

ABU DHABI ISLAMIC BANK PJSC

**Condensed consolidated interim
financial statements
31 March 2023 (unaudited)**

ABU DHABI ISLAMIC BANK PJSC

**Condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

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

Introduction

We have reviewed the accompanying interim financial information of Abu Dhabi Islamic Bank PJSC (the “Bank”) and its subsidiaries (together the “Group”) as at 31 March 2023, comprising the condensed consolidated interim statement of financial position as at 31 March 2023 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of these interim financial information in accordance with International Accounting Standard IAS 34 “*Interim Financial Reporting*” (“IAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

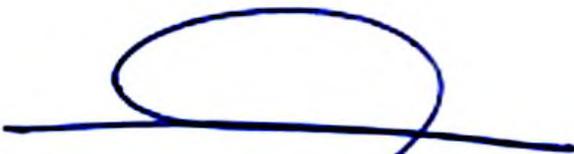
Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



Obada Alkowitzy
Registration No. 1056
26 April 2023
Abu Dhabi
United Arab Emirates

Condensed consolidated interim income statement
Three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 AED '000	2022 AED '000
Operating income			
Income from murabaha, mudaraba and wakala, with financial institutions		300,902	12,393
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	1,713,125	863,780
Income from sukuk measured at amortised cost		117,795	109,208
Income from investments measured at fair value	6	67,705	51,561
Share of results of associates and joint ventures		18,638	84,469
Fees and commission income, net	7	299,612	288,063
Foreign exchange income		88,311	75,752
Income from investment properties		9,105	9,216
Other income		9,936	1,703
		2,625,129	1,496,145
Operating expenses			
Employees' costs	8	(445,936)	(360,642)
General and administrative expenses	9	(197,020)	(141,735)
Depreciation		(79,494)	(61,082)
Amortisation of intangibles	25	(3,712)	(13,500)
Provision for impairment, net	10	(146,351)	(113,298)
		(872,513)	(690,257)
Profit from operations, before distribution to depositors		1,752,616	805,888
Distribution to depositors	11	(588,616)	(86,851)
Profit for the period before Zakat and tax		1,164,000	719,037
Zakat and tax	12	(61,887)	(3,711)
Profit for the period after Zakat and tax		1,102,113	715,326
<i>Attributable to:</i>			
Equity holders of the Bank		1,058,756	714,950
Non-controlling interest		43,357	376
		1,102,113	715,326
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	0.264	0.170

The attached notes 1 to 41 form part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income
Three months ended 31 March 2023 (Unaudited)

	Notes	Three months ended 31 March	
		2023 AED '000	2022 AED '000
Profit for the period after Zakat and Tax		1,102,113	715,326
Other comprehensive loss			
<i>Items that will not be reclassified to consolidated income statement</i>			
Net movement on valuation of equity investments carried at fair value through other comprehensive income		(437)	1,445
Other movement in reserves	30	(28,740)	-
Directors' remuneration paid	34	(16,100)	(8,190)
<i>Items that may be subsequently reclassified to consolidated income statement</i>			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	30	41,804	(78,534)
Exchange differences arising on translation of foreign operations	30	(231,617)	(77,452)
(Loss)/gain on hedge of foreign operations	30	(1,355)	1,037
Fair value gain on cash flow hedge	30	2,633	392
		<hr/>	<hr/>
Other comprehensive loss for the period		(233,812)	(161,302)
		<hr/>	<hr/>
Total comprehensive income for the period		868,301	554,024
		<hr/>	<hr/>
<i>Attributable to:</i>			
Equity holders of the Bank		824,944	553,648
Non-controlling interest		43,357	376
		<hr/>	<hr/>
		868,301	554,024
		<hr/>	<hr/>

The attached notes 1 to 41 form part of these condensed consolidated interim financial statements.

