—	—	—	(31,000)	—	—	(31,000)	—	(31,000)
Transfer to Impairment reserve – General	33	—	—	—	—	(403,436)	403,436	—	—	—	—
Transfer to reserves	31	—	—	269,206	—	(269,206)	—	—	—	—	—
BALANCE AT 1 JANUARY 2020		**3,632,000**	**2,640,705**	**2,250,033**	**400,000**	**5,776,978**	**(361,775)**	**4,754,375**	**19,092,316**	**11,101**	**19,103,417**
Profit for the year		—	—	—	—	1,602,828	—	—	1,602,828	1,133	1,603,961
Other comprehensive loss		—	—	—	—	(7,350)	(47,202)	—	(54,552)	—	(54,552)
Profit paid on Tier 1 sukuk – Listed (second issue)	34	—	—	—	—	(196,250)	—	—	(196,250)	—	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	34	—	—	—	—	(85,646)	—	—	(85,646)	—	(85,646)
Dividends paid	32	—	—	—	—	(994,313)	—	—	(994,313)	(975)	(995,288)
Dividends paid to charity		—	—	—	—	(20,000)	—	—	(20,000)	—	(20,000)
Zakat payable	38	—	—	—	—	(193,758)	—	—	(193,758)	—	(193,758)
Transfer to Impairment reserve – General	33	—	—	—	—	7,451	(7,451)	—	—	—	—
Transfer to Impairment reserve – Specific	33	—	—	—	—	(61,662)	61,662	—	—	—	—
Transfer to reserves	31	—	—	156,983	—	(156,983)	—	—	—	—	—
BALANCE AT 31 DECEMBER 2020		**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**

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2020

	Notes	2020 AED '000	2019 AED '000
OPERATING ACTIVITIES			
Profit for the year			
Adjustments for:		**1,603,961**	2,601,111
Depreciation on investment properties	22	**16,859**	17,076
Depreciation on property and equipment		**186,056**	249,349
Depreciation on right-of-use assets		**64,275**	60,278
Amortisation of intangibles	26	**54,752**	54,752
Share of results of associates and joint ventures		**(10,781)**	(15,202)
Dividend income	6	**(495)**	(119)
Realised loss/(gain) on investments carried at fair value through profit or loss	6	**4,004**	(21,828)
Unrealised gain on investments carried at fair value through profit or loss	6	**(30,207)**	(27,683)
Realised gain on sukuk carried at fair value through other comprehensive income	6	**(32,092)**	(896)
Loss/(gain) on disposal of property and equipment		**2,040**	(720)
Finance cost on lease liabilities		**9,629**	16,040
Provision for impairment, net	11	**1,314,112**	658,096
Provision for end of service benefits		**36,697**	40,626
Gain on sale of investment properties	8	**(12,295)**	(2,364)
Operating profit before changes in operating assets and liabilities		**3,206,515**	3,628,516
Decrease in balances with central banks		**1,509,238**	444,680
Decrease/(increase) in balances and wakala deposits with Islamic banks and other financial institutions		**736,194**	(1,378,308)
Decrease/(increase) murabaha and mudaraba with financial institutions		**282,558**	(111,747)
Increase in murabaha and other Islamic financing		**(1,776,550)**	(1,278,351)
Increase in ijara financing		**(1,647,375)**	(1,629,710)
Purchase of investments carried at fair value through profit or loss		**(7,887,535)**	(11,013,850)
Proceeds from sale of investments carried at fair value through profit or loss		**7,248,657**	11,514,690
(Increase)/decrease in other assets		**(40,985)**	357,494
Increase in due to financial institutions		**382,455**	170,894
(Decrease)/increase in depositors' accounts		**(134,724)**	1,001,894
Increase/(decrease) in other liabilities		**304,564**	(357,510)
Cash from operations		**2,183,012**	1,348,692
End of service benefits paid		**(36,121)**	(23,301)
Directors' remuneration paid	40	**(7,350)**	(4,900)
Net cash from operating activities		**2,139,541**	1,320,491
INVESTING ACTIVITIES			
Dividend received	6	**495**	119
Net movement in investments carried at fair value through other comprehensive income		**(460,354)**	(817,272)
Net movement in investments carried at amortised cost		**249,232**	1,117,658
Net movement in associates and joint ventures		**10,416**	8,333
Proceeds from sale of investment properties		**25,900**	7,400
Purchase of property and equipment	25	**(256,679)**	(309,477)
Proceeds from disposal of property and equipment		**—**	2,257
Net cash/(used in) from investing activities		**(430,990)**	9,018
FINANCING ACTIVITIES			
Finance cost on lease liability	10	**(9,629)**	(16,040)
Profit paid on Tier 1 sukuk – Listed (second issue)	34	**(196,250)**	(196,250)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	34	**(85,646)**	(107,479)
Dividends paid		**(1,002,787)**	(1,003,176)
Net cash used in financing activities		**(1,294,312)**	(1,322,945)
INCREASE IN CASH AND CASH EQUIVALENTS		**414,239**	6,564
Cash and cash equivalents at 1 January		**6,515,417**	6,508,853
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	39	**6,929,656**	6,515,417

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	**3,980,834**	4,978,426
Profit paid to depositors	**588,080**	876,439

The attached notes 1 to 44 form part of these consolidated financial statements.

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. The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Bank shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

On 23 September 2018, a new Decretal Federal Law No 14 of 2018 regarding the Central Bank and Organization of Financial Institutions and Activities was issued. As per the transitional provisions of the new law, financial institutions are to ensure compliance within 3 years from the date of issuance of the decretal law. The Bank is in the process of adopting the new decretal federal law and will be fully compliant before the transitional provisions deadline.

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 69 branches in UAE (2019: 81 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The consolidated 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 consolidated financial statements of the Group were authorised for issue by the Board of Directors on 14 February 2021.

2 DEFINITIONS

The following terms are used in the consolidated 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.

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.

2 DEFINITIONS continued

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 consolidated 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 consolidated 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.

3 BASIS OF PREPARATION continued

3.1 (c) Basis of consolidation

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

	Activity	County of incorporation	PERCENTAGE OF HOLDING 2020	2019
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 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 consolidated 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 CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group's future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Definition of a Business – Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

3 BASIS OF PREPARATION continued

3.2 CHANGES IN ACCOUNTING POLICIES continued

Profit Rate Benchmark Reforms

The impact of the replacement of interbank offered rates (IBOR) with alternative benchmark risk-free rates on the Group's products and services remains a key area of focus. The Group has exposure to contracts referencing benchmark rates, such as LIBOR and EIBOR, extending past 2021 when it is likely that these benchmark rates will cease being published. The Group's exposure to cash flow hedges and fair value hedges linked to benchmark rates maturing beyond the year 2021 is not considered material.

Management has commenced a project to ensure the Group's transition to new benchmark rate regimes after 2021 by considering changes in its products, services, systems and reporting. The project is significant in terms of scale and complexity and will impact all facets of its operations from customer contracts and dealings to banks risk management processes and earnings. The Group continues to engage with internal and external stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

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 consolidated financial statements of the Group in the period of initial application.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)	Effective date deferred indefinitely. Adoption is still permitted.

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 consolidated financial statements of the Group in the period of initial application.

3.4 SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, 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.

Following estimates and judgements which are applicable from 1 January 2020.

IFRS 9: Financial instruments

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.
- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the year ended 31 December 2020 pertain to the changes introduced as a result of adoption of IFRS 9 (ECL): Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Key Considerations

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

3 BASIS OF PREPARATION continued

3.4 Significant judgements and estimates continued

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

(i) The Group has established thresholds for significant increases in credit risk based on movement in Probability of Default (PD) as determined by the Obligator Risk Rating (ORR) relative to initial recognition as well as PD thresholds.

(ii) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

(iii) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD and Loss Given Default (LGD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Group considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life 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.

Governance

The Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving key inputs and assumptions used in the Group's expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group's financial statements.

3 BASIS OF PREPARATION continued

3.4 Significant judgements and estimates continued

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Operating lease commitments – Group as lessor

The Group has entered into commercial property lease arrangements on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties therefore, accounts for the contracts as operating leases.

Classification and measurement of financial assets

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. The Group's investments in securities are appropriately classified and measured.

Investment and development properties

The Group hired services of professional real estate valuer to provide reliable estimates of the market value of investment properties for determining the fair values as of the reporting date, for disclosure purposes and assessing the impairment, if any. The basis of estimate and method used by the valuer has been disclosed in the note 22.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position that cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, development property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, development property and property and equipment. In making its judgment, management considers the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

Impairment of investments in associates and joint ventures

Management regularly reviews its investment in associates and joint venture for indicators of impairment. This determination of whether investments in associates is impaired, entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. If managements' review results in impairment, the difference between the estimated recoverable amount and the carrying value of investment in associates and joint venture is recognised as an expense in the consolidated income statement.

Impairment review of investment properties, development properties and advances paid against purchase of properties

Impairment review of investment properties, development properties and advances paid against purchase of properties are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any impairment.

3 BASIS OF PREPARATION continued

3.4 Significant judgements and estimates continued

Impairment review of investment properties, development properties and advances paid against purchase of properties continued

The assessment of current market conditions, including cost of project completion, future rental and occupancy rates and assessment of the projects capital structure and discount rates requires management to exercise its judgment. Management uses internal and external experts to exercise this judgment.

Impairment of goodwill

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life of property and equipment and investment properties

The cost of property and equipment and investment properties are depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of intangibles other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation.

Valuation of financial instruments

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Lease accounting under IFRS 16

The following are the critical judgments and estimates in the application of IFRS 16, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised;
- classification of lease arrangements (when the entity is a lessor);
- determination of the appropriate rate to discount the lease payments;
- assessment of whether a right-of-use asset is impaired.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Murabaha

Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price of al-masnoo to the customer and the Bank's total Istisna'a cost) is accounted for on a time apportioned basis.

Ijara

Ijara income is recognised on a time apportioned basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Musharaka

Income is accounted for on the basis of the reducing balance of Musharaka on a time apportioned basis that reflects the effective yield on the asset.

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the Bank's consolidated income statement on their declaration by the Mudarib.

Sukuk

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

Revenue from sale of properties, net

Revenue is recognized when (or as) the Group satisfies the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for transferring goods or services to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer).

Cost of sale of properties includes the cost of development. Development costs include the cost of infrastructure and construction.

Cost of sale of land represents the carrying amount at which it is recorded in the consolidated financial statements of the Group.

Fee and commission income

Fee income is earned from a diverse range of services provided by the Bank to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The Bank recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, Brokerage fees and commission);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, Projects and property management fees, arrangement fees and Accounts services fees; and
- Other fees and commission income and expense are recognised as the related services are performed or received.

Operating lease income

Operating lease income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Gain on sale of investments

Gain or loss on disposal of fair value through profit or loss investments represents the difference between the sale proceeds and the carrying value of such investments on the date of sale less any associated selling costs and is recognised through consolidated income statement.

Gain or loss on disposal of fair value through other comprehensive income investments represents the difference between sale proceeds and their original cost less associated selling costs and is recognised through consolidated statement of comprehensive income and are included within cumulative changes in fair value reserve within equity and not recognised in the consolidated income statement.

Dividends

Dividends from investments in equities are recognised when the right to receive the dividend is established.

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.

4 SIGNIFICANT ACCOUNTING POLICIES continued
Financial instruments continued
Recognition and measurement continued

The Group's customer financing comprise 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES continued
Financial instruments continued
Measurement continued

Financial assets or financial liabilities carried at amortised cost continued

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.

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.

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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Measurement continued

(i) Recognition / De-recognition continued

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

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.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, to the extent it is possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data such as market transactions, rental yields and audited financial statements.

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic benefit.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs (note 43).

Business combinations

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the cash and equity interests issued by the Bank in exchange for control of the acquiree. Acquisition related costs are recognised in consolidated income statement as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations continued

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates of amortisation are based upon the following estimated useful lives:

- Customer relationship 8 years
- Core deposit intangible 8 years

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units which are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Investment in joint ventures

The Group has investment in joint ventures, which are jointly controlled entities, whereby venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group's investment in joint ventures is accounted for using the equity method of accounting.

Under the equity method, the investment in the joint ventures is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The financial statements of the ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated income statement.

Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the assets' estimated useful lives. The useful life of buildings is estimated to be 25–40 years.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement.

Development properties

Properties in the course of construction for sale or completed properties held for sale are classified as development properties. Completed properties held for sale are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at lower of cost or net realizable value. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be complete when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is recorded at revalued amount in the consolidated financial statements.

Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

• Buildings	25–40 years
• Furniture and leasehold improvements	3–7 years
• Computer and office equipment	4–8 years
• Motor vehicles	4 years

The carrying values of properties and equipments are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

Capital work-in-progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated.

When an asset is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognized as income i.e., to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited directly to retained earnings.

Leases

In cases where Group is a Lessee, all leases and the associated contractual rights and obligations is generally recognize in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or lease payments relating to that lease recognised in the consolidated statement of financial position.

The recognised right-of-use assets are related to and included in property and equipment and corresponding lease liabilities under other liabilities the consolidated statement of financial positon.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The assumed finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period (the "finance cost on lease liabilities"). The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be determined, the lessee's incremental financing rate is used, being the rate that the lessee would have to pay to obtain financing for the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used weighted average incremental financing rate for calculating the net present value of lease liabilities.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Taxation

Provision is made for taxes at rates enacted or substantively enacted as at statement of financial position date on taxable profits of overseas branches in accordance with the fiscal regulations of the respective countries in which the Bank operates.

Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

Deposits

Customer deposits and due to banks and other financial institutions are carried at amortised cost.

Sukuk financing instruments

Sukuk financing instruments are initially measured at fair value and then are subsequently measured at amortised cost using the effective profit rate method, with profit distribution recognised on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit distribution over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employees' pension and end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are included within 'other liabilities' in the consolidated statement of financial position.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the consolidated income statement when due.

Shari'a compliant alternatives of derivative financial instruments

The Bank enters into a Shari'a compliant alternatives of derivative financial instruments to manage the exposure to profit rate risks, including unilateral promise which represents Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

The Bank enters into cash flows hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Cash flow hedges

The effective portion of changes in the fair value of Shari'a compliant alternatives of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognized immediately in the consolidated income statement. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a nonfinancial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in consolidated statement of comprehensive income within foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement on the disposal of the foreign operations.

Zakat

Zakat is calculated in accordance with AAOIFI's Shari'a Standard number 35 and the Group's Internal Shari'a Supervisory Committee's resolutions and guidance.

The portion of Zakat payable by the Bank on behalf of its Shareholders is calculated on 'legal reserve', 'general reserve', 'credit risk reserve', 'retained earnings' and other reserves including exchange translation reserve'.

In few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws and/or regulations either by taking provision or paying it to be paid to a governmental entity responsible of collecting Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total zakat amount payable by the bank on behalf of its shareholders and accordingly adjusted the Zakat amount per each outstanding share.

Zakat payable by the Shareholders directly represents the remaining Zakat amount after deducting the Zakat payable by the Bank on behalf of Shareholders.

Profit distribution

Profits or losses of Mudaraba based depositors' accounts are calculated and distributed in accordance with the Banking Service Agreement between the Bank and the investment account holders. Investment in subsidiaries is funded from the shareholders' funds, hence profit or losses from the subsidiaries are not distributed to the investment account holders. Investment in associates is funded jointly from the shareholders and investment account holders' funds, therefore, profits and losses of the associates are distributed among the shareholders and investment account holders. A part of the deserved profits relating to the Mudaraba based investment accounts profit can be reserved as "Profit Equalization Reserve" and shall be subsequently utilized in order to maintain certain level of profit distribution to the account holders.

The same allocation is applicable to Wakala deposits and any share of profit above the fixed Wakala fee and the initially expected profit agreed with the investment account holder, shall pertain to the Wakil (the Bank).

Cash and cash equivalents

For the purpose of preparation of the consolidated statement of cash flow, cash and cash equivalents are considered to be cash and balances with central banks, due from banks and international murabahat. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Trade and settlement date accounting

All "regular way" purchase and sales of financial assets are recognized on the settlement date, i.e. the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Prohibited income

According to the Internal Shari'a Supervisory Committee ("ISSC"), the Group is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Group under the supervision of the ISSC (as purification amount).

4 SIGNIFICANT ACCOUNTING POLICIES continued

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recorded in the other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the consolidated income statement in 'net fees and commission income' over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in 'credit loss expense'. Any financial guarantee liability remaining is recognized in the consolidated income statement in 'net fees and commission income' when the guarantee is discharged, cancelled or expires.

Segment reporting

The Bank has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to the management.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Treasury shares and contracts on own equity instruments

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in consolidated income statement on the purchase, sale, issue or cancellation of own equity instruments.