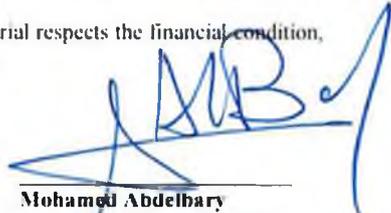
**Condensed consolidated interim statement of financial position
At 31 March 2023 (Unaudited)**

	Notes	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
ASSETS			
Cash and balances with central banks	14	26,586,403	24,229,302
Balances and wakala deposits with Islamic banks and other financial institutions	15	3,827,778	2,921,094
Murabaha and mudaraba with financial institutions	16	3,370,079	4,519,436
Murabaha and other Islamic financing	17	62,114,533	62,023,422
Ijara financing	18	45,159,282	45,693,485
Investment in sukuk measured at amortised cost	19	15,948,639	14,370,291
Investments measured at fair value	20	5,005,343	5,061,994
Investment in associates and joint ventures	21	792,009	776,084
Investment properties	22	1,273,835	1,277,943
Development properties	23	713,701	713,701
Other assets	24	3,908,015	3,239,346
Property and equipment		2,799,446	2,904,973
Goodwill and intangibles	25	647,881	786,020
TOTAL ASSETS		172,146,944	168,517,091
LIABILITIES			
Due to financial institutions	26	2,937,943	2,834,242
Depositors' accounts	27	141,756,049	138,136,603
Other liabilities	28	5,197,466	4,085,576
Total liabilities		149,891,458	145,056,421
EQUITY			
Share capital	29	3,632,000	3,632,000
Legal reserve		2,647,442	2,640,705
General reserve		2,976,136	2,975,819
Credit risk reserve		400,000	400,000
Retained earnings		7,823,179	8,642,250
Other reserves	30	(825,123)	(564,647)
Tier 1 sukuk	31	4,754,375	4,754,375
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		21,408,009	22,480,502
Non-controlling interest		847,477	980,168
Total equity		22,255,486	23,460,670
Total liabilities and equity		172,146,944	168,517,091
Contingent liabilities and commitments	32	12,910,818	12,434,445

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


Nasser Abdullah Al Awadhi
Group Chief Executive Officer


Mohamed Abdelbary
Group Chief Financial Officer

The attached notes 1 to 41 form part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of changes in equity
Three months ended 31 March 2023 (Unaudited)**

<i>Attributable to the equity and Tier 1 sukuk holders of the Bank</i>											
	Notes	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	Non- controlling interest AED '000	Total equity AED '000
Balance at 1 January 2023 – audited		3,632,000	2,640,705	2,975,819	400,000	8,642,250	(564,647)	4,754,375	22,480,502	980,168	23,460,670
Profit for the period		-	-	-	-	1,058,756	-	-	1,058,756	43,357	1,102,113
Other comprehensive loss		-	-	-	-	(16,100)	(217,712)	-	(233,812)	-	(233,812)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Dividends paid	39	-	-	-	-	(1,779,312)	-	-	(1,779,312)	(1,350)	(1,780,662)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Loss on disposal of FVTOCI investment		-	-	-	-	(5,215)	5,215	-	-	-	-
Transfer to Impairment reserve – General	30	-	-	-	-	56,760	(56,760)	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(8,781)	8,781	-	-	-	-
Transfer to reserves		-	6,737	317	-	(7,054)	-	-	-	-	-
Other movement in non-controlling Interest		-	-	-	-	-	-	-	-	(174,698)	(174,698)
Balance at 31 March 2023 - unaudited		3,632,000	2,647,442	2,976,136	400,000	7,823,179	(825,123)	4,754,375	21,408,009	847,477	22,255,486
Balance at 1 January 2022 - audited		3,632,000	2,640,705	2,633,934	400,000	6,741,105	(254,626)	4,754,375	20,547,493	11,567	20,559,060
Profit for the period		-	-	-	-	714,950	-	-	714,950	376	715,326
Other comprehensive loss		-	-	-	-	(8,190)	(153,112)	-	(161,302)	-	(161,302)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Dividends paid	39	-	-	-	-	(1,130,115)	-	-	(1,130,115)	-	(1,130,115)
Transfer to Impairment reserve – General	30	-	-	-	-	(110,215)	110,215	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(746)	746	-	-	-	-
Balance at 31 March 2022 - unaudited		3,632,000	2,640,705	2,633,934	400,000	6,108,664	(296,777)	4,754,375	19,872,901	11,943	19,884,844

The attached notes 1 to 41 form part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

Three months ended 31 March 2023 (Unaudited)

	Notes	Three months ended 31 March	
		2023 AED '000	2022 AED '000
Operating activities			
Profit for the period		1,102,113	715,326
Adjustments for:			
Depreciation on investment properties	22	3,639	3,574
Depreciation on property and equipment		55,644	41,515
Depreciation on right-of-use assets		20,211	15,993
Amortisation of intangibles	25	3,712	13,500
Share of results of associates and joint ventures		(18,638)	(84,469)
Realised (gain)/loss on investments carried at fair value through profit or loss	6	(6,072)	19,965
Unrealised (gain)/loss on investments carried at fair value through profit or loss	6	(4,567)	27,327
Realised gain on sukuk carried at fair value through other comprehensive income	6	-	(2,287)
Dividend income	6	(5,775)	-
Finance cost on lease liabilities	9	2,012	2,368
Provision for impairment, net	10	146,351	113,298
Operating profit before changes in operating assets and liabilities		1,298,630	866,110
Increase in balances with central banks		(4,101,795)	(6,329,882)
Decrease in balances and wakala deposits with Islamic banks and other financial institutions		1,659,784	854,737
Decrease in murabaha and mudaraba with financial institutions		907,996	213,443
Increase in murabaha and other Islamic financing		(1,542,557)	(2,001,351)
Decrease/(increase) in ijara financing		255,768	(74,951)
Net movement in investments carried at fair value through profit or loss		(1,451)	(274,098)
Increase in other assets		(795,909)	(671,335)
Increase/(decrease) in due to financial institutions		529,586	(183,622)
Increase in depositors' accounts		6,468,429	1,197,905
Increase in other liabilities		1,101,471	1,133,422
Cash from/(used in) operations		5,779,952	(5,269,622)
Directors' remuneration paid		(16,100)	(8,190)
Net cash from/(used in) operating activities		5,763,852	(5,277,812)
Investing activities			
Net movement in investments carried at fair value through other comprehensive income		98,335	(316,548)
Net movement in investments carried at amortised cost		(1,610,624)	(2,983,553)
Dividend received	6	5,775	-
Additions in associates		(2,202)	-
Purchase of property and equipment		(55,773)	(60,924)
Net cash used in investing activities		(1,564,489)	(3,361,025)
Financing activities			
Profit paid on Tier 1 sukuk – Listed (second issue)	31	(98,125)	(98,125)
Finance cost on lease liability	9	(2,012)	(2,368)
Dividends paid		(1,781,210)	(1,130,498)
Net cash used in financing activities		(1,881,347)	(1,230,991)
Increase/(decrease) in cash and cash equivalents		2,318,016	(9,869,828)
Cash and cash equivalents at 1 January		5,106,695	15,033,947
Cash and cash equivalents at 31 March	33	7,424,711	5,164,119
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		1,942,600	1,870,856
Profit paid to depositors		486,895	73,099

The attached notes 1 to 41 form part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements 31 March 2023 (Unaudited)

1 Legal status and principal activities

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

The Bank 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 58 branches in UAE (2021: 59 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The condensed consolidated interim financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

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

The condensed consolidated interim financial statements of the Group were authorised for issue by the Board of Directors on 26 April 2023.

2 Definitions

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

Murabaha

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

Istisna’a

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

Ijara

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

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)****2 Definitions (continued)****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.

Mudaraba

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

Wakalah

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

Sukuk

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

3 Basis of preparation**3.1 (a) Statement of compliance**

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

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

3 Basis of preparation (continued)

3.1 (b) Accounting convention

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

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

3.1 (c) Basis of consolidation

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

	Activity	Country of incorporation	Percentage of holding	
			2023	2022
Abu Dhabi Islamic Bank – Egypt (S.A.E)	Islamic banking	Egypt	53%	53%
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
MPM Properties LLC	Real estate services	United Arab Emirates	100%	100%
ADIB Invest 1	Equity brokerage services	BVI	100%	100%
Kawader Services LLC	Manpower supply	United Arab Emirates	100%	100%
ADIB (UK) Limited	Other services	United Kingdom	100%	100%
ADIB Capital Ltd	Funds services	United Arab Emirates	100%	100%
ADIB Sukuk Company Ltd* (under liquidation)	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Alternatives Ltd*	Special purpose vehicle	Cayman Island	-	-

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

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

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

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

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)****3 Basis of preparation (continued)****3.2 Significant judgements and estimates**

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2022.

4 Significant accounting policies

The condensed consolidated interim financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, results for the three months ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)****4 Significant accounting policies (continued)****Changes in accounting policies after the adoption of IFRS**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these interim condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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

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

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from January 1, 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (Effective date deferred indefinitely, available for early adoption).