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

	2020 AED '000	2019 AED '000
Vehicle murabaha	**231,457**	242,751
Goods murabaha	**116,786**	150,745
Share murabaha	**957,506**	1,016,549
Commodities murabaha – Al Khair	**360,389**	413,467
Islamic covered cards (murabaha)	**283,780**	310,973
Other murabaha	**182,650**	152,234
Total murabaha	**2,132,568**	2,286,719
Mudaraba	**387**	386
Wakala	**23,049**	19,868
Ijara	**1,609,601**	2,188,245
Istisna'a	**219**	4,947
	3,765,824	4,500,165

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	2020 AED '000	2019 AED '000
Income from sukuk measured at fair value through profit or loss	**52,998**	60,850
Income from sukuk measured at fair value through other comprehensive income	**55,595**	19,890
Realised (loss) gain on investments carried at fair value through profit or loss	**(4,004)**	21,828
Unealised gain on investments carried at fair value through profit or loss	**30,207**	27,683
Realised gain on sukuk carried at fair value through other comprehensive income	**32,092**	896
Loss from other investment assets	**(2,736)**	(265)
Dividend income	**495**	119
	164,647	131,001

7 FEES AND COMMISSION INCOME, NET

	2020 AED '000	2019 AED '000
FEES AND COMMISSION INCOME		
Fees and commission income on cards	**709,865**	851,984
Trade related fees and commission	**63,420**	81,718
Takaful related fees	**156,209**	139,633
Accounts services fees	**76,300**	69,799
Projects and property management fees	**40,926**	48,460
Risk participation and arrangement fees	**120,688**	118,695
Brokerage fees and commission	**20,866**	14,789
Other fees and commissions	**358,997**	374,015
Total fees and commission income	**1,547,271**	1,699,093
FEES AND COMMISSION EXPENSES		
Card related fees and commission expenses	**(498,215)**	(542,338)
Other fees and commission expenses	**(56,893)**	(73,485)
Total fees and commission expenses	**(555,108)**	(615,823)
Fees and commission income, net	**992,163**	1,083,270

8 INCOME FROM INVESTMENT PROPERTIES

	2020 AED '000	2019 AED '000
Proceeds from sale of investment properties	**25,900**	11,477
Less: net book value of properties sold	**(13,605)**	(9,113)
Gain on sale of investment properties	**12,295**	2,364
Rental income (note 22)	**38,030**	37,848
	50,325	40,212

9 EMPLOYEES' COSTS

	2020 AED '000	2019 AED '000
Salaries and wages	**1,365,404**	1,391,292
End of service benefits	**65,485**	68,351
Other staff expenses	**77,323**	70,027
	1,508,212	1,529,670

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 AED '000	2019 AED '000
Legal and professional expenses	**122,134**	159,591
Premises expenses	**102,813**	150,656
Marketing and advertising expenses	**57,789**	70,577
Communication expenses	**82,558**	85,093
Technology related expenses	**161,549**	129,307
Finance cost on lease liabilities	**9,629**	16,040
Other operating expenses	**83,374**	143,662
	619,846	754,926

11 PROVISION FOR IMPAIRMENT, NET

	Notes	2020 AED '000	2019 AED '000
Murabaha and other Islamic financing	42.2.6	**417,203**	240,268
Ijara financing	42.2.6	**696,546**	218,880
Direct write-off, net of recoveries		**8,821**	17,554
Investment in sukuk measured at amortised cost		**59,011**	5,579
Investment properties	22	**625**	33,629
Development properties	23	**31,148**	90,796
Others		**100,758**	51,390
		1,314,112	658,096

12 DISTRIBUTION TO DEPOSITORS

	2020 AED '000	2019 AED '000
Saving accounts	**184,407**	203,440
Investment accounts	**317,951**	609,771
	502,358	813,211

13 BASIC AND DILUTED EARNINGS PER SHARE

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

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

13 BASIC AND DILUTED EARNINGS PER SHARE continued

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

	Notes	2020	2019
Profit for the year attributable to equity holders (AED '000)		1,602,828	2,600,096
Less: profit attributable to Tier 1 sukuk holder			
– Listed (second issue) (AED '000)	34	(196,250)	(196,250)
– Government of Abu Dhabi (AED '000)	34	(85,646)	(107,479)
Profit for the year attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		1,320,932	2,296,367
Weighted average number of ordinary shares at 31 December in issue (000's)		3,632,000	3,632,000
BASIC AND DILUTED EARNINGS PER SHARE (AED)		0.364	0.632

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.

14 CASH AND BALANCES WITH CENTRAL BANKS

	2020 AED '000	2019 AED '000
Cash on hand	1,541,178	2,047,920
Balances with central banks:		
– Current accounts	1,023,920	1,154,579
– Statutory reserve	9,013,897	11,317,264
– Islamic certificate of deposits	8,000,529	5,306,867
	19,579,524	19,826,630
Less: provision for impairment	—	(3,221)
	19,579,524	19,823,409

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:

	2020 AED '000	2019 AED '000
UAE	18,217,266	18,081,793
Rest of the Middle East	1,187,942	1,677,254
Europe	—	772
Others	174,316	66,811
	19,579,524	19,826,630

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

	2020 AED '000	2019 AED '000
Current accounts	430,049	326,124
Wakala deposits	1,871,662	1,965,780
	2,301,711	2,291,904
Less: provision for impairment	(14,577)	(8,662)
	2,287,134	2,283,242

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.

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

	2020 AED '000	2019 AED '000
UAE	143,180	364,159
Rest of the Middle East	1,250,374	758,025
Europe	142,506	115,300
Others	765,651	1,054,420
	2,301,711	2,291,904

16 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	2020 AED '000	2019 AED '000
Murabaha	132,912	1,080,052
Less: provision for impairment	(48)	(25)
	132,864	1,080,027

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:

	2020 AED '000	2019 AED '000
UAE	45,096	910,892
Rest of the Middle East	87,816	169,160
	132,912	1,080,052

17 MURABAHA AND OTHER ISLAMIC FINANCING

	2020 AED '000	2019 AED '000
Vehicle murabaha	**5,041,904**	5,137,909
Goods murabaha	**5,845,608**	5,325,180
Share murabaha	**16,027,978**	16,711,237
Commodities murabaha – Al Khair	**7,049,669**	7,503,812
Islamic covered cards (murabaha)	**11,444,899**	13,900,837
Other murabaha	**5,686,406**	4,009,034
Total murabaha	**51,096,464**	52,588,009
Mudaraba	**28,379**	51,741
Wakala	**1,096,471**	725,260
Istisna'a	**93,950**	95,005
Other financing receivables	**60,676**	151,737
Total murabaha and other Islamic financing	**52,375,940**	53,611,752
Less: deferred income on murabaha	**(14,423,716)**	(17,302,308)
	37,952,224	36,309,444
Less: provision for impairment	**(1,974,133)**	(1,681,879)
	35,978,091	34,627,565

17 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	2020 AED '000	2019 AED '000
INDUSTRY SECTOR:		
Government	**294,591**	—
Public sector	**3,263,132**	1,650,049
Corporates	**2,011,543**	3,494,594
Financial institutions	**1,441,073**	1,148,847
Individuals	**30,597,204**	29,681,000
Small and medium enterprises	**344,681**	334,954
	37,952,224	36,309,444
GEOGRAPHIC REGION:		
UAE	**34,309,824**	33,760,148
Rest of the Middle East	**1,584,497**	1,443,423
Europe	**1,512,329**	824,303
Others	**545,574**	281,570
	37,952,224	36,309,444

Provision for impairment on murabaha and other Islamic financing have been disclosed in further detail in note 42.2.6.

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.

	2020 AED '000	2019 AED '000
The aggregate future lease receivables are as follows:		
Due within one year	**10,041,304**	8,564,571
Due in the second to fifth year	**21,777,280**	22,396,454
Due after five years	**30,437,991**	33,429,191
Total Ijara financing	**62,256,575**	64,390,216
Less: deferred income	**(12,802,018)**	(16,578,412)
Net present value of minimum lease payments receivable	**49,454,557**	47,811,804
Less: provision for impairment	**(2,023,287)**	(1,331,363)
	47,431,270	46,480,441

18 IJARA FINANCING continued

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

	2020 AED '000	2019 AED '000
INDUSTRY SECTOR:		
Government	—	1,058,190
Public sector	9,578,891	6,153,665
Corporates	17,725,429	18,000,803
Individuals	21,904,338	22,341,025
Small and medium enterprises	101,598	117,666
Non-profit organisations	144,301	140,455
	49,454,557	47,811,804
GEOGRAPHIC REGION:		
UAE	47,808,671	45,925,231
Rest of the Middle East	1,017,418	1,121,334
Europe	381,501	376,726
Others	246,967	388,513
	49,454,557	47,811,804

Provision for impairment on ijara financing have been disclosed in further detail in note 42.2.6.

19 INVESTMENT IN SUKUK MEASURED AT AMORTISED COST

	2020 AED '000	2019 AED '000
Sukuk – Quoted	10,440,082	10,689,314
Less: provision for impairment	(89,705)	(30,694)
	10,350,377	10,658,620

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

	2020 AED '000	2019 AED '000
UAE	7,930,840	7,811,319
Rest of the Middle East	2,093,403	1,911,829
Others	415,839	966,166
	10,440,082	10,689,314

20 INVESTMENTS MEASURED AT FAIR VALUE

	2020 AED '000	2019 AED '000
INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Quoted investments		
Equities	5,983	–
Sukuk	1,646,428	987,330
	1,652,411	987,330
INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Quoted investments		
Equities	25,693	30,293
Sukuk	1,638,636	1,101,745
	1,664,329	1,132,038
Unquoted investments		
Sukuk	72,437	76,535
Funds	34,365	37,244
Private equities	50,426	57,938
	157,228	171,717
	1,821,557	1,303,755
	3,473,968	2,291,085
Less: provision for impairment	(15,774)	(9,420)
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	3,458,194	2,281,665

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

	2020 AED '000	2019 AED '000
UAE	2,141,586	1,818,743
Rest of the Middle East	623,276	410,259
Europe	383	356
Others	708,723	61,727
	3,473,968	2,291,085

21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

	2020 AED '000	2019 AED '000
At 1 January	**1,296,784**	1,222,694
Share of results	**10,781**	15,202
Dividends received	**(10,416)**	(8,333)
Foreign currency translation	**20,620**	67,649
	1,317,769	1,297,212
Less: provision for impairment	**(16,107)**	(16,535)
At 31 December	**1,301,662**	1,280,677

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

	2020 AED '000	2019 AED '000
At 1 January	**16,535**	15,156
(Reversals) charge for the year (note 11)	**(428)**	1,379
At 31 December	**16,107**	16,535

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

		PROPORTION OF OWNERSHIP INTEREST		
	Place of incorporation	2020 %	2019 %	Principal activity
ASSOCIATES				
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	**30**	30	Real estate fund
JOINT VENTURES				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	**49**	49	Banking (under conversion to Islamic bank)
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

As of 31 December 2020, the Bank's share of the contingent liabilities and commitments of associates and joint ventures amounted to AED 1,324,465 thousand (2019: AED 1,293,123 thousand). The equity instruments of Abu Dhabi National Takaful PJSC are quoted in Abu Dhabi Securities Exchange, UAE and the quoted value of the Banks' share of investment at 31 December 2020 amounted to AED 162,490 thousand (2019: AED 139,575 thousand) and its carrying value as of 31 December 2020 amounted to AED 266,427 thousand (2019: AED 244,352 thousand).

22 INVESTMENT PROPERTIES

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

2020	Land AED '000	Other properties AED '000	Total AED '000
COST:			
Balance at 1 January	**988,572**	**541,159**	**1,529,731**
Disposals	**—**	**(22,424)**	**(22,424)**
Gross balance at 31 December	**988,572**	**518,735**	**1,507,307**
Less: provision for impairment	**(106,033)**	**(13,038)**	**(119,071)**
Net balance at 31 December	**882,539**	**505,697**	**1,388,236**
ACCUMULATED DEPRECIATION:			
Balance at 1 January	**—**	**69,849**	**69,849**
Charge for the year	**—**	**16,859**	**16,859**
Relating to disposals	**—**	**(8,819)**	**(8,819)**
Balance at 31 December	**—**	**77,889**	**77,889**
Net book value at 31 December	**882,539**	**427,808**	**1,310,347**

2019	Land AED '000	Other properties AED '000	Total AED '000
COST:			
Balance at 1 January	988,572	548,602	1,537,174
Disposals	—	(7,443)	(7,443)
Gross balance at 31 December	988,572	541,159	1,529,731
Less: provision for impairment	(106,033)	(12,413)	(118,446)
Net balance at 31 December	882,539	528,746	1,411,285
ACCUMULATED DEPRECIATION:			
Balance at 1 January	—	55,180	55,180
Charge for the year	—	17,076	17,076
Relating to disposals	—	(2,407)	(2,407)
Balance at 31 December	—	69,849	69,849
Net book value at 31 December	882,539	458,897	1,341,436

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 38,030 thousand (2019: AED 37,848 thousand).

22 INVESTMENT PROPERTIES continued

The fair values of investment properties at 31 December 2020 amounted to AED 1,517,814 thousand (2019: AED 1,415,236 thousand) are as per valuation conducted by professional valuers employed by a subsidiary of the Bank. The professional valuer is a member of various professional valuers' associations, and has appropriate qualifications and experience in the valuation of properties in the UAE. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

The valuation methodologies considered by external valuers include:

a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.

b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.

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

	Land AED '000	Other properties AED '000	Total AED '000
At 1 January 2019	73,092	11,725	84,817
Charge for the year (note 11)	32,941	688	33,629
At 1 January 2020	**106,033**	**12,413**	**118,446**
Charge for the year (note 11)	—	**625**	**625**
AT 31 DECEMBER 2020	**106,033**	**13,038**	**119,071**

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

	Land AED '000	Other properties AED '000	Total AED '000
2020:			
UAE	**980,358**	**440,846**	**1,421,204**
Rest of the Middle East	**8,214**	—	**8,214**
	988,572	**440,846**	**1,429,418**
2019:			
UAE	980,358	471,310	1,451,668
Rest of the Middle East	8,214	—	8,214
	988,572	471,310	1,459,882

23 DEVELOPMENT PROPERTIES

	2020 AED '000	2019 AED '000
Development properties	**837,381**	837,381
Less: provision for impairment	**(123,680)**	(92,532)
	713,701	744,849

23 DEVELOPMENT PROPERTIES continued

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

	2020 AED '000	2019 AED '000
At 1 January	**92,532**	1,736
Charge for the year (note 11)	**31,148**	90,796
At 31 December	**123,680**	92,532

Development properties include land with a carrying value of AED 676,320 thousand (2019: AED 707,468 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

24 OTHER ASSETS

	2020 AED '000	2019 AED '000
Acceptances	**258,622**	115,745
Assets acquired in satisfaction of claims	**88,737**	200,910
Trade receivables	**243,212**	189,596
Prepaid expenses	**613,289**	749,150
Accrued profit	**223,727**	189,780
Advance to contractors	—	46,777
Other receivables (note 40)	**183,625**	183,625
Positive fair value of Shari'a compliant alternatives of derivative financial instruments (note 37)	**2,796**	2,336
Others, net	**1,206,601**	1,182,817
	2,820,609	2,860,736

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.

25 PROPERTY AND EQUIPMENT

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work-in progress AED '000	Right -of use assets AED '000	Total AED '000
2020								
Cost or revaluation:								
At 1 January	291,178	768,222	538,857	1,548,252	9,378	309,135	402,026	3,867,048
Exchange differences / other adjustments	—	—	(4,932)	(4,525)	(144)	2	(37,953)	(47,552)
Additions	—	13,173	58,471	37,625	674	146,736	17,051	273,730
Transfers from capital work-in-progress	—	—	56	117,638	—	(117,694)	—	—
Disposals	—	—	(24,784)	(19,719)	(77)	—	—	(44,580)
	291,178	781,395	567,668	1,679,271	9,831	338,179	381,124	4,048,646
Less: provision for impairment	—	(1,487)	—	—	—	—		(1,487)
At 31 December	**291,178**	**779,908**	**567,668**	**1,679,271**	**9,831**	**338,179**	**381,124**	**4,047,159**
Depreciation:								
At 1 January	—	95,693	387,054	1,045,919	7,789	—	60,473	1,596,928
Exchange differences / other adjustments	—	—	(6,918)	(4,543)	1,016	—	1,607	(8,838)
Charge for the year	—	23,477	48,221	113,332	1,026	—	64,275	250,331
Relating to disposals	—	—	(24,784)	(17,756)	—	—	—	(42,540)
At 31 December	**—**	**119,170**	**403,573**	**1,136,952**	**9,831**	**—**	**126,355**	**1,795,881**
Net book value:								
At 31 December	**291,178**	**660,738**	**164,095**	**542,319**	**—**	**338,179**	**254,769**	**2,251,278**
2019								
Cost or revaluation:								
At 1 January	291,178	737,860	528,797	1,300,245	15,225	287,489	—	3,160,794
Exchange differences / other adjustments	—	—	338	329	2	1	—	670
Additions	—	—	1,218	6,379	70	301,810	402,026	711,503
Transfers from capital work-in-progress	—	30,362	8,504	241,299	—	(280,165)	—	—
Disposals	—	—	—	—	(5,919)	—	—	(5,919)
	291,178	768,222	538,857	1,548,252	9,378	309,135	402,026	3,867,048
Less: provision for impairment	—	(1,455)	—	—	—	—		(1,455)
At 31 December	291,178	766,767	538,857	1,548,252	9,378	309,135	402,026	3,865,593
Depreciation:								
At 1 January	—	72,683	347,214	859,619	11,162	—	—	1,290,678
Exchange differences / other adjustments	—	—	518	290	2	—	195	1,005
Charge for the year	—	23,010	39,322	186,010	1,007	—	60,278	309,627
Relating to disposals	—	—	—	—	(4,382)	—	—	(4,382)
At 31 December	—	95,693	387,054	1,045,919	7,789	—	60,473	1,596,928
Net book value:								
At 31 December	291,178	671,074	151,803	502,333	1,589	309,135	341,553	2,268,665

26 GOODWILL AND INTANGIBLES

		Other intangible assets		
	Goodwill AED '000	Customer relationships AED '000	Core deposit AED '000	Total AED '000
At 1 January 2019	109,888	167,157	33,546	310,591
Amortisation during the year	—	(45,600)	(9,152)	(54,752)
At 1 January 2020	**109,888**	**121,557**	**24,394**	**255,839**
Amortisation during the year	**—**	**(45,600)**	**(9,152)**	**(54,752)**
At 31 December 2020	**109,888**	**75,957**	**15,242**	**201,087**

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.

Impairment assessment of goodwill
No impairment losses on goodwill were recognised during the year ended 31 December 2020 (2019: Nil).

The recoverable amounts have been assessed based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of this operating division.

The recoverable amount of goodwill of cash generating unit, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% (2019: 2%) applied thereafter. The forecast cash flows have been discounted at a rate of 4.5% (2019: 5.7%).

Sensitivity to a one percentage point changes in the discount rate or the terminal growth rate and based on the results; management believes that no reasonably possible change in any of the above mentioned key assumptions would cause the carrying value to exceed the recoverable amount.

27 DUE TO FINANCIAL INSTITUTIONS

	2020 AED '000	2019 AED '000
Current accounts	**2,795,295**	1,135,800
Funding under the CBUAE TESS	**665,000**	—
Investment deposits	**280,356**	1,279,482
	3,740,651	2,415,282
Current account – Central Bank of UAE	**32,594**	46,196
	3,773,245	2,461,478

Funding under the CBUAE Targeted Economic Support Scheme (TESS) program availed by the Group amounts to AED 665,000 thousand (2019: nil) which has been fully utilized to provide payment relief to the impacted customers.