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

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

5 Income from Murabaha, Mudaraba, Ijara and other Islamic financing from customers

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Vehicle murabaha	115,165	55,796
Goods murabaha	234,393	53,887
Share murabaha	212,602	208,280
Commodities murabaha – Al Khair	99,361	87,565
Islamic covered cards (murabaha)	95,382	69,235
Other murabaha	141,947	71,664
	<hr/>	<hr/>
Total murabaha	898,850	546,427
Mudaraba	162,619	67
Wakala	68,052	10,404
Ijara	583,603	306,878
Istisna'a	1	4
	<hr/>	<hr/>
	1,713,125	863,780
	<hr/> <hr/>	<hr/> <hr/>

6 Income from investments measured at fair value

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Income from sukuk measured at fair value through profit or loss	18,462	16,276
Income from sukuk measured at fair value through other comprehensive income	31,859	17,366
Realised gain/(loss) on investments carried at fair value through profit or loss	6,072	(19,965)
Unrealised gain/(loss) on investments carried at fair value through profit or loss	4,567	(27,327)
Realised gain on sukuk carried at fair value through other comprehensive income	-	2,287
Dividend income	5,775	-
Income from other investment assets	970	62,924
	<hr/>	<hr/>
	67,705	51,561
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

7 Fees and commission income, net

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Fees and commission income		
Fees and commission income on cards	311,596	238,226
Trade related fees and commission	39,915	20,001
Takaful related fees	3,600	2,565
Accounts services fees	30,632	26,798
Projects and property management fees	11,347	10,475
Risk participation and arrangement fees	20,346	29,737
Brokerage fees and commission	7,839	9,037
Other fees and commissions	120,135	118,630
	<hr/>	<hr/>
Total fees and commission income	545,410	455,469
	<hr/>	<hr/>
Fees and commission expenses		
Card related fees and commission expenses	(222,500)	(151,433)
Other fees and commission expenses	(23,298)	(15,973)
	<hr/>	<hr/>
Total fees and commission expenses	(245,798)	(167,406)
	<hr/>	<hr/>
Fees and commission income, net	299,612	288,063
	<hr/> <hr/>	<hr/> <hr/>

8 Employees' costs

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Salaries and wages	386,431	328,760
End of service benefits	28,282	16,480
Other staff expenses	31,223	15,402
	<hr/>	<hr/>
	445,936	360,642
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

9 General and administrative expenses

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Legal and professional expenses	29,523	16,348
Premises expenses	26,758	17,316
Marketing and advertising expenses	19,350	14,237
Communication expenses	27,480	23,406
Technology related expenses	49,968	42,340
Finance cost on lease liabilities	2,012	2,368
Other operating expenses	41,929	25,720
	197,020	141,735

10 Provision for impairment, net

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Murabaha and other Islamic financing	(98,103)	32,715
Ijara financing	183,701	78,149
Direct write offs, net of recoveries	(3,136)	(6,697)
Others	63,889	9,131
	146,351	113,298

11 Distribution to depositors

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Saving accounts	42,896	52,615
Investment accounts	545,720	34,236
	588,616	86,851

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)****12 Zakat and tax****Zakat**

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

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

Tax

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

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023. As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Bank is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

13 Basic and diluted earnings per share

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

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

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

	<i>Notes</i>	Three months ended	
		31 March	
		2023	2022
		AED '000	AED '000
Profit for the period attributable to equity holders (AED '000)		1,058,756	714,950
Less: profit attributable to Tier 1 sukuk holder – Listed (second issue) (AED '000)	31	(98,125)	(98,125)
Profit for the period attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		960,631	616,825
Weighted average number of ordinary shares in issue (000's)		3,632,000	3,632,000
Basic and diluted earnings per share (AED)		0.264	0.170

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.

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

14 Cash and balances with central banks

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Cash on hand	2,334,986	2,122,245
Balances with central banks:		
- Current accounts	1,140,759	803,885
- Statutory reserve	10,942,819	9,042,331
- Islamic certificate of deposits	12,174,640	12,263,762
	26,593,204	24,232,223
Less: provision for impairment	(6,801)	(2,921)
	26,586,403	24,229,302

The Bank is required to maintain statutory reserves with the Central Bank of the UAE, Egypt, 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:

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	23,540,920	21,292,257
Rest of the Middle East	1,771,026	1,384,595
Others	1,281,258	1,555,371
	26,593,204	24,232,223