The distribution of due to financial institutions by geographic region was as follows:

	2020 AED '000	2019 AED '000
UAE	**714,312**	567,084
Rest of the Middle East	**1,077,991**	653,072
Europe	**65,136**	73,401
Others	**1,915,806**	1,167,921
	3,773,245	2,461,478

28 DEPOSITORS' ACCOUNTS

	2020 AED '000	2019 AED '000
Current accounts	**31,512,411**	30,717,575
Investment accounts	**69,079,821**	70,008,852
Profit equalisation reserve	**683,896**	677,848
	101,276,128	101,404,275

The movement in the profit equalisation reserve during the year was as follows:

	2020 AED '000	2019 AED '000
At 1 January	**677,848**	601,293
Share of profit for the year	**41,822**	78,223
Paid during the year	**(35,774)**	(1,668)
At 31 December	**683,896**	677,848

28 DEPOSITORS' ACCOUNTS continued

The distribution of the gross depositors' accounts by industry sector, geographic region and currency was as follows:

	2020 AED '000	2019 AED '000
INDUSTRY SECTOR:		
Government	**9,892,653**	6,930,975
Public sector	**7,639,002**	14,343,606
Corporates	**6,028,698**	9,465,149
Financial institutions	**1,393,956**	937,135
Individuals	**64,388,678**	57,380,650
Small and medium enterprises	**9,265,891**	9,448,494
Non-profit organisations	**2,667,250**	2,898,266
	101,276,128	101,404,275
GEOGRAPHIC REGION:		
UAE	**97,979,972**	96,046,522
Rest of the Middle East	**1,558,781**	3,911,689
Europe	**404,750**	593,075
Others	**1,332,625**	852,989
	101,276,128	101,404,275
CURRENCIES		
UAE Dirham	**87,279,150**	81,109,373
US Dollar	**12,469,964**	16,491,289
Euro	**666,191**	825,036
Sterling Pound	**315,916**	721,062
Others	**544,907**	2,257,515
	101,276,128	101,404,275

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).

29 OTHER LIABILITIES

	2020 AED '000	2019 AED '000
Accounts payable	**339,269**	357,796
Acceptances	**258,622**	115,745
Lease liabilities	**265,549**	350,778
Accrued profit for distribution to depositors and sukuk holders	**210,342**	254,246
Bankers' cheques	**542,148**	331,479
Provision for staff benefits and other expenses	**414,079**	413,449
Retentions payable	**11,005**	15,315
Advances from customers	**60,008**	56,373
Accrued expenses	**415,256**	410,374
Unclaimed dividends	**93,249**	100,748
Deferred income	**108,017**	108,986
Charity account	**2,531**	1,931
Donation account	**18,627**	41,527
Zakat payable (note 38)	**193,758**	—
Negative fair value of Shari'a compliant alternatives of derivative financial instruments (note 37)	**—**	1,799
Others	**672,421**	457,455
	3,604,881	3,018,001

30 SHARE CAPITAL

	2020 AED '000	2019 AED '000
AUTHORISED SHARE CAPITAL:		
4,000,000 thousand (2019: 4,000,000 thousand) ordinary shares of AED 1 each (2019: AED 1 each)	**4,000,000**	4,000,000
ISSUED AND FULLY PAID SHARE CAPITAL:		
3,632,000 thousand (2019: 3,632,000 thousand) ordinary shares of AED 1 each (2019: AED 1 each)	**3,632,000**	3,632,000

31 RESERVES

31.1 Legal reserve

As required by the Federal Law No. 2 of 2015, concerning Commercial Companies and the Articles of Association of the Bank and its subsidiaries, 10% of the profit for the year is transferred to the legal reserve. The Bank shall resolve to discontinue such annual transfers as the reserve equals to or more than 50% of the paid up share capital of the Bank. The legal reserve is not available for distribution to the shareholders.

As per Article 203 of UAE Federal Commercial Companies Law No. 8 of 1984 (as amended), the Bank has transferred the share premium amounting to AED 1,529,412 thousand to the legal reserve. As the balance of the reserve exceeds 50% of the total paid up share capital, no transfer to the legal reserve has been made from the profit during the year for the Bank.

During 2018, the Bank has transferred the share premium amounting to AED 538,240 thousand pertaining to the right share issue of 464,000 to the legal reserve after the shareholders' approval in the General Assembly meeting held on 19 August 2018.

During 2015, the Bank has transferred the share premium amounting to AED 336,000 thousand pertaining to the right share issue of 168,000 to the legal reserve after the shareholders' approval in the Extra Ordinary General meeting held on 28 June 2015.

31.2 General reserve

Under Article 57(2) of the Bank's Articles of Association, the Annual General Assembly of the Bank, upon recommendation of the Board of Directors, have resolved to transfer 10% of the profit for the year to the general reserve. This reserve shall be used in the future for purposes determined by the shareholders' General Assembly upon the recommendation of the Board of Directors.

31.3 Credit risk reserve

Upon the recommendation of the Board of Directors, the Bank has established a special reserve for credit risk which is subject to the approval by the shareholders in the Annual General Assembly. Contributions to the reserve are voluntary.

32 DIVIDEND

Cash dividend of 27.38% of the paid up capital relating to year ended 31 December 2019 amounting to AED 994,313 thousand was paid after the approval by the shareholders in the Annual General Assembly held on 29th March 2020.

33 OTHER RESERVES

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency reserve AED '000	Hedging reserve AED '000	Impairment reserve – Specific AED '000	Impairment reserve – General AED '000	Total AED '000
At 1 January 2019	(205,864)	192,700	(845,302)	(6,983)	—	—	(865,449)
Net movement in valuation of equity investment carried at FVTOCI	24,811	—	—	—	—	—	24,811
Net movement in valuation of investment in sukuk carried at FVTOCI	12,847	—	—	—	—	—	12,847
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(896)	—	—	—	—	—	(896)
Exchange differences arising on translation of foreign operations	—	—	62,159	—	—	—	62,159
Loss on hedge of foreign operations	—	—	(8,002)	—	—	—	(8,002)
Fair value gain on cash flow hedges	—	—	—	9,319	—	—	9,319
Net movement in impairment reserve – General	—	—	—	—	—	403,436	403,436
AT 1 JANUARY 2020	(169,102)	192,700	(791,145)	2,336	—	403,436	(361,775)
Net movement in valuation of equity investment carried at FVTOCI	(12,148)	—	—	—	—	—	(12,148)
Net movement in valuation of investment in sukuk carried at FVTOCI	69,596	—	—	—	—	—	69,596
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(32,092)	—	—	—	—	—	(32,092)
Exchange differences arising on translation of foreign operations	—	—	(53,232)	—	—	—	(53,232)
Loss on hedge of foreign operations	—	—	(16,990)	—	—	—	(16,990)
Fair value loss on cash flow hedges	—	—	—	(2,336)	—	—	(2,336)
Net movement in impairment reserve – Specific	—	—	—	—	61,662	—	61,662
Net movement in impairment reserve – General	—	—	—	—	—	(7,451)	(7,451)
AT 31 DECEMBER 2020	(143,746)	192,700	(861,367)	—	61,662	395,985	(354,766)

34 TIER 1 SUKUK

	2020 AED '000	2019 AED '000
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
	4,754,375	4,754,375

34 TIER 1 SUKUK continued

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.

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.

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. The Sukuk-Gov is callable by the Bank subject to certain conditions. The Sukuk-Gov bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, 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.

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.

35 NON-CONTROLLING INTEREST

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of subsidiaries.

36 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.

36 CONTINGENT LIABILITIES AND COMMITMENTS continued

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

	2020 AED '000	2019 AED '000
CONTINGENT LIABILITIES		
Letters of credit	**6,898,871**	5,423,240
Letters of guarantee	**6,254,485**	6,958,297
	13,153,356	12,381,537
COMMITMENTS		
Undrawn facilities commitments	**582,694**	612,618
Future capital expenditure	**172,206**	154,642
Investment and development properties	**4,986**	4,885
	759,886	772,145
	13,913,242	13,153,682

37 SHARI'A COMPLIANT ALTERNATIVES OF DERIVATIVE FINANCIAL INSTRUMENTS

Shari'a compliant alternatives of swaps are based on a unilateral Wa'ad (promise) structure between two parties to buy a specific Shari'a compliant commodity at an agreed price on an agreed date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. For Shari'a complaint alternatives of swap, counter parties enter into two separate and independent Murabaha transactions, the results of which are exchanged between them in a manner that enables one of them to receive the equivalent of the fixed reference rate and the other counterparty to receive the equivalent of the reference floating rate, where the profit payments are based on a notional value in a single currency.

The table below shows the fair values of Shari'a compliant alternatives of derivative financial instruments, together with the notional amounts analysed by term of maturity. The notional amount is based on the amount of the underlying transaction, reference rate or index and is the basis upon which changes in the value of transactions are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

	Positive fair value AED '000	Negative fair value AED '000	Notional amount AED '000	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000
31 DECEMBER 2020: NOTIONAL AMOUNT BY TERM TO MATURITY							
Shari'a compliant alternatives of swap (note 24, 29)	**2,796**	**—**	**8,548,616**	**5,423,646**	**307,090**	**2,164,853**	**653,027**
31 December 2019: Notional amount							
Shari'a compliant alternatives of swap (note 24, 29)	2,336	1,799	5,516,001	3,496,338	308,667	912,906	798,090

38 ZAKAT

As per management valuation of the Bank's net Zakatable assets, which are subject to Zakat in light of the guidance of ADIB's Internal Sharia Supervisory Committee, total Zakat amount payable by the Bank on behalf of Shareholders, based on Gregorian year, was estimated at AED 193,758 thousand (2019: AED 189,832 thousand) and accordingly, Zakat amount is estimated at AED 0.05335 (2019: AED 0.05227) per each outstanding share.

As required by CB UAE notice dated 03 August 2020 in relation to transfer of Zakat Monies to the Zakat fund in the UAE in accordance with the Cabinet Resolution No. (15/9) of 2020, Bank is required to pay Zakat and transfer 20% of total Zakat amount payable to the Zakat Fund in UAE. The 20% of total Zakat amount payable by the Bank on behalf of the Shareholders to the Zakat fund in UAE amounts to AED 38,752 thousand.

In few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by law either by taking provision or paying to a respective governmental entity responsible for collecting Zakat. Therefore, the Bank has acted according to the law and accounted for the payment of the due Zakat to these entities on behalf of the Shareholders and deducted such payable amounts from the above total Zakat amount payable by the Bank on behalf of its shareholders and accordingly adjusted the Zakat amount per each outstanding share.

Tier 1 Sukuk Zakat, based on Gregorian year, was estimated at AED 85,571 thousand (2019: AED 86,012 thousand) and accordingly, Zakat is estimated at AED 0.01800 (2019: AED 0.01809) per each AED dirham invested in Tier 1 Sukuk.

To assist the investors in ADIB Tier 1 Sukuk, the Bank has calculated their above Zakat amount. The payment of such Zakat amount is solely the responsibility of the investors in these Tier 1 Sukuk.

39 CASH AND CASH EQUIVALENTS

	2020 AED '000	2019 AED '000
Cash and balances with central banks, short term	**8,565,502**	7,303,370
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**1,452,398**	706,397
Murabaha and mudaraba with financial institutions, short term	**—**	664,582
Due to financial institutions, short term	**(3,088,244)**	(2,158,932)
	6,929,656	6,515,417

40 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 2016, 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 year has ranged from 0% to 9.9% (2019: 0% to 9.9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the year have ranged from 0% to 2.0% per annum (2019: 0% to 2.0% per annum).

40 RELATED PARTY TRANSACTIONS continued

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

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
31 DECEMBER 2020					
Income from murabaha, mudaraba and wakala with financial institutions	**—**	**—**	**19,877**	**—**	**19,877**
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	**52,213**	**2,495**	**—**	**68,846**	**123,554**
Fees and commission income, net	**1**	**—**	**1,245**	**2,629**	**3,875**
Operating expenses	**—**	**660**	**—**	**—**	**660**
Distribution to depositors and sukuk holders	**493**	**7**	**930**	**14**	**1,444**
31 December 2019					
Income from murabaha, mudaraba and wakala with financial institutions	—	—	18,903	—	18,903
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	52,470	573	—	82,133	135,176
Fees and commission income, net	—	—	2,311	7,340	9,651
Operating expenses	—	696	—	—	696
Distribution to depositors and sukuk holders	1,014	14	1,283	31	2,342

40 RELATED PARTY TRANSACTIONS continued

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

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
31 DECEMBER 2020					
Balances and wakala deposits with Islamic banks and other financial institutions	**—**	**—**	**319,585**	**—**	**319,585**
Murabaha and mudaraba with financial institutions	**—**	**—**	**88,105**	**—**	**88,105**
Murabaha, mudaraba, ijara and other Islamic financing	**2,651,377**	**56,147**	**—**	**3,189,047**	**5,896,571**
Other assets	**183,625**	**—**	**517,890**	**8,271**	**709,786**
	2,835,002	**56,147**	**925,580**	**3,197,318**	**7,014,047**
Due to financial institutions	**—**	**—**	**5,128**	**—**	**5,128**
Depositors' accounts	**129,170**	**7,987**	**253,856**	**34,790**	**425,803**
Other liabilities	**1**	**—**	**23**	**8,272**	**8,296**
	129,171	**7,987**	**259,007**	**43,062**	**439,227**
Contingencies	**—**	**—**	**19,601**	**91,510**	**111,111**
31 December 2019					
Balances and wakala deposits with Islamic banks and other financial institutions	—	—	319,585	—	319,585
Murabaha and mudaraba with financial institutions	—	—	169,057	—	169,057
Murabaha, mudaraba, ijara and other Islamic financing	2,599,153	56,000	—	3,221,131	5,876,284
Other assets	183,625	—	496,667	2,204	682,496
	2,782,778	56,000	985,309	3,223,335	7,047,422
Due to financial institutions	—	—	9,330	—	9,330
Depositors' accounts	45,632	7,192	225,258	34,935	313,017
Other liabilities	476	—	31	2,204	2,711
	46,108	7,192	234,619	37,139	325,058
Contingencies	—	—	15,264	150,289	165,553

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).

40 RELATED PARTY TRANSACTIONS continued

Compensation of key management personnel

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

	2020 AED '000	2019 AED '000
Salaries and other benefits	**28,970**	34,735
Employees' end of service benefits	**2,263**	2,917
	31,233	37,652

During 2020, AED 7,350 thousand was paid to Board of Directors pertaining to the year ended 31 December 2019 after the approval by the shareholders in the Annual General Assembly held on 29 March 2020.

41 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.

41 SEGMENT INFORMATION continued

Business segments information for the year ended 31 December 2020 were as follows:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
REVENUE AND RESULTS							
Segment revenues, net	3,238,515	938,270	134,925	599,405	71,507	375,543	5,358,165
Operating expenses excluding provision for impairment, net	(1,848,296)	(321,873)	(58,469)	(42,612)	(66,411)	(112,339)	(2,450,000)
Operating profit (margin)	1,390,219	616,397	76,456	556,793	5,096	263,204	2,908,165
Provision for impairment, net	(117,247)	(981,974)	(15,381)	(9,748)	(31,773)	(157,989)	(1,314,112)
PROFIT (LOSS) FOR THE YEAR BEFORE ZAKAT AND TAX	1,272,972	(365,577)	61,075	547,045	(26,677)	105,215	1,594,053
Zakat and tax	18,477	(8,569)	—	—	—	—	9,908
PROFIT (LOSS) FOR THE YEAR AFTER ZAKAT AND TAX	1,291,449	(374,146)	61,075	547,045	(26,677)	105,215	1,603,961
Non-controlling interest	—	—	—	—	—	(1,133)	(1,133)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	1,291,449	(374,146)	61,075	547,045	(26,677)	104,082	1,602,828
ASSETS							
Segmental assets	53,559,868	36,017,012	4,376,098	24,884,974	2,135,387	6,842,799	127,816,138
LIABILITIES							
Segmental liabilities	71,403,278	22,787,507	5,405,937	4,700,564	249,473	4,107,495	108,654,254

41 SEGMENT INFORMATION continued

Business segments information for the year ended 31 December 2019 were as follows:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
REVENUE AND RESULTS							
Segment revenues, net	3,665,893	1,066,967	144,272	487,271	67,546	483,262	5,915,211
Operating expenses excluding provision for impairment, net	(1,970,225)	(352,978)	(64,609)	(41,390)	(67,627)	(156,222)	(2,653,051)
Operating profit (margin)	1,695,668	713,989	79,663	445,881	(81)	327,040	3,262,160
Provision for impairment, net	(325,645)	(129,296)	4,710	(4,427)	(124,425)	(79,013)	(658,096)
PROFIT (LOSS) FOR THE YEAR BEFORE ZAKAT AND TAX	1,370,023	584,693	84,373	441,454	(124,506)	248,027	2,604,064
Zakat and tax	—	(2,953)	—	—	—	—	(2,953)
PROFIT (LOSS) FOR THE YEAR AFTER ZAKAT AND TAX	1,370,023	581,740	84,373	441,454	(124,506)	248,027	2,601,111
Non-controlling interest	—	—	—	—	—	(1,015)	(1,015)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	1,370,023	581,740	84,373	441,454	(124,506)	247,012	2,600,096
ASSETS							
Segmental assets	58,288,566	33,537,292	3,724,363	20,235,282	2,070,398	8,131,270	125,987,171
LIABILITIES							
Segmental liabilities	64,304,876	21,407,814	4,021,615	12,517,948	229,577	4,401,924	106,883,754

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

	Global Retail banking AED '000	Global Wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Total AED '000
31 DECEMBER 2020							
Segment revenues, net	**3,070,894**	**1,014,926**	**110,374**	**971,453**	**71,507**	**119,011**	**5,358,165**
Inter-segment revenues, net	**167,621**	**(76,656)**	**24,551**	**(372,048)**	**—**	**256,532**	**—**
Total Segment revenues, net	**3,238,515**	**938,270**	**134,925**	**599,405**	**71,507**	**375,543**	**5,358,165**
31 December 2019							
Segment revenues, net	3,359,555	1,170,495	135,961	1,059,077	67,546	122,577	5,915,211
Inter-segment revenues, net	306,338	(103,528)	8,311	(571,806)	—	360,685	—
TOTAL SEGMENT REVENUES, NET	3,665,893	1,066,967	144,272	487,271	67,546	483,262	5,915,211

41 SEGMENT INFORMATION continued

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.

42 RISK MANAGEMENT

42.1 Introduction

The core business of a bank is to manage risk and provide returns to the shareholders in line with the accepted risk profile. Risk is inherent in all of the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls in accordance with regulatory and Board requirements. The Group is exposed principally to credit risk, liquidity risk, market risk and operational risk but other risks such as reputational risk, legal risk and the various risks defined by the Basel accord are also monitored and managed.