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

15 Balances and wakala deposits with Islamic banks and other financial institutions

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	299,831	434,284
Wakala deposits	3,592,946	2,529,905
	<hr/>	<hr/>
	3,892,777	2,964,189
Less: provision for impairment	(64,999)	(43,095)
	<hr/>	<hr/>
	3,827,778	2,921,094
	<hr/> <hr/>	<hr/> <hr/>

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:

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	163,437	338,283
Rest of the Middle East	3,288,125	2,241,486
Europe	268,063	109,338
Others	173,152	275,082
	<hr/>	<hr/>
	3,892,777	2,964,189
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

16 Murabaha and Mudaraba with financial institutions

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Murabaha	3,393,311	4,557,805
Less: provision for impairment	(23,232)	(38,369)
	<hr/> 3,370,079 <hr/>	<hr/> 4,519,436 <hr/>

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:

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	662,306	44,669
Others	2,731,005	4,513,136
	<hr/> 3,393,311 <hr/>	<hr/> 4,557,805 <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

17 Murabaha and other Islamic financing

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Vehicle murabaha	7,217,638	6,751,529
Goods murabaha	21,175,552	20,747,562
Share murabaha	13,747,963	14,136,965
Commodities murabaha – Al Khair	8,121,841	7,917,493
Islamic covered cards (Murabaha)	5,625,657	5,884,218
Other murabaha	8,488,507	8,183,534
	<hr/>	<hr/>
Total murabaha	64,377,158	63,621,301
Mudaraba	5,174,478	5,897,248
Wakala	3,568,533	4,034,965
Istisna'a	91,714	91,733
Other financing receivables	166,741	182,761
	<hr/>	<hr/>
Total murabaha and other Islamic financing	73,378,624	73,828,008
Less: deferred income on murabaha	(8,615,432)	(8,944,510)
	<hr/>	<hr/>
	64,763,192	64,883,498
Less: provision for impairment	(2,648,659)	(2,860,076)
	<hr/>	<hr/>
	62,114,533	62,023,422
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

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:

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Industry sector		
Government	2,364,546	2,372,318
Public sector	9,096,059	9,131,037
Corporates	8,108,059	8,420,531
Financial institutions	5,461,679	6,010,207
Individuals	38,604,184	37,782,357
Small and medium enterprises	1,128,665	1,167,048
	<hr/>	<hr/>
	64,763,192	64,883,498
	<hr/> <hr/>	<hr/> <hr/>
Geographic region		
UAE	47,859,191	45,893,698
Rest of the Middle East	6,112,726	6,841,932
Europe	2,029,190	2,123,992
Others	8,762,085	10,023,876
	<hr/>	<hr/>
	64,763,192	64,883,498
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

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.

The aggregate future lease receivables are as follows:

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Due within on year	9,083,475	9,935,047
Due in the second to fifth year	25,606,653	25,278,339
Due after five years	33,411,606	33,411,525
	<hr/>	<hr/>
Total Ijara financing	68,101,734	68,624,911
Less: deferred income	(19,979,208)	(20,141,251)
	<hr/>	<hr/>
Net present value of minimum lease payments receivables	48,122,526	48,483,660
Less: provision for impairment	(2,963,244)	(2,790,175)
	<hr/>	<hr/>
	45,159,282	45,693,485
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

18 Ijara financing (continued)

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Industry sector		
Government	432,525	503,174
Public sector	7,999,488	7,783,149
Corporates	16,498,510	17,082,626
Individuals	22,950,089	22,869,778
Financial institutions	164,335	170,935
Non-profit organisations	77,579	73,998
	<hr/>	<hr/>
	48,122,526	48,483,660
	<hr/> <hr/>	<hr/> <hr/>
Geographic region		
UAE	45,343,888	44,885,205
Rest of the Middle East	1,247,692	1,505,463
Europe	506,040	707,614
Others	1,024,906	1,385,378
	<hr/>	<hr/>
	48,122,526	48,483,660
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

19 Investment in sukuk measured at amortised cost

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Sukuk – Quoted	16,109,157	14,498,533
Less: provision for impairment	(160,518)	(128,242)
	<hr/> 15,948,639 <hr/>	<hr/> 14,370,291 <hr/>

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

UAE	9,884,506	9,201,049
Rest of the Middle East	4,258,674	4,059,864
Others	1,965,977	1,237,620
	<hr/> 16,109,157 <hr/>	<hr/> 14,498,533 <hr/>

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

20 Investments measured at fair value

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	11,582	27,691
Sukuk	1,661,783	1,633,584
	<hr/>	<hr/>
	1,673,365	1,661,275
	<hr/>	<hr/>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	29,532	29,958
Sukuk	3,143,974	3,200,481
	<hr/>	<hr/>
	3,173,506	3,230,439
	<hr/>	<hr/>
Unquoted investments		
Sukuk	70,406	72,420
Funds	26,480	27,083
Private equities	101,357	104,460
	<hr/>	<hr/>
	198,243	203,963
	<hr/>	<hr/>
	3,371,749	3,434,402
	<hr/>	<hr/>
	5,045,114	5,095,677
Less: provision for impairment	(39,771)	(33,683)
	<hr/>	<hr/>
	5,005,343	5,061,994
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

20 Investments measured at fair value (continued)

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Geography region		
UAE	2,541,981	2,486,822
Rest of the Middle East	1,706,345	1,747,898
Europe	823	809
Others	795,965	860,148
	<hr/> 5,045,114 <hr/>	<hr/> 5,095,677 <hr/>

21 Investment in associates and joint ventures

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
At the beginning of the period	791,240	1,620,378
Share of results	18,638	224,591
Additions for the period	2,202	49,934
Dividends received	-	(15,572)
Movement due to business combination	-	(1,084,096)
Foreign currency translation	(4,915)	(3,995)
	<hr/> 807,165 <hr/>	<hr/> 791,240 <hr/>
At the end of the period	807,165	791,240
Less: provision for impairment	(15,156)	(15,156)
	<hr/> 792,009 <hr/>	<hr/> 776,084 <hr/>
Net balance at the end of the period	792,009	776,084

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

21 Investment in associates and joint ventures (continued)

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
At the beginning of the period	15,156	16,000
Reversals for the period	-	(844)
	<hr/>	<hr/>
At the end of the period	15,156	15,156
	<hr/> <hr/>	<hr/> <hr/>

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

	Place of incorporation	Proportion of ownership interest		Principal activity
		2023 %	2022 %	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D.D	Bosnia	27	27	Islamic banking
The Residential REIT (IC) Limited	UAE	29	29	Real estate fund
<i>Joint ventures</i>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	-	49	Islamic Banking
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	51	Islamic Retail Finance
Arab Link Money Transfer PSC (under liquidation)	UAE	51	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

22 Investment properties

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Cost		
Balance at the beginning of the period	1,500,054	1,496,410
Movement due to business combination	-	2,637
Additions during the period	-	1,007
Foreign currency translation	(474)	-
	<hr/>	<hr/>
Gross balance at the end of the period	1,499,580	1,500,054
Less: provision for impairment	(119,247)	(119,252)
	<hr/>	<hr/>
Net balance at the end of the period	1,380,333	1,380,802
	<hr/>	<hr/>
Accumulated depreciation		
Balance at the beginning of the period	102,859	88,351
Charge for the period	3,639	14,508
	<hr/>	<hr/>
Balance at the end of the period	106,498	102,859
	<hr/>	<hr/>
Net book value at the end of the period	1,273,835	1,277,943
	<hr/>	<hr/>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 9,105 thousand (31 March 2022: AED 9,216 thousand) for the three months period ended 31 March 2023.

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
At the beginning of the period	119,252	119,071
Charge for the period	-	181
Foreign currency translation	(5)	-
	<hr/>	<hr/>
At the end of the period	119,247	119,252
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

22 Investment properties (continued)

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	1,382,809	1,386,410
Rest of the Middle East	8,214	8,214
Others	2,059	2,571
	<hr/> 1,393,082 <hr/>	<hr/> 1,397,195 <hr/>

23 Development properties

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Development properties	837,381	837,381
Less: provision for impairment	(123,680)	(123,680)
	<hr/> 713,701 <hr/>	<hr/> 713,701 <hr/>

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

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

Development properties include land with a carrying value of AED 707,468 thousand (2022: AED 707,468 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

24 Other assets

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Acceptances	907,080	283,937
Assets acquired in satisfaction of claims	112,045	105,983
Trade receivables	446,486	478,476
Prepaid expenses	953,541	927,115
Accrued profit	407,101	429,482
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	41,540	8,897
Others, net	1,040,222	1,005,456
	<u>3,908,015</u>	<u>3,239,346</u>