42.1.1 Risk management governance structure

The Board of Directors ("Board") continues to have overall responsibility for the establishment and oversight of the Bank's risk management framework, as well as for approving the Bank's overall risk appetite, and ensuring that business is conducted within this framework. The Board is the ultimate sanctioning authority. During 2015, the Board approved a corporate governance framework and refreshed the charters of the various Board committees.

Strategy Committee

The Strategy Committee is appointed by the Board and is responsible to guide the Group's Executive Management to develop the Group's strategic objectives and business strategy, conduct periodic review of the achievement of strategic objectives and business plans and direct corrective actions wherever required. In addition, this committee also acts as a conduit between the Board and senior management on business issues.

Risk and Investment Approval Committee

The Risk and Investment Approval Committee is appointed by the Board and is responsible for the approvals of the Group's risk exposures, high value transactions and major items of capital expenditure. In addition, the Committee is also responsible for monitoring credit portfolio quality and provisions.

Governance and Risk Policy Committee

The Governance and Risk Policy Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all of its subsidiaries and material affiliates:

- Review the risk profile of the Group keeping in view the requirement pertaining to enterprise risk management and to make recommendations to calibrate the risk profile of the Group in line with the applicable regulatory requirements, rating considerations and business strategy;
- Assist the Board in overseeing the Group's response to the risks it faces through the approval of the Group's risk policies and standards; and
- Review and recommend the corporate governance and risk management frameworks and risk strategy to the Board in alignment with the business growth requirements of the Group.

Audit Committee

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all its subsidiaries and material affiliates:

- Ensuring the integrity of the Group's consolidated financial statements and financial reporting process;
- To review the financial and internal control systems, quality assurance and risk management framework;
- To review the performance of the internal audit function;
- To review the internal controls over financial reporting and annual independent audit of the Group's consolidated financial statements;
- To recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
- To ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

The duties and responsibilities of the committees are governed by formally approved charters.

42 RISK MANAGEMENT continued

42.1 Introduction continued

42.1.2 The Group Risk Management ("GRM")

The Group Risk Management Group (GRM) is an independent risk organization that works in close partnership with the business units to support their activities, whilst safeguarding the risk profile of the Group as the second line of defense. The GRM is led by the Group Chief Risk Officer (GCRO) and has six main responsibilities:

- Ensure maintenance of an appropriate risk management framework and adherence to risk policies and procedures across the Group
- Ensure compliance with risk-related legal and regulatory guidelines in the UAE and in our overseas markets
- Maintain the primary relationship with local regulators with respect to risk-related issues
- Approve commercial and consumer financing transactions within its delegated authorities
- Maintain prudent risk control systems, models and processes, and
- Ensure a robust credit process is maintained in support of all business lines.

Reporting to the GCRO are senior, experienced risk specialists who manage specific areas of risk, including Wholesale Banking, Private Banking, Retail Banking, Operational Risk, Credit Control, Remedial Management, Enterprise Risk Management and Market Risk. GRM responsibilities extend across all the business units of the Bank in all of the geographies in which the Bank operates.

Credit Committee

All customer related business proposals are reviewed and approved by a credit committee with delegated authority approved by the Board. The credit committee consists of designated credit officers and senior credit officers appointed following a rigorous and extended process of qualification. These appointments are made by the Chief Executive Officer upon the recommendation of the GCRO. The credit approval process and the authorities vested with the committee members are laid out in the Bank's Credit Policy & Procedures Manual. The manual is revised periodically.

42.1.3 Risk measurement and reporting systems

In order to effectively monitor and control risks, the GRM maintains a capability that allows it to:

- Prepare portfolio reports across a range of indicators such as portfolio concentrations by geography, industry type, product and risk rating. which are used to analyse and monitor overall portfolio quality;
- Monitor the integrity and consistency of data, including risk ratings, risk migrations, exposures and losses, including the maintenance of a central loss database for the monitoring and analysis of losses;
- Set parameters to be used for the calculation of expected loss and risk capital requirements;
- Consolidate portfolio management data and reports for use by Executive Management and the Board; and
- Establish and maintain a set of early warning indicators to identify emerging risks.

Detailed reporting of industry, customer and geographic risks acquired takes place frequently. These reports are examined and discussed closely in a series of quarterly portfolio reviews held with senior business and risk managers. Decisions on risk appetite, adjustments to financing criteria and other initiatives are taken as a result of these meetings. Risk reports are presented to the Chief Executive Officer, the Governance & Risk Policy Committee and the Board regularly. Senior management assesses the adequacy of the provision for credit losses on a monthly basis.

The Group actively uses collateral to reduce its credit risks.

42.1.4 Risk concentration

The Bank seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses. It also obtains security when appropriate.

Details of the composition of the financing portfolio are provided in notes 17 and 18.

42.1.5 Group Internal Audit

Risk management processes throughout the Bank are reviewed periodically by the internal audit function that reviews both the adequacy of the procedures and the Bank's compliance with the procedures. Group Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee. The Head of Group Internal Audit has a direct reporting line to the Audit Committee thus demonstrating his independence and objectivity in all audit engagements undertaken within the Bank.

42 RISK MANAGEMENT continued

42.1 Introduction continued

42.1.6 Basel II / Internal Capital Adequacy Assessment Process ("ICAAP")

Since 2009, the UAE Central Bank, as part of the international Basel II regulatory regime, has required each UAE bank to submit a report on its internal capital adequacy assessment process – this is known as the "ICAAP". The Bank has prepared and submitted its ICAAP report in each of the past eleven years. The process aligns the Bank's risk appetite with its risk capacity which, in turn, produces an enterprise-wide set of risk limits within and relevant to the Bank's overall strategy.

42.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by the use of a focused target market discipline which defines who the Bank is prepared to deal with from a risk profile perspective and the use of risk acceptance criteria, which define what type and volume of risk the Bank is prepared to undertake with each counterparty. These critical tools are used in conjunction with close monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of all counterparties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

All commercial credit risk exposures are risk rated using Moody's Risk Analyst system, recognized as an industry wide standard. This platform supports a number of different rating models for various businesses which are now well embedded. Facility Risk Ratings are also applied. Consumer exposures are rated using application and behavioral scorecards.

Model risk management

For effective risk measurement, Group uses a range of risk quantification models such as customer risk rating/scoring, loss given default, market risk and stress testing models. These risk models are subject to the Group's model governance policy, which prescribes guidelines across the model life cycle and establishes principles and instructions to enable an effective decision process across stakeholders in order to develop and maintain high quality risk models at Group. The governance policy covers the following:

- The roles and responsibilities of stakeholders (Model Developer, Independent Validator, Approval Authority etc.);
- The minimum requirement for each of the model life cycle steps;
- The approval process; and
- The minimum documentation requirement.

Credit risk measurement

Group credit risk is measured in terms of expected credit loss (ECL), which 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 Bank has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group has developed a statistical model and for other portfolios judgmental models were developed.

Credit risk grading

The Group has designed a master rating scale, which has 22 risk grades reflecting assessment of default probability of the customer. The master rating scale comprises 19 performing grades and 3 non-performing grades.

For the Retail portfolios, the Group uses behavior scorecards, which includes recent payment behavior and other relevant relationship information available with the bank, to calculate credit score which is calibrated to PiT (Point-in-Time) PD.

Non Retail customers are rated using segment specific customer risk rating models, which uses financial and non-financial information related to the customer to arrive at a risk rating. The risk ratings are calibrated to PiT (Point-in-Time) PD for IFRS 9 based calculations.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

ECL measurement

The assessment of credit risk and the estimation of ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

As per the IFRS 9 requirements, Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over the next 12 months or effective remaining life of the facility. Expected Loss at any point in time of the life of the facility is calculated using the following formula:

Expected Credit Loss (ECL) = PD*EAD*LGD

For each facility the Group calculates ECL over two forecast periods:

- 12 Month: ECL is calculated using 12-month forward looking PD, LGD and EAD.
- Lifetime: ECL is calculated using Lifetime forward looking PD, LGD and EAD.

12 Month or Lifetime ECL for each facility is used depending on the stage of the facility, as explained below:

- **Stage1**: where no significant increase in credit risk is observed,12 month Expected Credit Loss (ECL) is recorded as impairment provision;
- **Stage2**: where significant increase in credit risk has been observed, Life-time ECL is recorded as impairment provision; and
- **Stage3**: where the exposure is defaulted or impaired, Life-time ECL is recorded as impairment provision.

Significant increase in credit risk ("SICR")

The stage allocation is determined by identifying a significant increase in credit risk since initial origination. The Group assesses when significant increase in credit risk has occurred based on the quantitative and qualitative assessments. The facilities are classified as stage 2 when they meet following criteria:

Quantitative criteria: Thresholds based on absolute PD or relative PD increase compared to origination have been defined for various portfolios, in order to determine the significant increase in credit risk. In addition to this the bank also uses rating migration since origination for non-retail customers.

Qualitative criteria: Independent of PD, the Group also uses qualitative information to assess the significant increase in credit risk. This includes information such as watch list classification and indicators of historic delinquency.

Backstop criteria: For retail customers, a backstop is applied and the facility is considered to have experienced a significant increase in credit risk if the finance customer is more than 30 days past due on its contractual payments.

For corporate customers, whenever there is a past due of 30 days, an individual assessment is made, whether there is a significant increase in credit risk.

For the cases where Group has experienced limitation on the information available at origination, certain proxy assumptions were made to estimate the rating at origination.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when it meets one or more of the following criteria:

Retail: A customer who is delinquent over 90 days past due will be classified as default or credit impaired.

Corporate: All customers currently classified/rated as below will be considered under default:

- Where classification is Substandard, Doubtful or Loss; or
- Risk Rating is D/8, D/9, and D/10; or
- Where a deal is delinquent over 90 days past due unless an exception is approved.

The customers are classified or downgraded in the above categories, based on a comprehensive assessment of the customer's credit quality. This assessment includes review of payment history, capacity to repay and financial health.

Curing

Assets can move back to Stage 1 from Stage 2 when they no longer meet the significant increase in credit risk criteria and have completed a probation period of 12 months, defined by the Group. Similarly for the movement from Stage 3 to Stage 2, for certain portfolios, the Group's policy include probation periods whereby assets remain in Stage 3 for periods of between three to twelve months. The policy also ensures that none of the assets can move back directly to Stage 1 from Stage 3.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

Measuring ECL – Explanations of input, assumptions and estimation techniques

As per IFRS 9, the ECL calculated for a facility should incorporate both current and forward-looking economic outlook over 12 months and over the remaining life of the facility.

The Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over forecast period (next 12 months or effective remaining life of the facility).

At the reporting date, a monthly ECL is estimated for each individual exposure for each month until the end of the forecast period. This is calculated as a simple multiplication of PD, LGD and EAD at each month. These monthly ECLs are discounted to the reporting date using the effective profit rate and the summation of these discounted monthly ECLs gives the ECL estimate. The lifetime ECL is the sum of the monthly ECLs over the remaining life, while the 12-month ECL is limited to the first 12 months.

The estimation methodology for three main components, PD, LGD and EAD is explained below:

Probability of Default (PD):

Retail: The 12 month PD for each facility is based on behaviour scores which are calibrated to recent portfolio performance in order to reflect the Point in Time PDs. In cases where sufficient performance history is not available to calculate the behaviour score, the Bank has used pool level PDs.

Based on historical data, the Group has developed lifetime default rate evolution curves for various portfolios and segments. To get the macro-economic adjusted lifetime PD term structure, the lifetime curves are multiplied by the macro-economic scalars, derived using t he macro-economic overlay models developed by the Group.

Non-Retail: PDs for corporate customers are driven by the risk rating generated from respective rating models. Historical default rates of different segments have been used to develop PD macroeconomic overlay models. The PDs forecasted from the models are then converted to cumulative PD using survival analysis concept and a marginal PD is derived.

Loss Given Default (LGD):

Retail: The LGD models are based on the cash recovery estimates. For secured products recoveries from collateral are also considered.

For unsecured products and segments within, the Group has developed recovery curves over the workout period based on the historical recovery experience. For each facility the LGD is calculated using those recovery curves with an adjustment for macro-economic outlook.

For secured products, the LGD is based on the current/future collateral value adjusted for depreciation or House Price Index (HPI).

Non-Retail: ADIB uses an off-the-shelf model, calibrated on the Group's portfolio, to calculate unsecured LGD. Secured LGD is then calculated after taking the benefit of the assigned collaterals. The LGDs are adjusted for macroeconomic outlook.

Exposure at Default (EAD):

The EAD is the amount which the Bank expects a customer to owe in the event of default. The EAD depends on the product type:

- For amortizing products, this is based on the contractual payments over the forecast period; and
- For revolving/off-balance products, this is estimated as a combination of current exposure and credit conversion factor applied on the undrawn portion of the limit.

The Group applies a management overlay for cases where models are unable to capture customer's idiosyncrasies. These overlays are discussed and approved by appropriate management committee of the Group.

Forward-looking information incorporated in the ECL model

As per IFRS 9 requirements, forward looking economic outlook has also been incorporated in the loss calculations. The Group has developed a macro-economic overlay models by performing statistical analysis to establish a historical relationship of macro-economic variables with PD and components of LGD. These models depend on various variables such as Oil Price, GDP and Real Estate price etc. The macro-economic models are used to adjust the PD and LGD calculated from the base models. In addition to ECL calculations, the forward looking lifetime PD is used to determine the significant increase in credit risk.

The Group sources the macro-economic scenarios data from an external vendor, which uses scenarios built based on the current market conditions and outlook of their economic team. The Group uses three macro-economic scenarios and a weightage has been assigned to each scenario.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

Forward-looking information incorporated in the ECL model continued

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at December 31, 2020 for the years 2021 to 2025, for UAE which is the country where the Group operates and therefore is the country that has a material impact on ECLs.

Macro variables used	Definition	Range
Oil Price, Brent USD	Price per barrel	Between USD 24 and USD 74
Domestic Real GDP Growth	% change	Between -9% and 11%
House Price Index	% change	Between -16% and 8%
Private Consumption	% change	Between -10% and 9%
Domestic Demand	% change	Between -7% and 12%

Credit risk monitoring

For IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by an appropriate management committee.

Risks of the Group's credit portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

Group credit risk mitigation strategy

The Group operates within prudential exposure ceilings set by the Board in line with UAE Central Bank guidelines. There are well laid out processes for exception management and escalation.

The Group has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

Collateral management

Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed and the Bank seeks to ensure enforceability of the collateral. Major categories of collaterals include cash/ fixed deposits, inventories, shares, guarantees (corporate, bank and personal guarantees), immovable properties, receivables and vehicles.

Collaterals are revalued regularly as per the bank's credit policy. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letters of guarantee. They expose the Bank to similar risks as financing and these are mitigated by the same control processes and policies.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements

		Gross maximum exposure	
	Notes	2020 AED '000	2019 AED '000
Balances and wakala deposits with Islamic banks and other financial institutions	15	**2,301,711**	2,291,904
Murabaha and mudaraba with financial institutions	16	**132,912**	1,080,052
Murabaha and other Islamic financing	17	**37,952,224**	36,309,444
Ijara financing	18	**49,454,557**	47,811,804
Investment in sukuk measured at amortised cost	19	**10,440,082**	10,689,314
Investments measured at fair value	20	**3,357,501**	2,165,610
Other assets		**1,953,911**	1,756,297
		105,592,898	102,104,425
Contingent liabilities	36	**13,153,356**	12,381,537
Commitments	36	**582,694**	612,618
Total		**13,736,050**	12,994,155
TOTAL CREDIT RISK EXPOSURE		**119,328,948**	115,098,580

42.2.2 Credit risk concentration

Concentration of risk is managed by customer/counterparty, by geographical region and by industry sector. The credit exposure to the top 5 customers as of 31 December 2020 was AED 8,819,327 thousand (2019: AED 8,761,264 thousand) before taking account of collateral or other credit enhancements.

The concentration of the Group's assets and liabilities by geographical segment is based primarily upon the location of the counter party.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.2 Credit risk concentration continued

The distribution of the Group's financial assets which are subject to credit risk by geographic region is as follows:

	Balances and wakala deposits with Islamic banks and other financial institutions AED '000	Murabaha and mudaraba with financial institutions AED '000	Murabaha and other Islamic financing AED '000	Ijara financing AED '000	Investment in sukuk measured at amortised cost AED '000	Investments measured at fair value AED '000	Other assets AED '000	Total AED '000
31 DECEMBER 2020								
UAE	**143,180**	**45,096**	**34,309,824**	**47,808,671**	**7,930,840**	**2,076,950**	**1,872,344**	**94,186,905**
Rest of Middle East	**1,250,374**	**87,816**	**1,584,497**	**1,017,418**	**2,093,403**	**588,776**	**81,567**	**6,703,851**
Europe	**142,506**	**—**	**1,512,329**	**381,501**	**—**	**—**	**—**	**2,036,336**
Others	**765,651**	**—**	**545,574**	**246,967**	**415,839**	**691,775**	**—**	**2,665,806**
Financial assets subject to credit risk	**2,301,711**	**132,912**	**37,952,224**	**49,454,557**	**10,440,082**	**3,357,501**	**1,953,911**	**105,592,898**
31 December 2019								
UAE	364,159	910,892	33,760,148	45,925,231	7,811,319	1,743,068	1,670,554	92,185,371
Rest of Middle East	758,025	169,160	1,443,423	1,121,334	1,911,829	372,759	85,743	5,862,273
Europe	115,300	—	824,303	376,726	—	—	—	1,316,329
Others	1,054,420	—	281,570	388,513	966,166	49,783	—	2,740,452
Financial assets subject to credit risk	2,291,904	1,080,052	36,309,444	47,811,804	10,689,314	2,165,610	1,756,297	102,104,425

The credit risk arising from off-balance sheet items mentioned in note 42.2.1 are mainly relating to the UAE.

The distribution of the Group's financial assets by industry sector is as follows:

	2020 AED '000	2019 AED '000
Government	**5,423,432**	5,020,018
Public sector	**13,350,004**	7,840,439
Financial institutions	**8,356,652**	8,713,900
Trading and manufacturing	**5,249,055**	6,765,279
Construction and real estate	**7,373,596**	6,416,301
Energy	**684,750**	186,569
Personal	**52,599,676**	52,155,145
Others	**12,555,733**	15,006,774
Financial assets subject to credit risk	**105,592,898**	102,104,425

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.3 Impairment assessment

With the adoption of IFRS 9 the incurred loss approach for impairment has been replaced by a forward looking expected credit loss (ECL) approach. The Bank recognizes an allowance for ECL for all financial instruments other than those held at fair value through profit or loss. Financial instruments are classified into three categories as follows:

Stage 1 (performing): where no Significant Increase in Credit Risk (SICR) since origination has been observed. ECL from default events that are possible within the next 12 months is booked as impairment provision.

Stage 2 (underperforming): where a SICR since origination is observed however a default has not occurred. ECL from default events that are possible over the lifetime of the financial instrument is booked as impairment provision.

Stage 3 (non-performing): where a default has occurred, ECL based on the loss expected over the remaining life of the financial instrument is recognized as an impairment provision.

The criteria for SICR have been defined for both the wholesale and retail book. The primary driver of SICR for the wholesale book is the customer risk rating migration since origination. The customer risk rating in turn is determined by the probability of default. The primary driver of the SICR for the retail book is the past due status and the lifetime probability of default.

The ECL is calculated as a product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) which is present valued using the effective profit rate of each facility. The PDs and LGDs are adjusted based on weighted average of three macroeconomic scenarios sourced from an external industry expert. These scenarios are updated quarterly.

The ECL based provisions are reviewed and approved by the management on a monthly basis.

Write-off of financing assets

Board approved policies are in place covering the timing and amount of provisions and write offs for all the financing portfolios of the Bank. These reflect both the UAE Central bank guidelines and rules, accepted international accounting standards, and market and industry best practice and are stringently adhered to.

42.2.4 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For repurchase and reverse repurchase transactions, cash or securities;
- For commercial financing, charges over real estate properties, inventory, trade receivables and securities; and
- For retail financing, charge over assets, mortgage of properties and vehicles and assignment of salaries in favor of the Bank.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.4 Collateral and other credit enhancements continued

The table below shows the lower of the collateral value or the outstanding balance of customer financing as at the reporting date:

	2020 AED '000	2019 AED '000
AGAINST CUSTOMER FINANCING NOT IMPAIRED		
Property	31,994,124	32,704,343
Securities	30,241	23,233
Cash margin and lien over deposits	815,095	524,987
Others	9,296,090	9,242,297
	42,135,550	42,494,860
AGAINST INDIVIDUALLY IMPAIRED		
Property	3,405,155	3,131,517
Securities	118,154	298,015
Cash margin and lien over deposits	16,578	10,558
Others	248,319	84,826
	3,788,206	3,524,916
	45,923,756	46,019,776

The Bank also obtains guarantees from parent companies for financing their subsidiaries, but their benefits are not included in the above table.

Management regularly monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

The Bank also makes use of master netting agreements with counterparties.

42.2.5 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality for balance and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, murabaha, ijara and other Islamic financing, investments at amortised cost, investment measured at fair value (except equity instruments), certain other assets and Bank's contingent liabilities and commitments based on the Group's credit rating system.

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.5 Credit quality per class of financial assets continued

Gross Exposure by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 DECEMBER 2020				
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST				
Grades 1 – 4	48,371,621	481,443	—	48,853,064
Grades 5 – 6	36,285,598	5,657,072	—	41,942,670
Grade 7	236,849	2,126,774	—	2,363,623
Grades 8 – 10	—	—	7,813,877	7,813,877
GROSS FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST	84,894,068	8,265,289	7,813,877	100,973,234
SUKUK CARRIED AT FVTOCI				
Grades 1 – 4	1,282,824	—	—	1,282,824
Grades 5 – 6	402,917	18,045	—	420,962
Grades 8 – 10	—	—	7,287	7,287
GROSS SUKUK CARRIED AT FVTOCI	1,685,741	18,045	7,287	1,711,073
CONTINGENT LIABILITIES AND COMMITMENTS				
Grades 1 – 4	10,081,869	108,934	—	10,190,803
Grades 5 – 6	2,254,012	499,236	—	2,753,248
Grade 7	1,159	621,919	—	623,078
Grades 8 – 10	—	—	168,921	168,921
GROSS CONTINGENT LIABILITIES AND COMMITMENTS	12,337,040	1,230,089	168,921	13,736,050
	98,916,849	9,513,423	7,990,085	116,420,357
31 DECEMBER 2019				
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST				
Grades 1 – 4	47,086,706	621,188	—	47,707,894
Grades 5 – 6	39,396,232	3,340,840	—	42,737,072
Grade 7	797,233	2,038,362	—	2,835,595
Grades 8 – 10	—	—	5,452,960	5,452,960
GROSS FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST	87,280,171	6,000,390	5,452,960	98,733,521
SUKUK CARRIED AT FVTOCI				
Grades 1 – 4	1,083,316	—	—	1,083,316
Grades 5 – 6	76,535	18,429	—	94,964
GROSS SUKUK CARRIED AT FVTOCI	1,159,851	18,429	—	1,178,280

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.5 Credit quality per class of financial assets continued

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
CONTINGENT LIABILITIES AND COMMITMENTS				
Grades 1 – 4	8,260,870	3,733	—	8,264,603
Grades 5 – 6	3,051,673	794,380	—	3,846,053
Grade 7	4,233	724,582	—	728,815
Grades 8 – 10	—	—	154,684	154,684
Gross Contingent liabilities and commitments	11,316,776	1,522,695	154,684	12,994,155
	99,756,798	7,541,514	5,607,644	112,905,956

Expected credit losses (ECL) by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 DECEMBER 2020				
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST – ECL				
Grades 1 – 4	88,698	54,665	—	143,363
Grades 5 – 6	241,940	136,801	—	378,741
Grade 7	20,603	308,341	—	328,944
Grades 8 – 10	—	—	3,252,236	3,252,236
	351,241	499,807	3,252,236	4,103,284
SUKUK CARRIED AT FVTOCI – ECL				
Grades 1 – 4	7,021	—	—	7,021
Grades 5 – 6	5,165	695	—	5,860
Grades 8 – 10	—	—	2,893	2,893
	12,186	695	2,893	15,774
CONTINGENT LIABILITIES AND COMMITMENTS – ECL				
Grades 1 – 4	1,531	—	—	1,531
Grades 5 – 6	5,534	2,094	—	7,628
Grade 7	86	47,429	—	47,515
Grades 8 – 10	—	—	64,588	64,588
	7,151	49,523	64,588	121,262
	370,578	550,025	3,319,717	4,240,319

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.5 Credit quality per class of financial assets continued

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 DECEMBER 2019				
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST – ECL				
Grades 1 – 4	72,582	2,252	—	74,834
Grades 5 – 6	271,806	94,637	—	366,443
Grade 7	60,599	349,288	—	409,887
Grades 8 – 10	—	—	2,202,720	2,202,720
	404,987	446,177	2,202,720	3,053,884
SUKUK CARRIED AT FVTOCI – ECL				
Grades 1 – 4	1,717	—	—	1,717
Grades 5 – 6	5,805	1,898	—	7,703
Grades 8 – 10	—	—	—	—
	7,522	1,898	—	9,420
CONTINGENT LIABILITIES AND COMMITMENTS – ECL				
Grades 1 – 4	1,858	6	—	1,864
Grades 5 – 6	7,691	3,151	—	10,842
Grade 7	70	51,367	—	51,437
Grades 8 – 10	—	—	46,149	46,149
	9,619	54,524	46,149	110,292
	422,128	502,599	2,248,869	3,173,596

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial and qualitative analysis, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The risk ratings models are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class. A number of new rating models aligned to specific business segments, were introduced during the course of the year.

Renegotiated murabaha, ijara and other Islamic financings

The total carrying amount of financing to non-related parties whose terms have been renegotiated during the year, excluding deferrals offered under the TESS programme, amounted to AED 1,637,060 thousand (2019: AED 365,604 thousand).

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.6 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)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
31 DECEMBER 2020								
Balances and wakala deposits with Islamic banks and other financial institutions	1,982,126	319,585	—	2,301,711	98	14,479	—	14,577
Murabaha and mudaraba with financial institutions	54,753	78,159	—	132,912	24	24	—	48
Murabaha and other Islamic financing	33,362,644	1,596,250	2,993,330	37,952,224	192,821	225,817	1,555,495	1,974,133
Ijara financing	38,983,893	5,775,370	4,695,294	49,454,557	139,221	256,352	1,627,714	2,023,287
Investment in sukuk measured at amortised cost	10,174,709	140,120	125,253	10,440,082	18,326	2,352	69,027	89,705
Investments measured at fair value	1,685,741	18,045	7,287	1,711,073	12,186	695	2,893	15,774
Other assets	335,943	355,085	—	691,748	751	783	—	1,534
	86,579,809	8,283,334	7,821,164	102,684,307	363,427	500,502	3,255,129	4,119,058
Contingent liabilities and commitments	12,337,040	1,230,089	168,921	13,736,050	7,151	49,523	64,588	121,262
	98,916,849	9,513,423	7,990,085	116,420,357	370,578	550,025	3,319,717	4,240,320
31 DECEMBER 2019								
Balances and wakala deposits with Islamic banks and other financial institutions	2,291,904	—	—	2,291,904	8,662	—	—	8,662
Murabaha and mudaraba with financial institutions	1,080,052	—	—	1,080,052	25	—	—	25
Murabaha and other Islamic financing	32,200,802	1,943,068	2,165,574	36,309,444	231,082	256,262	1,194,535	1,681,879
Ijara financing	40,480,537	4,056,583	3,274,584	47,811,804	146,070	189,910	995,383	1,331,363
Investment in sukuk measured at amortised cost	10,676,512	—	12,802	10,689,314	17,892	—	12,802	30,694
Investments measured at fair value	1,159,831	18,429	—	1,178,280	7,522	1,898	—	9,420
Other assets	550,364	639	—	551,003	1,256	5	—	1,261
	88,440,022	6,018,819	5,452,960	99,911,801	412,509	448,075	2,202,720	3,063,304
Contingent liabilities and commitments	11,316,776	1,522,695	154,684	12,994,155	9,619	54,524	46,150	110,293
	99,756,798	7,541,514	5,607,644	112,905,956	422,128	502,599	2,248,870	3,173,597

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.6 Credit quality per stage for financial assets continued

Movement in gross exposure by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST				
BALANCE AT 1 JANUARY 2020	87,280,171	6,000,390	5,452,960	98,733,521
- Transfer from stage 1 to stage 2	(3,433,717)	3,433,717	—	—
- Transfer from stage 1 to stage 3	(2,273,210)	—	2,273,210	—
- Transfer from stage 2 to stage 1	716,716	(716,716)	—	—
- Transfer from stage 2 to stage 3	—	(435,204)	435,204	—
- Transfer from stage 3 to stage 1	9,023	—	(9,023)	—
- Transfer from stage 3 to stage 2	—	393,607	(393,607)	—
Other movements within the same stage	(6,196,593)	(178,848)	(191,320)	(6,566,761)
New financial assets originated / purchased	29,581,751	1,129,006	612,263	31,323,020
Financial assets that have been derecognized	(20,790,073)	(1,360,663)	(227,413)	(22,378,149)
Net amounts written off	—	—	(138,397)	(138,397)
BALANCE AT 31 DECEMBER 2020	84,894,068	8,265,289	7,813,877	100,973,324
SUKUK CARRIED AT FVTOCI				
BALANCE AT 1 JANUARY 2020	1,159,851	18,429	—	1,178,280
Other movements within the same stage	(132,034)	(384)	7,287	(125,131)
New financial assets originated / purchased	657,924	—	—	657,924
BALANCE AT 31 DECEMBER 2020	1,685,741	18,045	7,287	1,711,073
CONTINGENT LIABILITIES AND COMMITMENTS				
BALANCE AT 1 JANUARY 2020	11,316,776	1,522,695	154,684	12,994,155
- Transfer from stage 1 to stage 2	(256,955)	256,955	—	—
- Transfer from stage 1 to stage 3	(36,533)	—	36,533	—
- Transfer from stage 2 to stage 1	15,520	(15,520)	—	—
- Transfer from stage 2 to stage 3	—	(1,674)	1,674	—
- Transfer from stage 3 to stage 1	10	—	(10)	—
- Transfer from stage 3 to stage 2	—	604	(604)	—
Other movements within the same stage	(622,913)	(127,864)	(4,071)	(754,848)
New financial assets originated / purchased	4,417,494	146,892	67	4,564,453
Financial assets that have been derecognized	(2,496,359)	(551,999)	(19,352)	(3,067,710)
BALANCE AT 31 DECEMBER 2020	12,337,240	1,230,089	168,921	13,736,050
	98,916,849	9,513,423	7,990,085	116,420,357

42 RISK MANAGEMENT continued
42.2 Credit risk continued
42.2.6 Credit quality per stage for financial assets continued

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST				
BALANCE AT 1 JANUARY 2019	86,721,387	8,975,216	3,927,066	99,623,669
- Transfer from stage 1 to stage 2	(2,511,350)	2,511,350	—	—
- Transfer from stage 1 to stage 3	(368,479)	—	368,479	—
- Transfer from stage 2 to stage 1	1,690,445	(1,690,445)	—	—
- Transfer from stage 2 to stage 3	—	(1,975,919)	1,975,919	—
- Transfer from stage 3 to stage 1	4,816	—	(4,816)	—
- Transfer from stage 3 to stage 2	—	101,216	(101,216)	—
Other movements within the same stage	(6,035,120)	(672,603)	160,527	(6,547,195)
New financial assets originated / purchased	26,389,913	741,187	105,753	27,236,853
Financial assets that have been derecognized	(18,611,441)	(1,989,612)	(713,332)	(21,314,385)
Net amounts written off	—	—	(265,420)	(265,420)
BALANCE AT 31 DECEMBER 2019	87,280,171	6,000,390	5,452,960	98,733,521
SUKUK CARRIED AT FVTOCI				
BALANCE AT 1 JANUARY 2019	310,946	19,422	—	330,368
- Transfer from stage 2 to stage 1	3,790	(3,790)	—	—
Other movements within the same stage	(261,445)	20	—	(261,425)
New financial assets originated / purchased	1,106,560	2,777	—	1,109,337
BALANCE AT 31 DECEMBER 2019	1,159,851	18,429	—	1,178,280
CONTINGENT LIABILITIES AND COMMITMENTS				
Balance at 1 January 2019	8,146,850	2,301,282	244,581	10,692,713
- Transfer from stage 1 to stage 2	(124,475)	124,475	—	—
- Transfer from stage 1 to stage 3	(2,046)	—	2,046	—
- Transfer from stage 2 to stage 1	193,828	(193,828)	—	—
- Transfer from stage 2 to stage 3	—	(26,446)	26,446	—
- Transfer from stage 3 to stage 1	126	—	(126)	—
- Transfer from stage 3 to stage 2	—	687	(687)	—
Other movements within the same stage	132,781	(87,752)	(47,114)	(2,085)
New financial assets originated / purchased	5,618,841	79,963	2,373	5,701,177
Financial assets that have been derecognized	(2,649,129)	(675,686)	(72,835)	(3,397,649)
BALANCE AT 31 DECEMBER 2019	11,316,776	1,522,695	154,684	12,994,155
	99,756,798	7,541,514	5,607,644	112,905,956

42 RISK MANAGEMENT continued
42.2 Credit risk continued
42.2.6 Credit quality per stage for financial assets continued

Movement in Expected credit losses (ECL) by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST – ECL				
BALANCE AT 1 JANUARY 2020	404,987	446,177	2,202,720	3,053,884
- Transfer from stage 1 to stage 2	(182,881)	182,881	—	—
- Transfer from stage 1 to stage 3	(936,703)	—	936,703	—
- Transfer from stage 2 to stage 1	5,557	(5,557)	—	—
- Transfer from stage 2 to stage 3	—	(118,298)	118,298	—
- Transfer from stage 3 to stage 1	48	—	(48)	—
- Transfer from stage 3 to stage 2	—	52,035	(52,035)	—
Other movements within the same stage	(17,127)	12,175	291,517	286,565
New financial assets originated / purchased	111,599	50,606	349,208	511,413
Financial assets that have been derecognized	965,761	(120,212)	(455,730)	389,819
Net amounts written off	—	—	(138,397)	(138,397)
BALANCE AT 31 DECEMBER 2020	351,241	499,807	3,252,236	4,103,284
SUKUK CARRIED AT FVTOCI – ECL				
BALANCE AT 1 JANUARY 2019	7,522	1,894	—	9,420
Other movements within the same stage	223	(1,203)	2,893	1,913
New financial assets originated / purchased	4,441	—	—	4,441
BALANCE AT 31 DECEMBER 2020	12,186	695	2,893	15,774
CONTINGENT LIABILITIES AND COMMITMENTS – ECL				
BALANCE AT 1 JANUARY 2020	9,619	54,524	46,149	110,292
- Transfer from stage 1 to stage 2	(1,487)	1,487	—	—
- Transfer from stage 1 to stage 3	(7,426)	—	7,426	—
- Transfer from stage 2 to stage 1	6	(6)	—	—
- Transfer from stage 2 to stage 3	—	(54)	54	—
Other movements within the same stage	(42)	1,250	17,855	19,063
New financial assets originated / purchased	3,167	19	24	3,210
Financial assets that have been derecognized	3,314	(7,697)	(6,920)	(11,303)
BALANCE AT 31 DECEMBER 2020	7,151	49,523	64,588	121,262
	370,578	550,025	3,319,717	4,240,320

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.6 Credit quality per stage for financial assets continued

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST – ECL				
BALANCE AT 1 JANUARY 2019	497,435	839,390	1,503,246	2,840,071
- Transfer from stage 1 to stage 2	(110,794)	110,794	—	—
- Transfer from stage 1 to stage 3	(144,799)	—	144,799	—
- Transfer from stage 2 to stage 1	14,699	(14,699)	—	—
- Transfer from stage 2 to stage 3	—	(635,371)	635,371	—
- Transfer from stage 3 to stage 1	26	—	(26)	—
- Transfer from stage 3 to stage 2	—	17,202	(17,202)	—
Other movements within the same stage	(128,495)	14,182	391,574	277,261
New financial assets originated / purchased	136,819	66,507	73,841	277,167
Financial assets that have been derecognized	140,096	48,172	(263,463)	(75,195)
Net amounts written off	—	—	(265,420)	(265,420)
BALANCE AT 31 DECEMBER 2019	404,987	446,177	2,202,720	3,053,884
SUKUK CARRIED AT FVTOCI – ECL				
BALANCE AT 1 JANUARY 2019	26	1,675	211	1,912
Other movements within the same stage	(21)	223	—	202
New financial assets originated / purchased	7,517	—	—	7,517
Financial assets that have been derecognized	—	—	(211)	(211)
BALANCE AT 31 DECEMBER 2019	7,522	1,898	—	9,420
CONTINGENT LIABILITIES AND COMMITMENTS – ECL				
Balance at 1 January 2019	7,593	23,618	49,075	80,286
- Transfer from stage 1 to stage 2	(360)	360	—	—
- Transfer from stage 2 to stage 1	93	(93)	—	—
- Transfer from stage 2 to stage 3	—	(8,255)	8,255	—
- Transfer from stage 3 to stage 1	2	—	(2)	—
- Transfer from stage 3 to stage 2	—	15	(15)	—
Other movements within the same stage	(872)	38,410	(3,506)	34,032
New financial assets originated / purchased	5,155	217	296	5,668
Financial assets that have been derecognized	(1,992)	252	(7,954)	(9,694)
BALANCE AT 31 DECEMBER 2019	9,619	54,524	46,149	110,292
	422,128	502,599	2,248,870	3,173,597

42 RISK MANAGEMENT continued

42.2 Credit risk continued

42.2.7 Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The CB UAE issued a guidance note to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

Pursuant to clause 6.4 of the guidance, a comparison between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2020 AED '000	2019 AED '000
IMPAIRMENT RESERVE: GENERAL		
General provisions under Circular 28/2010 of CBUAE	**1,296,387**	1,332,764
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(921,554)**	(929,328)
GENERAL PROVISION TRANSFERRED TO THE IMPAIRMENT RESERVE	**374,833**	403,436
IMPAIRMENT RESERVE: SPECIFIC		
Specific provisions under Circular 28/2010 of CBUAE	**2,701,136**	1,948,242
Less: Stage 3 provisions under IFRS 9	**(3,319,717)**	(2,248,870)
SPECIFIC PROVISION TRANSFERRED TO THE IMPAIRMENT RESERVE	**—**	—
TOTAL PROVISION TRANSFERRED TO THE IMPAIRMENT RESERVE	**374,833**	403,436

As per the guidance note, where provisions under IFRS 9 exceed provisions under circular 28/10 of the CBUAE, no amount is required to be transferred to the impairment reserve.