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

25 Goodwill and intangibles

	Other intangible assets				Total AED '000
	Goodwill AED '000	Customer relationship AED '000	Core deposit AED '000	License AED '000	
At 1 January 2022 – audited	109,888	30,357	6,090	-	146,335
Additions during the year	216,488	-	282,329	366,220	865,037
Exchange translation differences	(45,510)	-	(59,351)	(76,986)	(181,847)
Amortisation during the period	-	(30,357)	(13,148)	-	(43,505)
	<u>280,866</u>	<u>-</u>	<u>215,920</u>	<u>289,234</u>	<u>786,020</u>
At 1 January 2023 – audited	280,866	-	215,920	289,234	786,020
Exchange translation differences	(33,641)	-	(43,874)	(56,912)	(134,427)
Amortisation during the period	-	-	(3,712)	-	(3,712)
	<u>247,225</u>	<u>-</u>	<u>168,334</u>	<u>232,322</u>	<u>647,881</u>
At 31 March 2023 - unaudited	247,225	-	168,334	232,322	647,881

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

26 Due to financial institutions

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	1,946,722	1,760,078
Investment deposits	940,871	1,059,566
	<hr/>	<hr/>
	2,887,593	2,819,644
Current account – Central Bank of UAE	50,350	14,598
	<hr/>	<hr/>
	2,937,943	2,834,242
	<hr/> <hr/>	<hr/> <hr/>

27 Depositors' accounts

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	42,416,645	40,719,859
Investment accounts	98,624,329	96,703,737
Investment risk reserve	715,075	713,007
	<hr/>	<hr/>
	141,756,049	138,136,603
	<hr/> <hr/>	<hr/> <hr/>

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

At the beginning of the period	713,007	723,445
Share of profit for the period	2,068	3,375
Payment made during the period	-	(13,813)
	<hr/>	<hr/>
At the end of the period	715,075	713,007
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

27 Depositors' accounts (continued)

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Government	23,327,531	21,302,897
Public sector	8,273,894	10,881,169
Corporates	8,157,111	8,077,548
Financial institutions	2,036,453	1,724,141
Individuals	83,350,911	80,889,684
Small and medium enterprises	14,220,293	12,771,531
Non-profit organisations	2,389,856	2,489,633
	<hr/> 141,756,049 <hr/>	<hr/> 138,136,603 <hr/>

The Bank invests all of its investment accounts including saving accounts, adjusted for UAE, Egypt, 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).

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

28 Other liabilities

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
Accounts payable	859,964	447,035
Acceptances	907,080	283,937
Lease liabilities	218,243	233,786
Accrued profit for distribution to depositors and sukuk holders	283,371	183,718
Bankers' cheques	555,706	462,354
Provision for staff benefits and other expenses	410,784	570,905
Retentions payable	12,635	10,502
Advances from customers	133,786	57,013
Accrued expenses	322,499	314,448
Unclaimed dividends	89,631	90,179
Deferred income	207,615	201,418
Donation and charity account	35,026	15,646
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	-	5,950
Others	1,161,126	1,208,685
	<hr/>	<hr/>
	5,197,466	4,085,576
	<hr/> <hr/>	<hr/> <hr/>

29 Share capital

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
<i>Authorised share capital</i>		
4,000,000 thousand (2022: 4,000,000 thousand) ordinary shares of AED 1 each (2022: AED 1 each)	4,000,000	4,000,000
	<hr/>	<hr/>
<i>Issued and fully paid share capital</i>		
3,632,000 thousand (2022: 3,632,000 thousand) ordinary shares of AED 1 each (2022: AED 1 each)	3,632,000	3,632,000
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**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