42.2.8 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 Q4 2020 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.

42 **RISK MANAGEMENT** continued

42.2 Credit risk continued

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

42.2.8.1 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 unlikeliness 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 Q4 2020 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.

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.

42.2.8.2 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 Q4 2020 ECL estimates. The Group estimated Q4 2020 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.

42 **RISK MANAGEMENT** continued

42.2 Credit risk continued

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

42.2.8.3 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) benefiting from deferrals under CBUAE TESS program as of 31 December 2020:

	Number of customers	Deferral amount AED '000	Exposure at default (EAD) AED '000	Expected credit losses (ECL) AED '000
RETAIL BANKING:				
STAGE 1				
- Group 1	**161,228**	**1,188,398**	**13,289,340**	**63,181**
Stage 2				
- Group 1	2,855	31,709	449,905	58,574
- Group 2	115	3,091	57,839	3,274
	2,970	**34,800**	**507,744**	**61,848**
STAGE 3				
- Group 1	708	6,570	97,593	44,626
- Group 2	4	87	1,613	237
	712	**6,657**	**99,206**	**44,863**
TOTAL RETAIL BANKING	**164,910**	**1,229,855**	**13,896,290**	**169,892**
WHOLESALE BANKING:				
Stage 1				
- Group 1	144	301,571	845,475	4,338
- Group 2	41	43,224	265,611	706
	185	**344,795**	**1,111,086**	**5,044**
Stage 2				
- Group 1	19	35,331	125,736	1,029
- Group 2	8	114,527	596,860	2,512
	27	**149,858**	**722,596**	**3,541**
Stage 3				
- Group 1	31	4,635	21,948	4,124
- Group 2	17	807	4,370	780
	48	**5,442**	**26,318**	**4,904**
TOTAL WHOLESALE BANKING	**260**	**500,095**	**1,860,000**	**13,489**

42 RISK MANAGEMENT continued

42.2 Credit risk continued

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

42.2.8.3 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 2019 for customers benefiting from payment deferrals

	31 December 2020 – IFRS 9 (EAD)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
RETAIL BANKING: AT 1 JANUARY 2020	17,007,391	558,594	105,989	17,671,974
Transferred from Stage 1	(361,686)	280,606	81,080	—
Transferred from Stage 2	185,142	(192,593)	7,451	—
Transferred from Stage 3	—	34,451	(34,451)	—
Other movements	(3,541,507)	(173,314)	(60,863)	(3,775,684)
AT 31 DECEMBER 2020	13,289,340	507,744	99,206	13,896,290
WHOLESALE BANKING: AT 1 JANUARY 2020	1,237,335	828,074	30,092	2,095,501
Transferred from Stage 1	(590,353)	565,117	25,236	—
Transferred from Stage 2	109	(109)	—	—
Other movements	463,995	(670,486)	(29,010)	(235,501)
AT 31 DECEMBER 2020	1,111,086	722,596	26,318	1,860,000

42 RISK MANAGEMENT continued

42.2 Credit risk continued

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

42.2.8.3 Analysis of customers benefiting from payment deferrals continued

	31 December 2020 – IFRS 9 (ECL)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
RETAIL BANKING: AT 1 JANUARY 2020	106,779	44,585	8,548	159,912
Transferred from Stage 1	(6,093)	28,067	31,114	53,088
Transferred from Stage 2	1,914	(18,456)	5,437	(11,105)
Transferred from Stage 3	—	5,462	(16,875)	(11,413)
Other movements	(39,419)	2,190	16,639	(20,590)
AT 31 DECEMBER 2020	63,181	61,848	44,863	169,892
WHOLESALE BANKING: AT 1 JANUARY 2020	5,149	3,379	197	8,725
Transferred from Stage 1	(721)	1,574	4,652	5,505
Transferred from Stage 2	8	(55)	—	(47)
Other movements	608	(1,357)	55	(694)
AT 31 DECEMBER 2020	5,044	3,541	4,904	13,489

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

	31 December 2020 – IFRS 9 (ECL)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
RETAIL BANKING: AT 1 JANUARY 2020	106,779	44,585	8,548	159,912
Vehicle murabaha	(2,872)	(291)	906	(2,257)
Islamic covered cards (murabaha)	4	95	—	99
Other murabaha	(40,665)	14,623	34,795	8,753
Ijara	(65)	2,836	614	3,385
AT 31 DECEMBER 2020	63,181	61,848	44,863	169,892
WHOLESALE BANKING: AT 1 JANUARY 2020	5,149	3,379	197	8,725
Corporates	(105)	162	4,707	4,764
AT 31 DECEMBER 2020	5,044	3,541	4,904	13,489

42 RISK MANAGEMENT continued

42.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows, the maintenance and monitoring of the inventory of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with the Central Bank. The liquidity position is assessed and managed under a variety of stress scenarios, given due consideration to severe yet plausible stress conditions relating to both the market in general and specifically to the Group.

The high quality of the investment portfolio ensures its liquidity and coupled with the Bank's own funds and "evergreen" customer deposits help these forms a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands. In addition, the Bank monitors various liquidity risk ratios and maintains an up to date contingency funding plan.

42.3.1 Treasury

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

42.3.2 Asset & Liability Committee ("ALCO")

The Asset & Liability Management ("ALM") process focusses on planning, acquiring, and directing the flow of funds through the organization. The ultimate objective of this process is to generate adequate stable earnings and to steadily build equity over time, while taking measured business risk aligned to the overall risk appetite of the Bank. The Bank has a defined ALM policy which describes the objective, role and function of the ALCO. This process revolves around ALCO, the body within the Bank that holds the responsibility to make strategic decisions relating to the management of financial position related risks. The ALCO consists of the Bank's senior management including the CEO and normally meets once a month.

42.3.3 Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes reenlistment of funds as they mature or when financing are provided to customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquated as protection against any unforeseen interruption to cash flow;
- Managing statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of financing maturities.

42 RISK MANAGEMENT continued

42.3 Liquidity risk and funding management continued

42.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at reporting date based on contractual maturities.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 DECEMBER 2020					
ASSETS					
Cash and balances with central banks	18,879,485	700,039	—	—	19,579,524
Balances and wakala deposits with Islamic banks and other financial institutions	2,110,767	—	66,105	110,262	2,287,134
Murabaha and mudaraba with financial institutions	123,068	9,796	—	—	132,864
Murabaha and other Islamic financing	3,455,027	6,826,626	21,497,724	4,198,714	35,978,091
Ijara financing	2,165,058	4,433,923	17,137,682	23,694,607	47,431,270
Investments in Islamic sukuk measured at amortised cost	260,780	874,103	5,764,769	3,450,725	10,350,377
Investments measured at fair value	—	1,791,881	778,083	888,230	3,458,194
Investment in associates and joint ventures	—	—	—	1,301,662	1,301,662
Other assets	1,769,213	129,751	203,062	16,557	2,118,583
Financial assets	28,763,398	14,766,119	45,447,425	33,660,757	122,637,699
Non-financial assets					5,178,439
Total assets					127,816,138
LIABILITIES					
Due to financial institutions	3,108,245	665,000	—	—	3,773,245
Depositors' accounts	96,361,752	4,836,300	78,076	—	101,276,128
Other liabilities	2,809,800	189,875	559,175	46,031	3,604,881
Total liabilities	102,279,797	5,691,175	637,251	46,031	108,654,254

42 RISK MANAGEMENT continued

42.3 Liquidity risk and funding management continued

42.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 December 2019					
ASSETS					
Cash and balances with central banks	19,322,005	501,404	—	—	19,823,409
Balances and wakala deposits with Islamic banks and other financial institutions	1,230,867	33,275	908,848	110,252	2,283,242
Murabaha and mudaraba with financial institutions	1,031,844	48,183	—	—	1,080,027
Murabaha and other Islamic financing	2,805,984	8,391,342	18,877,067	4,553,172	34,627,565
Ijara financing	1,376,427	3,923,724	16,875,464	24,304,826	46,480,441
Investments in Islamic sukuk measured at amortised cost	402,809	663,020	7,632,641	1,960,150	10,658,620
Investments measured at fair value	19,399	1,135,232	546,397	580,637	2,281,665
Investment in associates and joint ventures	—	—	—	1,280,677	1,280,677
Other assets	1,706,429	3,617	183,625	17,005	1,910,676
Financial assets	27,895,764	14,699,797	45,024,042	32,806,719	120,426,322
Non-financial assets					5,560,849
Total assets					125,987,171
LIABILITIES					
Due to financial institutions	2,424,753	36,725	—	—	2,461,478
Depositors' accounts	93,341,324	8,039,970	22,981	—	101,404,275
Other liabilities	2,252,500	64,754	614,037	86,710	3,018,001
Total liabilities	98,018,577	8,141,449	637,018	86,710	106,883,754

42 RISK MANAGEMENT continued

42.3 Liquidity risk and funding management continued

42.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and profit payable to maturity.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 DECEMBER 2020					
LIABILITIES					
Due to financial institutions	**3,108,264**	**665,000**	**—**	**—**	**3,773,264**
Depositors' accounts	**96,367,328**	**4,854,458**	**79,899**	**—**	**101,301,685**
Other liabilities	**2,809,800**	**189,875**	**559,175**	**46,031**	**3,604,881**
Total liabilities	**102,285,392**	**5,709,333**	**639,074**	**46,031**	**108,679,380**
31 December 2019					
LIABILITIES					
Due to financial institutions	2,425,130	37,265	—	—	2,462,395
Depositors' accounts	93,382,020	8,113,442	23,610	—	101,519,072
Other liabilities	2,252,500	64,754	614,037	86,710	3,018,001
Total liabilities	98,059,650	8,215,461	637,647	86,710	106,999,468

The disclosed financial instruments in the above table are the gross undiscounted cash flows.

The table below shows the contractual expiry of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
31 DECEMBER 2020					
Contingent liabilities	**6,725,835**	**1,426,851**	**5,000,198**	**472**	**13,153,356**
Commitments	**4,986**	**172,206**	**—**	**—**	**177,192**
TOTAL	**6,730,821**	**1,599,057**	**5,000,198**	**472**	**13,330,548**
31 December 2019					
Contingent liabilities	7,135,921	1,552,431	3,688,409	4,776	12,381,537
Commitments	—	186,706	—	—	186,706
Total	7,135,921	1,739,137	3,688,409	4,776	12,568,243

The Bank does not expect that all of the contingent liabilities or commitments will be drawn before expiry.

42 RISK MANAGEMENT continued

42.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse the financial instruments including securities, foreign currencies, equities and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises of the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by the senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are viewed periodically to ensure they remain in line with the Group's general market risk policy. The ALCO ensure that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank.

42.4.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk through appropriate limits in place and frequent review of the bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity.

The following table estimates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

	Increase in basis points 2020	Sensitivity of profit on financial assets and liabilities AED '000	Increase in basis points 2019	Sensitivity of profit on financial assets and liabilities AED '000
CURRENCY				
AED	25	21,068	25	32,654
USD	25	46,362	25	27,430
Euro	25	(378)	25	892
Other currencies	25	4,914	25	(1,979)

42 RISK MANAGEMENT continued

42.4 Market risk continued

42.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against AED with all other variable held constant on the consolidated income statement (due to the changes in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated in consolidated income statement on investments carried at fair value through other comprehensive income – equity instruments and investment in associates and joint ventures).

	% Increase currency rates	Effect on net profit AED '000	Effect on equity AED '000
31 DECEMBER 2020			
CURRENCY			
USD	**5**	**938,514**	**2,419**
Euro	**5**	**(4,994)**	**4,806**
GBP	**5**	**(16,975)**	**—**
Other currencies	**5**	**33,940**	**38,724**
31 December 2019			
Currency			
USD	5	424,673	52,425
Euro	5	(10,828)	13,529
GBP	5	(45,154)	—
Other currencies	5	(16,567)	37,743

42 RISK MANAGEMENT continued
42.4 Market risk continued
42.4.2 Currency risk continued

The table below shows the Group's exposure to foreign currencies.

	AED AED '000	USD AED '000	Euro AED '000	GBP AED '000	Others AED '000	Total AED '000
31 DECEMBER 2020						
FINANCIAL ASSETS						
Cash and balances with central banks	18,249,198	600,248	1,102	—	728,976	19,579,524
Balances and wakala deposits with Islamic banks and other financial institutions	13,358	1,908,192	6,634	35,046	323,904	2,287,134
Murabaha and mudaraba with financial institutions	—	—	44,951	—	87,913	132,864
Murabaha and other Islamic financing	27,326,905	7,083,764	96,943	1,310,463	160,016	35,978,091
Ijara financing	39,696,922	7,196,021	1,291	385,187	151,849	47,431,270
Investments in Islamic sukuk measured at amortised cost	—	10,350,377	—	—	—	10,350,377
Investments measured at fair value	60,437	3,255,821	135,761	—	6,175	3,458,194
Investment in associates and joint ventures	433,690	—	95,816	—	772,156	1,301,662
Other assets	1,434,002	1,858,778	313,940	(1,541,983)	34,408	2,099,145
	87,214,512	32,253,201	696,438	188,713	2,265,397	122,618,261
FINANCIAL LIABILITIES						
Due to financial institutions	2,899,742	576,775	24,447	134,107	138,174	3,773,245
Depositors' accounts	87,279,150	12,469,964	666,191	315,916	544,907	101,276,128
Other liabilities	3,000,295	387,803	9,554	78,191	129,038	3,604,881
	93,179,187	13,434,542	700,192	528,214	812,119	108,654,254

42 RISK MANAGEMENT continued
42.4 Market risk continued
42.4.2 Currency risk continued

	AED AED '000	USD AED '000	Euro AED '000	GBP AED '000	Others AED '000	Total AED '000
31 December 2019						
FINANCIAL ASSETS						
Cash and balances with central banks	17,075,200	1,750,410	365	776	996,658	19,823,409
Balances and wakala deposits with Islamic banks and other financial institutions	30,195	1,630,722	46,916	133,752	441,657	2,283,242
Murabaha and mudaraba with financial institutions	—	205,728	452,061	—	422,238	1,080,027
Murabaha and other Islamic financing	28,398,740	5,728,117	103,117	622,251	(224,660)	34,627,565
Ijara financing	39,604,192	6,150,395	1,341	381,787	342,726	46,480,441
Investments in Islamic sukuk measured at amortised cost	—	10,658,620	—	—	—	10,658,620
Investments measured at fair value	60,308	2,024,836	183,707	9,368	3,446	2,281,665
Investment in associates and joint ventures	440,953	—	86,245	—	753,479	1,280,677
Other assets	3,319,816	(1,193,900)	16,173	(352,956)	121,543	1,910,676
	88,929,404	26,954,928	889,925	794,978	2,857,087	120,426,322
FINANCIAL LIABILITIES						
Due to financial institutions	766,105	730,483	6,722	937,187	20,981	2,461,478
Depositors' accounts	81,109,373	16,491,289	825,036	721,062	2,257,515	101,404,275
Other liabilities	2,627,577	191,205	4,149	39,992	155,078	3,018,001
	84,503,055	17,412,977	835,907	1,698,241	2,433,574	106,883,754

42.4.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's quoted investments in the investment portfolio.

The following table estimates the sensitivity to a possible change in equity markets on the Bank's consolidated other comprehensive income statement The effect on equity (as a result of a change in the fair value of equity instruments held as investments carried at fair value through other comprehensive income at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	% Increase market indices 2020	Effect on profit or loss 2020 AED '000	% Increase market indices 2019	Effect on profit or loss 2019 AED '000
INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Other Markets	10	598	10	—

42 RISK MANAGEMENT continued

42.4 Market risk continued

42.4.3 Equity price risk continued

	% Increase market indices 2020	Effect on equity 2020 AED '000	% Increase market indices 2019	Effect on equity 2019 AED '000
INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Abu Dhabi Stock Market	10	2,554	10	3,001
Dubai Financial Market	10	15	10	29

42.4.4 Operational risk

Operational risk is the potential exposure to financial, reputational or other damage arising from inadequate or failed internal processes, people, systems or external events.

The Bank has implemented a detailed operational risk framework in accordance with Basel III guidelines. The framework articulates clearly defined roles and responsibilities of individuals / units and committees across the Group involved in the management of various operational risk elements. The Operational Risk Management Framework ensures that operational risks within the Group are properly identified, monitored, reported and actively managed. Key elements of the framework include Risk Reviews, "Risk & Control self-Assessment", Loss Data Management, key risk indicators, controls testing, Issues & Actions Management and Reporting. The Framework also fully encompasses and integrates elements of Fraud Risk Prevention and Quality Assurance.

Business and support units are responsible for managing operational risks within their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of a comprehensive system of internal control with multi-layers of defense and dedicated systems and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested.

42.4.5 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 December 2020, the relevant regulators have not responded following receipt of ADIB's findings and, as such, the likely outcome of their review remains unknown.

42.5 Capital management

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 2020 and onwards, CCB will be required to be maintained at 2.5% (2019: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2020 (2019: Nil).

As per the Central Bank regulation for Basel III, the minimum capital requirement as at 30 September 2020 is 13.0% inclusive of capital conservation buffer of 2.5%. However, effective from 15 March 2020 until 31 December 2021, 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.

42 RISK MANAGEMENT continued

42.5 Capital management continued

The minimum capital adequacy ratio as per Basel III capital regulation is given below:

	Minimum capital requirement 2020	Minimum capital requirement 2019
CAPITAL RATIO:		
a. Total for consolidated Group	11.50%	13.00%
b. Tier 1 ratio for consolidated Group	9.50%	11.00%
c. CET1 ratio for consolidated Group	8.00%	9.50%

The Group's regulatory capital is analysed into three tiers:

The Bank's capital base is divided into three main categories, namely CET1, AT1 and Tier 2 ('T2'), depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines;
- AT 1 capital comprises an eligible non-common equity capital instrument; and
- T2 capital comprises qualifying subordinated instrument and undisclosed reserve.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or to adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

For credit and market risks, the Central Bank of the U.A.E. has issued guidelines for implementation of Standardised approach. For operational risk, the Central Bank of the U.A.E. has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Basic Indicators approach.

Furthermore, as required by the above circular, certain Basel III pillar 3 disclosures will be included in the annual report issued by the Bank for the year 2020.

42 RISK MANAGEMENT continued

42.5 Capital management continued

The table below shows summarises the composition of Basel III regulatory capital and the ratios of the Group for the years ended 31 December 2019 and 2020. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject:

	Basel III	
	31 December 2020 AED '000	31 December 2019 AED '000
CAPITAL BASE		
Common Equity Tier 1	13,493,925	12,335,079
Additional Tier 1 capital	4,754,375	4,754,375
Tier 1 capital	18,248,300	17,089,454
Tier 2 capital	1,080,323	1,111,008
TOTAL CAPITAL BASE	19,328,623	18,200,462
RISK WEIGHTED ASSETS		
Credit risk	86,425,825	88,880,675
Market risk	2,546,050	2,403,440
Operational risk	10,659,881	10,307,571
TOTAL RISK WEIGHTED ASSETS	99,631,756	101,591,686
CAPITAL RATIOS		
Common Equity Tier 1 ratio	13.54%	12.14%
Total Tier 1 capital ratio	18.32%	16.82%
Total capital ratio	19.40%	17.92%

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted investments – at fair value

Quoted investments represent marketable equities and sukuk that are measured at fair value. The fair values of these investments are based on quoted prices as of the reporting date. For investments carried at fair value through other comprehensive income, the impact of change in fair valuation from previous carrying amount has been recognized as a part of cumulative changes in fair values in consolidated statement of changes in equity through consolidated statement of comprehensive income.

Unquoted investments – at fair value

The consolidated financial statements include investments in unquoted funds and private equities which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalization of sustainable earnings basis. The valuation models include some assumptions that are not supported by observable market prices or rates. The impact of change in fair value from previous carrying amount has been recognized as a part of cumulative changes in fair values in consolidated statement of changes in equity through consolidated statement of comprehensive income.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Unquoted investments – at fair value continued

In the opinion of management, the estimated carrying values and fair values of those financial assets and liabilities that are not carried at fair value in the consolidated financial statements are not materially different (except investment carried at amortised cost and investment in associates and joint ventures (note 21), since those financial assets and liabilities are either short term in nature or in the case of deposits and financing asset, are frequently repriced. The fair value of investments carried at amortised cost is disclosed below.

	Carrying value 2020 AED '000	Fair value 2020 AED '000	Carrying value 2019 AED '000	Fair value 2019 AED '000
Fair value of investments – at amortised cost				
Investments carried at amortised cost – sukuk (note 19)	10,350,377	10,679,678	10,658,620	10,998,617

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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

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.

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 DECEMBER 2020				
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:				
FINANCIAL ASSETS				
Investments carried at fair value through profit or loss				
Quoted investments	5,983	—	—	5,983
Sukuk	1,646,428	—	—	1,646,428
	1,652,411	—	—	1,652,411
Investments carried at fair value through other comprehensive income Quoted investments				
Equities	25,693	—	—	25,693
Sukuk	1,638,636	—	—	1,638,636
	1,664,329	—	—	1,664,329
Unquoted investments				
Sukuk	—	—	72,437	72,437
Funds	—	—	34,365	34,365
Private equities	—	—	50,426	50,426
	—	—	157,228	157,228
	1,664,329	—	157,228	1,821,557
	3,316,740	—	157,228	3,473,968
Shari'a compliant alternatives of swap (note 37)	—	2,796	—	2,796
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:				
Investment properties (note 22)	—	—	1,517,814	1,517,814
Investment carried at amortised cost – Sukuk	10,679,678	—	—	10,679,678
Assets acquired in satisfaction of claims	—	134,080	—	134,080

43 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2019				
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:				
FINANCIAL ASSETS				
Investments carried at fair value through profit or loss				
Sukuk	987,330	—	—	987,330
Investments carried at fair value through other comprehensive income Quoted investments				
Equities	30,293	—	—	30,293
Sukuk	1,101,745	—	—	1,101,745
	1,132,038	—	—	1,132,038
Unquoted investments				
Sukuk	—	—	76,535	76,535
Funds	—	—	37,244	37,244
Private equities	—	—	57,938	57,938
	—	—	171,717	171,717
	1,132,038	—	171,717	1,303,755
Shari'a compliant alternatives of swap (note 37)	—	2,336	—	2,336
FINANCIAL LIABILITIES				
Shari'a compliant alternatives of swap (note 37)	—	1,799	—	1,799
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:				
Investment properties (note 22)	—	—	1,415,236	1,415,236
Investment carried at amortised cost – Sukuk	10,998,617	—	—	10,998,617
Assets acquired in satisfaction of claims	—	198,410	—	198,410

There were no transfers between level 1, 2 and 3 during the year.

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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

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

	2020 AED '000	2019 AED '000
At 1 January	171,717	89,731
Net purchases	(2,990)	11,544
(Loss) gain recorded in equity	(11,499)	70,442
At 31 December	157,228	171,717

44 SOCIAL CONTRIBTUIONS

The social contributions (including donations and charity) made during the year amount to AED 20,000 thousand which were approved by the shareholders at the Annual General Assembly held on 29 March 2020.

During 2019, the social contributions (including donations and charity) were made amounting to AED 31,000 thousand after the approval by the shareholders at the Annual General Assembly held on 13 March 2019.

Dividend to charity relating to year ended 31 December 2020 amounting to AED 20,000 thousand is proposed by the Board of Directors for the approval by the shareholders at the forthcoming Annual General Assembly

BASEL III PILLAR III DISCLOSURE

YEAR ENDED 31 DECEMBER 2020

The requirements of the Central Bank of the UAE act as the framework for the implementation of the Basel III Accord in the UAE. They are contained in Circular 4980/2020 dated 12 November 2020.

The framework is based on three pillars:

- Pillar I – Minimum capital requirements: defines rules for the calculation of minimum capital for credit, market and operational risk. The framework allows for different approaches, which can be selected depending on size, sophistication and other considerations. These comprise for Credit Risk: Standardised, Foundation Internal Rating Based (FIRB), Advanced Internal Rating Based (AIRB); for Market Risk: Standardised and Internal Models Approach; and for Operational Risk: Basic Indicator Approach and Standardised Approach.
- Pillar II – Provides the framework for an enhanced supervisory review process with the objective of assessing the adequacy of the Bank's capital to cover not only the three primary risks (Credit, Market and Operational), but in addition a series of other risks that the Bank may be exposed to; for example, concentration risk, residual risk, business risk, liquidity risk etc. It includes the requirement for banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, which is subject to the Central Bank review and inspection.
- Pillar III – Market discipline: requires expanded disclosures, which allow regulators, investors and other market participants to more fully understand the risk profiles of individual banks. The requirements of Pillar III in the case of ADIB are fulfilled in this annual report.

Banks are required to disclose all their material risks as part of the Pillar III framework. Many of these requirements have already been satisfied in note 42 to the 2020 ADIB Consolidated Financial Statements, which covers in detail the risk and capital management processes of the Bank and its compliance with the Basel III Accord in this regard.

The following Pillar III disclosures provide additional qualitative and quantitative information over and above that contained in note 42 to the 2020 ADIB Consolidated Financial Statements and together with the information contained in note 42, meet the full disclosure requirements of Pillar III.

ADIB risk philosophy

Taking risk is at the core of the business of the Bank. All of the profit-making activities involve some measure of risk taking. Risk is also inherent in the internal business processes and systems, and also in external factors. At ADIB effective risk management is considered a core competence. In order for these risk-taking activities to generate sufficient amount of profit to add to shareholder and depositor value, the risk is managed within the tolerance levels of the organisation and the overall risk appetite that is set annually by the Board of Directors and reviewed quarterly by the Governance and Risk Policy Committee of the Board. The following principles lie at the core of ADIB's risk philosophy:

- Shari'a: Full compliance with Shari'a Governance in all aspects.
- **Approval:** All business activities which commit the Bank, legally or morally, to deliver risk-sensitive financing solutions, and any business proposals, require approval by authorised individuals or committees, prior to commitment.
- **Independence:** There exists a clear separation between the business and the risk management functions.
- **Transparency:** Risk management structures, policies and procedures are transparent. They are based on consistent principles, in written form, and are well communicated.
- **One obligor total:** Decision authority is determined by the total amount of financing and/or capital at risk, approved for all entities that form a coherent group based on shareholding and/or management control.
- **Committee:** Decisions regarding policy, product, large or high-risk exposures are taken by the appropriate committee.
- **Approval authority:** Authorities are delegated by the Board of Directors to an Executive Committee, which in turn delegates authority through the Chief Executive Officer. These reflect the delegates' (committee or individual) level of expertise, experience, track record and seniority.
- **Three initials:** Risk proposals can only be approved with a minimum of three authorised individuals forming an agreement within the framework set by the Board approved Credit Policy & Procedures Manual.
- **Business responsibility:** Business units are responsible for the selection of clients and for managing all of the business activities with such clients within approved limits.
- **Credit Administration & Control:** Critical to ensuring ongoing compliance with policies, approval authorities, approval conditions etc.

- Due diligence: Regular and consistent customer contact, site visits, financial analysis, risk rating and stress testing.

Risk governance

ADIB's Risk Governance Framework is focused on integrating Enterprise-wide Risk Management fully into its operations and culture. The role of Risk Management is to support growth, whilst ensuring consistent quality of the Bank's portfolio and an appropriate return for the risk being taken. The objective is to manage earnings volatility, which is achieved by setting clear risk-taking parameters and robust processes.

The Risk Governance Framework supports the Bank's objective of being a dynamic banking entity providing Islamic financial services of excellence, with insight and transparency in risk taking.

Please refer to note 42.1.1 of the 2020 ADIB Consolidated Financial Statements.

Risk appetite

ADIB's business model attracts mainly credit, market, operational and compliance risks in the normal course of business. The Bank seeks sustainable growth and profitability through the acquisition of diversified banking assets with attractive risk/return profiles while maintaining sufficient capital and liquidity buffers above those mandated by regulators. The Bank also seeks to maintain its strong credit ratings.

The principal themes underlying the assumptions of these risks are:

- Strong controls culture designed to ensure good conduct, ethical behaviour, legal and regulatory compliance
- Clearly defined target markets and risk acceptance terms, and
- Continuous monitoring and management of risk assets

The Bank manages its risk appetite using a set of risk limits and performance indicators allocated to each business. Management monitors adherence to these continuously.

Components of risk management

The management of risk is a process operated independently of the business units of the Bank. It consists of the following key components:

1. Identification: the Bank endeavours to identify all material risks that it may be affected by. Identification is a continuous and proactive process. It covers all the current activities of the Bank, as well as new products and markets.
2. Policies: In order to ensure that the Bank's business units comply with the approved Risk Governance Framework, the Board of Directors has approved detailed Credit Risk Policies and Procedures, and various other policies covering the ALM Charter, Market Risk, Operational Risk and other risks as identified within the Basel II framework.
3. Measurement and monitoring: The Bank spends considerable resources on maintaining a modern IT platform to support risk management, applying a number of models and methods to accurately measure and quantify the risks affecting the Bank on an ongoing basis. The Bank continually monitors models and validates risk parameters to ensure that risk measurement gives a fair presentation of the underlying portfolios and transactions. Effective 1 January 2018 the bank has adopted the revised International Financial Reporting Standard (IFRS) 9, as a result the Bank has developed and implemented models to measure the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) and capture the impact of macroeconomic forecasts. These models are used to calculate the Expected Credit Loss (ECL) as well as monitoring the quality of the portfolios. For further disclosures on impairment assessment based on the IFRS 9, Please refer to note 42.2 of the 2020 ADIB Consolidated Financial Statements.
4. Parameter applications: In order to best capitalise on the Bank's risk appetite, the Bank applies risk-based data with regard to customers, industries, geographies etc. in the day-to-day management and review of customer transactions.
5. Controls: The Bank has established an independent control environment to monitor and enforce approved policies and procedures, and has various operational aspects with regard to consistent and thorough implementation of the same.
6. Reporting: The Bank has a well-established process for reporting risk factors to the various stakeholders of the Bank.

The Bank aims to reinforce a strong risk management culture through a comprehensive set of policies, processes and procedures that are designed to effectively identify, measure, monitor and control risk exposures. The Board of Directors is involved both directly and through the Governance and Risk Policy Committee, in the embedding of material risk processes and the periodic oversight and guidance of the risk management function.

Risk Management Structure: Please refer to note 42.1.1 of the 2020 ADIB Consolidated Financial Statements.

Assessment of risk governance effectiveness

As a measure to evaluate the effectiveness of the Risk Governance Standards adopted by the Bank, an independent assessment was again conducted as a part of the annual ICAAP, covering various aspects of the following standards:

- Publications of the Basel Committee for Banking Supervision on Sound Principles of Risk Management
- Publications of the Central Bank of the UAE

The assessment was divided into the following broad categories:

1. Risk management structure
2. Operational risk
3. Credit & Concentration risk
4. Market risk
5. Profit rate risk in the banking book
6. Liquidity risk

The broad results of the assessment are as follows:

- The Bank is following sound practices for Credit Risk, Market Risk, Operational Risk and Asset-Liability Management
- The Bank has a strong Credit Risk Management Framework. Financing Policy is clearly defined based on a target Credit Risk versus Return trade-off strategy. Limits of exposures to individual and group financing customers are defined, together with lines of authority regarding the granting of new financing, and the extension of existing limits. In addition, policies for addressing recoveries are established, which contain a detailed delegation of authority as well as control process.
- A comprehensive Risk Policy Framework has been adopted for ALM and Market Risk which includes Profit Rate and Liquidity Risks.
- The Operational Risk Management framework has been developed based on the 'Sound Practices for Operational Risk' document specified by the Basel Committee on Banking Supervision.

Credit risk and credit risk concentration: Please refer to note 42.2 of the 2020 ADIB Consolidated Financial Statements.

Liquidity risk and funding management: Please refer to note 42.3 of the 2020 ADIB Consolidated Financial Statements.

Market risk including profit rate risk, currency risk, and equity price risk: Please refer to note 42.4 of the 2020 ADIB Consolidated Financial Statements.

Operational risk: Please refer to note 42.4.4 of the 2020 ADIB Consolidated Financial Statements.

Other Risks

Concentration risk: This refers to the risk that arises from any single exposure or a group of exposures with common risk factors and has the potential to produce large losses. It is mainly related to name concentration which relates to imperfect diversification of idiosyncratic risk in the portfolio because of large exposures to specific obligors. It also includes risk related to sector concentration which relates to the risk in credit portfolios arising from an unequal distribution of loans to different economic sectors.

Residual risk: This refers to the risk that recognised risk measurement and mitigation techniques used by the Bank prove less effective than expected. The Bank uses various techniques to mitigate the risk of the underlying credit exposure in the normal course of its business. The credit risk mitigation techniques generally used are either financial/non-financial collaterals or credit protection in the form of guarantees. These Credit Risk Mitigation Techniques are recognised for capital relief purposes under the Standardised Approach, except for non-financial collaterals, provided certain minimum criteria are present.

Reputation risk: Refers to the potential adverse effects that can arise from the Bank's reputation being sullied due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, negative/adverse publicity etc.. The Bank maintains a sound position in the market; it has not faced any major adverse publicity, deposit run or regulatory penalties over its long history. Its long-term rating of A+ was reconfirmed by Fitch in 2020.

Business risk: Refers to the risk of the Bank's earnings and profitability arising from its strategic decisions, changes in business conditions, and improper implementation of decisions. Thus business risk arises due to external causes, out of strategies and choices that could cause loss to the Bank in the form of a reduction in shareholder value, loss of earnings etc. The Bank's current business plan is in alignment with its goals and targets.

Settlement risk: Occurs when the Bank simultaneously exchanges value with a customer or with another bank in settlement of a foreign exchange obligation or a similar type of obligation. The risk is that the scheduled payment is not received, thus creating a direct credit risk as well. In the UAE the Central Bank of the UAE manages clearing and settlement amongst the banks and is the lender of last resort, hence the risk of a 'gridlock' is considered negligible. In the case of foreign currency transactions with banks in other countries, the first protection against settlement risk is by dealing with only approved correspondent banks that have been rated by recognised rating agencies such as Moody's, Fitch, S&P etc., as well as internally by the Bank. Any delayed settlements are closely monitored and the required procedural guidelines to be followed by Treasury and Back Office are in place.

Stress testing

Stress testing refers to various techniques used by the Bank to gauge its vulnerability to exceptional but plausible stress events. It is used as a risk management technique to evaluate the potential effects of a specific event and/or movement in a set of economic variables on the Bank's financial condition. Stress testing is based on the concept of 'proportionality and complexity' and its applicability to the activities of the Bank. Relevant factors include size, sophistication and diversification of activities, materiality of different risk types and the Bank's vulnerability to them, etc. Stress testing is an important part of the risk management function in the Bank.

Internal capital adequacy assessment process

In accordance with the regulations of the UAE Central Bank, ADIB initiated the ICAAP process late in 2009 and has submitted the reports annually to the UAE Central Bank within the stipulated deadline including the report for 2019, which was prepared and submitted in early 2020 as required. The process of integrating and embedding ICAAP with the Capital Management and Risk Management cultures and practices within the Bank continued in 2020. The production of the annual ICAAP report has enabled the respective departments to carry out the activities highlighted to further enhance the comprehensive risk management and capital management processes, and to measure progress in this respect, year on year. The annual ICAAP process is seen as an important periodic review of all such activities, and is approved by the Board.

Pillar III quantitative disclosures are contained in the tables on the following pages.

INFORMATION ON SUBSIDIARIES AND SIGNIFICANT INVESTMENT AS ON 31 DECEMBER 2020

	Country of Incorporation	% Ownership	Description	Treatment - Regulatory	Treatment - Accounting
SUBSIDIARIES					
Abu Dhabi Islamic Securities Company LLC	UAE	95	Equity Brokerage Services	Fully consolidated	Fully consolidated
ADIB Invest 1	BVI	100	Equity Brokerage Services	Fully consolidated	Fully consolidated
Burooj Properties LLC **	UAE	100	Real Estate Investments	Not consolidated	Fully consolidated
MPM Properties LLC **	UAE	100	Real Estate Services	Not consolidated	Fully consolidated
Kawader Services LLC **	UAE	100	Manpower Supply	Not consolidated	Fully consolidated
ADIB (UK) Limited	United Kingdom	100	Other Services	Fully consolidated	Fully consolidated
ADIB Holdings (Jersey) Ltd* (under liquidation)	British Channel Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Sukuk Company Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Sukuk Company II Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Capital Invest 1 Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Capital Invest 2 Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Alternatives Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
SIGNIFICANT INVESTMENT					
Abu Dhabi Islamic Bank - Egypt (S.A.E)	Egypt	49	Banking (under Conversion to Islamic Banking)	**Deduction treatment**	Equity Method
The Residential REIT (IC) Limited	UAE	30	Real Estate Fund	**Deduction treatment**	Equity Method
Abu Dhabi National Takaful PJSC	UAE	42	Islamic insurance	**Deduction treatment**	Equity Method
Bosnia Bank International D.D	Bosnia	27	Islamic banking	**Deduction treatment**	Equity Method
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	Islamic Retail Finance	**Deduction treatment**	Equity Method
Arab Link Money Transfer PSC (under liquidation)	UAE	51	Currency Exchange	**Deduction treatment**	Equity Method
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	Merchant acquiring	**Deduction treatment**	Equity Method

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

** In accordance with the Circular No. 52/2017 and the Capital Supply standard, the consolidated entity includes all subsidairies except commercial entities for the purpose of Basel III calculations and is subject to treatment outlined section 5 of "Tier Capital Supply Standard" related to "Significant investment in commercial entities".

CONSOLIDATED CAPITAL STRUCTURE AS ON 31 DECEMBER 2020

Details	Amount AED '000
Capital Base	
1. Common Equity Tier 1 (CET1) Capital	
1.1 Share capital	3,632,000
1.2 Share premium account	-
1.3 Eligible Reserves	5,409,083
1.4 Retained Earnings/ (-) Loss	5,622,572
1.5 Eligible amount of minority interest	-
1.6 Capital Shortfall if any	-
1.7 Accumulated other comprehensive income	(833,751)
CET1 Capital Before the regulatory adjustments and threshold deduction	**13,829,904**
1.8 Less: Regulatory deductions	(330,623)
1.9 Less: Threshold deductions	(5,356)
Total CET1 Capital after the regulatory adjustments and threshold deduction	**13,493,925**
2. Additional Tier1 (AT1) Capital	
2.1 Eligible AT1 capital (After grandfathering)	4,754,375
2.2 Other AT1 Capital e.g (Share premium, minority interest)	-
2.3 Less: Threshold deductions	-
Total AT1 Capital	**4,754,375**
3. Tier 2 (T2) Capital	
3.1 Tier 2 instruments e.g.subordinated financing (After grandfathering and/or amortization)	-
3.2 Other Tier 2 capital (including General Provision, etc.)	1,080,323
3.3 Less: Threshold deductions	-
Total T2 Capital	**1,080,323**

CAPITAL ADEQUACY AS ON 31ST DECEMBER 2020

Quantitative Disclosures

Capital Requirements	RWA AED'000	Capital Charge AED'000	Capital Ratio (%)
1. Credit Risk - Standarized Approach	**86,425,825**	9,938,970	
2. Market Risk - Standarized approach	**2,546,050**	292,796	
3. Operational Risk		-	
a. Basic Indicator Approach (BIA)	**10,659,881**	1,225,886	-
b. Standardised Approach/ASA		-	
c. Advanced Measurement Approach		-	
Total Capital requirements		**11,457,652**	-
Capital Ratio			
a. Total Capital Ratio for top consolidated Group*			19.40%
b. Tier 1 ratio only for top consolidated Group*			18.32%
c. CET1 ratio only for top consolidated Group*			13.54%
*** Adjusted for 2019 proposed dividend, the ratios would be:**			
a. Total Capital Ratio for top consolidated Group			18.80%
b. Tier 1 ratio only for top consolidated Group			17.71%
c. CET1 ratio only for top consolidated Group			12.94%

GROSS CREDIT EXPOSURES BY CURRENCY TYPE AS ON 31 DECEMBER 2020

Currency	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
AED	73,338,803	13,358	-	22,594,406	95,946,567	759,886	9,876,027	10,635,913	106,582,480
Foreign Currency	16,385,534	2,379,931	13,797,583	3,833,335	36,396,383	-	3,864,425	3,864,425	40,260,808
Total	**89,724,337**	**2,393,289**	**13,797,583**	**26,427,741**	**132,342,950**	**759,886**	**13,740,452**	**14,500,338**	**146,843,288**

GROSS CREDIT EXPOSURES BY GEOGRAPHY AS ON DECEMBER 31 2020

GEOGRAPHIC DISTRIBUTION	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
United Arab Emirates	84,436,051	185,933	10,007,790	24,091,884	118,721,658	754,900	13,355,171	14,110,071	132,831,729
Rest of Middle East	2,601,915	1,338,190	2,682,179	1,348,405	7,970,689	-	385,281	385,281	8,355,970
Europe	1,893,830	142,506	-	121,460	2,157,796	-	-	-	2,157,796
Others	792,541	726,660	1,107,614	865,992	3,492,807	4,986	-	4,986	3,497,793
Total	**89,724,337**	**2,393,289**	**13,797,583**	**26,427,741**	**132,342,950**	**759,886**	**13,740,452**	**14,500,338**	**146,843,288**

GROSS CREDIT EXPOSURE BY INDUSTRY SEGMENT AS ON 31 DECEMBER 2020

INDUSTRTY SEGMENT	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
Agriculture, Fishing & related activities	292,517	-	-	-	292,517	-	513	513	293,030
Crude Oil, Gas, Mining & Quarrying	125,637	-	-	-	125,637	-	35,558	35,558	161,195
Manufacturing	1,938,020	-	-	-	1,938,020	19,676	147,474	167,150	2,105,170
Electricity & Water	103	-	684,750	-	684,853	-	2,723,773	2,723,773	3,408,626
Construction	8,695,496	-	995,656	28,917	9,720,069	63,354	172,875	236,229	9,956,298
Trade	2,239,500	-	1,071,535	-	3,311,035	72,887	586,992	659,879	3,970,914
Transport, Storage & Communication	1,384,137	-	-	-	1,384,137	7,705	69,481	77,186	1,461,323
Financial Institutions	1,441,073	2,393,289	4,150,082	1,879,382	9,863,826	-	2,363,822	2,363,822	12,227,648
Services	5,044,470	-	-	-	5,044,470	4,829	515,353	520,182	5,564,652
Government / Public Sector	13,136,614	-	5,572,832	18,094,631	36,804,077	344,481	5,976,734	6,321,215	43,125,292
Retail/Consumer banking	52,501,542	-	-	98,134	52,599,676	69,764	584,323	654,087	53,253,763
All Others	2,925,228	-	1,322,728	6,326,677	10,574,633	177,190	563,554	740,744	11,315,377
Total	**89,724,337**	**2,393,289**	**13,797,583**	**26,427,741**	**132,342,950**	**759,886**	**13,740,452**	**14,500,338**	**146,843,288**

GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY AS ON 31 DECEMBER 2020

RESIDUAL CONTRACTUAL MATURITY	Customer Financings AED '000	Balances & Placements with Banks & FI AED '000	Sukuk AED '000	Others AED '000	Total Funded AED '000	Commitments AED '000	Other Off-Balance Sheet Exposures AED '000	Total Non-Funded AED '000	Total AED '000
Less than 3 months	9,617,505	2,207,126	261,304	20,779,213	32,865,148	582,694	6,725,835	7,308,529	40,173,677
3 months to one year	11,260,549	9,796	2,576,871	1,514,248	15,361,464	177,192	1,551,029	1,728,221	17,089,685
One to five years	40,952,962	66,105	6,606,785	227,866	47,853,718	-	5,354,346	5,354,346	53,208,064
Over five years	27,893,321	110,262	4,352,623	3,906,414	36,262,620	-	109,242	109,242	36,371,862
Total	**89,724,337**	**2,393,289**	**13,797,583**	**26,427,741**	**132,342,950**	**759,886**	**13,740,452**	**14,500,338**	**146,843,288**

IMPAIRED CUSTOMER FINANCINGS BY INDUSTRY SEGMENT AS ON 31 DECEMBER 2020

	OVERDUE			PROVISIONS		ADJUSTMENTS		
INDUSTRY SEGMENT	Less than 90 Days AED '000	90 Days and above AED '000	Total AED '000	Stage 3 AED '000	Stage 1 & 2 AED '000	Write-offs AED '000	Write-Backs AED '000	Total Impaired Assets AED '000
Agriculture, Fishing & related activities	-	1	1	1	-	-	-	-
Crude Oil, Gas, Mining & Quarrying	-	87,832	87,832	82,261	-	-	-	5,571
Manufacturing	1,654	712,042	713,696	390,977	-	-	-	322,719
Electricity & Water	-	102	102	102	-	-	-	-
Construction	251,602	851,938	1,103,540	431,293	-	-	-	672,247
Trade	5,487	613,978	619,465	334,831	-	-	-	284,634
Transport, Storage & Communication	109	95,995	96,104	66,748	-	-	-	29,356
Financial Institutions	151,467	8,164	159,631	75,629	-	-	-	84,002
Services	744,358	1,320,764	2,065,122	951,165	-	-	-	1,113,957
Government	-	374	374	373	-	-	-	1
Retail/Consumer banking	256,857	2,585,900	2,842,757	849,829	-	-	-	1,992,928
All Others	-	-	-	-	-	-	-	-
Total	**1,411,534**	**6,277,090**	**7,688,624**	**3,183,209**	**814,211**	**-**	**-**	**4,505,415**

IMPAIRED CUSTOMER FINANCINGS BY GEOGRAPHY AS ON 31 DECEMBER 2020

	OVERDUE			PROVISIONS		ADJUSTMENTS		
GEOGRAPHIC REGION	Less than 90 Days AED '000	90 Days and above AED '000	Total AED '000	Stage 3 AED '000	Stage 1 & 2 AED '000	Write-offs AED '000	Write-Backs AED '000	Total Impaired Assets AED '000
United Arab Emirates	1,256,465	5,632,138	6,888,603	2,723,368	-	-	-	4,165,235
Rest of Middle East	155,069	443,968	599,037	360,739	-	-	-	238,298
Europe	-	200,984	200,984	99,102	-	-	-	101,882
Others	-	-	-	-	-	-	-	-
Total	**1,411,534**	**6,277,090**	**7,688,624**	**3,183,209**	**814,211**	**-**	**-**	**4,505,415**

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED CUSTOMER FINANCINGS FOR THE YEAR ENDED 31 DECEMBER 2020

	Description	AED '000
	Opening Balance of Provisions for Impaired Customer Financings	3,013,242
Add:	Charge for the year	1,113,749
	- Stage 3	1,122,862
	- Stage 1 & 2	(9,113)
Add:	Write-off of impaired financing	(129,571)
	Closing Balance of Provisions for impaired Financing	**3,997,420**

CREDIT RISK - GENERAL DISCLOSURE - STANDARDISED APPROACH AS ON 31 DECEMBER 2020

ASSET CLASSES	ON BALANCE SHEET	OFF BALANCE SHEET		CREDIT RISK MITIGATION (CRM)			
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	Gross outstanding AED '000	After credit conversion factors (CCF) AED '000	Total gross exposure AED '000	Exposure before CRM AED '000	CRM AED '000	After CRM AED '000	Risk weighted assets AED '000
CLAIMS ON SOVEREIGNS	23,332,193	2,526,084	25,858,277	25,858,277	-	25,858,277	2,307,241
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	3,024,046	-	3,024,046	3,024,046	-	3,024,046	53,256
CLAIMS IN MULTI LATERAL DEVELOPMENT BANKS	136,070	-	136,070	136,070	-	136,070	-
CLAIMS ON BANKS	6,521,673	952,046	7,473,719	7,473,719	-	7,473,719	3,438,493
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-	-	-
CLAIMS ON CORPORATES	27,666,088	3,002,610	30,668,698	30,599,670	176,613	30,423,057	28,616,377
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	27,570,787	290,343	27,861,130	27,861,130	441,094	27,420,036	21,010,694
CLAIMS SECURED BY RESIDENTIAL PROPERTY	16,399,240	-	16,399,240	16,399,240	43,525	16,355,715	6,804,910
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	9,034,978	-	9,034,978	9,034,978	141,458	8,893,520	8,893,520
PAST DUE FINANCING	8,970,100	118,043	9,088,143	5,778,684	27,822	5,750,862	6,569,752
HIGH RISK CATEGORIES	44,465	-	44,465	41,572	-	41,572	62,358
OTHER ASSETS	9,643,310	-	9,643,310	9,643,310	-	9,643,310	8,669,224
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-	-	-
CREDIT DERIVATES (Banks Selling protection)	-	-	-	-	-	-	-
TOTAL CLAIMS	**132,342,950**	**6,889,126**	**139,232,076**	**135,850,696**	**830,512**	**135,020,184**	**86,425,825**

CREDIT RISK - GENERAL DISCLOSURE - STANDARDISED APPROACH AS (RATED/UNRATED) ON 31 DECEMBER 2020

	Gross Credit Exposures				
ASSET CLASSES	Rated AED '000	Unrated AED '000	Total AED '000	Post CRM AED '000	RWA Post CRM AED '000
CLAIMS ON SOVEREIGNS	3,013,462	20,318,731	23,332,193	25,858,277	2,307,241
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	-	3,024,046	3,024,046	3,024,046	53,256
CLAIMS IN MULTI LATERAL DEVELOPMENT BANKS	136,070	-	136,070	136,070	-
CLAIMS ON BANKS	5,637,937	883,736	6,521,673	7,473,719	3,438,493
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-
CLAIMS ON CORPORATES	6,588,744	21,077,344	27,666,088	30,423,057	28,616,377
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	-	27,570,787	27,570,787	27,420,036	21,010,694
CLAIMS SECURED BY RESIDENTIAL PROPERTY	-	16,399,240	16,399,240	16,355,715	6,804,910
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	-	9,034,978	9,034,978	8,893,520	8,893,520
PAST DUE FINANCING	-	8,970,100	8,970,100	5,750,862	6,569,752
HIGH RISK CATEGORIES	-	44,465	44,465	41,572	62,358
OTHER ASSETS	1,646,428	7,996,882	9,643,310	9,643,310	8,669,224
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-
CREDIT DERIVATES (Banks Selling protection)	-	-	-	-	-
TOTAL CLAIMS	**17,022,641**	**115,320,309**	**132,342,950**	**135,020,184**	**86,425,825**

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACH AS ON 31 DECEMBER 2020

		Exposures AED '000	Risk Weighted Assets AED '000
	Gross Exposure prior to Credit Risk Mitigation	139,232,076	87,256,337
Less:	Exposure covered by on-balance sheet netting	-	-
Less:	Exposures covered by Eligible Financial Collateral	830,512	830,512
Less:	Exposures covered by Guarantees	-	-
Less:	Exposures covered by Credit Derivatives	-	-
	Net Exposures after Credit Risk Mitigation	**138,401,564**	**86,425,825**

CAPITAL REQUIREMENT FOR MARKET RISK UNDER STANDARDISED APPROACH AS ON 31 DECEMBER 2020

Market Risk	Amount AED '000
Profit rate risk	1,298,857
Equity position risk	1,235,227
Foreign exchange risk	11,966
Commodity risk	-
Total Capital Requirment	**2,546,050**

EQUITIES DISCLOSURE FOR BANKING BOOK POSITIONS 31 DECEMBER 2020

1) Details of equity position by type:

	Current Year	
Type	Publicly Traded AED '000	Privately Held AED '000
Government	-	-
Financial Institutions	-	66,778
Trading and manufacturing	-	-
Construction and real estate	21,917	8,500
Energy	-	-
Others	-	76
Total	**21,917**	**75,354**

2) Realised and unrealised revaluation gains during the year:

	Amount AED '000
Realised gains from sales and liquidations	32,092
Unrealised gains recognized in the balance sheet but not through profit and loss account	60,374
Total	**92,466**

3) Items in (2) above included in Tier1/Tier 2 Capital:

Tier Capital	Amount AED '000
Amount included in Tier 1 Capital	92,466
Amount included in Tier 2 Capital	-
Total	**92,466**

EQUITIES DISCLOSURE FOR BANKING BOOK POSITIONS 31 DECEMBER 2020

Capital requirements by equity groupings:

Grouping	Capital Requirement AED '000
Government	-
Financial Institutions	17,576
Trading and manufacturing	-
Construction and real estate	4,989
Energy	-
Others	13
Total Capital requirement	**22,578**

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