30 Other reserves

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency translation reserve AED '000	Hedging reserve AED '000	Impairment reserve – Specific AED '000	Impairment reserve – General AED '000	Others AED '000	Total AED '000
At 1 January 2023 - audited	(463,494)	137,400	(837,980)	-	320,100	279,327	-	(564,647)
Net movement in valuation of equity investment carried at FVTOCI	11,502	-	-	-	-	-	-	11,502
Net movement in valuation of investment in sukuk carried at FVTOCI	29,865	-	-	-	-	-	-	29,865
Loss on disposal of investments carried at FVTOCI	5,215	-	-	-	-	-	-	5,215
Exchange differences arising on translation of foreign operations	-	-	(231,617)	-	-	-	-	(231,617)
Loss on hedge of foreign operations	-	-	(1,355)	-	-	-	-	(1,355)
Fair value gain on cash flow hedges	-	-	-	2,633	-	-	-	2,633
Net movement in impairment reserve – Specific	-	-	-	-	8,781	-	-	8,781
Net movement in impairment reserve – General	-	-	-	-	-	(56,760)	-	(56,760)
Net movement in other reserves	-	-	-	-	-	-	(28,740)	(28,740)
At 31 March 2023 - unaudited	(416,912)	137,400	(1,070,952)	2,633	328,881	222,567	(28,740)	(825,123)
At 1 January 2022 - audited	(185,025)	137,400	(860,399)	(846)	255,839	398,405	-	(254,626)
Net movement in valuation of equity investment carried at FVTOCI	1,445	-	-	-	-	-	-	1,445
Net movement in valuation of investment in sukuk carried at FVTOCI	(76,247)	-	-	-	-	-	-	(76,247)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(2,287)	-	-	-	-	-	-	(2,287)
Exchange differences arising on translation of foreign operations	-	-	(77,452)	-	-	-	-	(77,452)
Gain on hedge of foreign operations	-	-	1,037	-	-	-	-	1,037
Fair value gain on cash flow hedges	-	-	-	392	-	-	-	392
Net movement in impairment reserve – Specific	-	-	-	-	746	-	-	746
Net movement in impairment reserve – General	-	-	-	-	-	110,215	-	110,215
At 31 March 2022 - unaudited	(262,114)	137,400	(936,814)	(454)	256,585	508,620	-	(296,777)

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

31 Tier 1 sukuk

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
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
	<hr/>	<hr/>
	4,754,375	4,754,375
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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.

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

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

31 Tier 1 sukuk (continued)

Tier 1 sukuk – Government of Abu Dhabi (continued)

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

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

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

32 Contingent liabilities and commitments

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

	31 March 2023 AED ‘000	31 December 2022 AED ‘000 (audited)
<i>Contingent liabilities</i>		
Letters of credit	3,935,674	3,457,528
Letters of guarantee	7,879,652	8,125,921
	11,815,326	11,583,449
<i>Commitments</i>		
Undrawn facilities commitments	950,177	730,218
Future capital expenditure	145,315	120,778
	1,095,492	850,996
	12,910,818	12,434,445

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

33 Cash and cash equivalents

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Cash and balances with central banks, short term	5,676,940	5,178,860
Balances and wakala deposits with Islamic banks and other financial institutions, short term	3,856,268	3,206,330
Murabaha and mudaraba with financial institutions, short term	640,895	367,535
Due to financial institutions, short term	(2,749,392)	(3,588,606)
	7,424,711	5,164,119

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

34 Related party transactions

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

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

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
<i>31 March 2023 - unaudited</i>					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	163	-	163
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	10,353	-	2,575	23,711	36,639
Fees and commission income, net	-	-	12	400	412
Operating expenses	-	162	-	-	162
Distribution to depositors and sukuk holders	-	43	264	2	309
<i>31 March 2022 - unaudited</i>					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	4,222	-	4,222
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	10,353	-	2,478	20,685	33,516
Fees and commission income, net	-	-	29	384	413
Operating expenses	-	144	-	-	144
Distribution to depositors and sukuk holders	-	-	232	-	232

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

34 Related party transactions

The related party balances included in the condensed consolidated interim 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 March 2022 - unaudited					
Murabaha and mudaraba with financial Institutions	-	-	-	-	-
Murabaha, mudaraba, ijara and other Islamic financing	2,050,824	-	-	4,119,917	6,170,741
Other assets	-	-	236,547	-	236,547
	<u>2,050,824</u>	<u>-</u>	<u>236,547</u>	<u>4,119,917</u>	<u>6,407,288</u>
Due to financial institutions	-	-	479	-	479
Depositors' accounts	112	22,786	298,319	17,396	338,613
Other liabilities	-	-	126	-	126
	<u>112</u>	<u>22,786</u>	<u>298,924</u>	<u>17,396</u>	<u>339,218</u>
Contingencies	-	-	10,500	99,049	109,549
31 December 2022 – audited					
Murabaha and mudaraba with financial Institutions	-	-	45,162	-	45,162
Murabaha, mudaraba, ijara and other Islamic financing	2,040,472	-	-	4,153,358	6,185,830
Other assets	-	-	220,881	-	220,881
	<u>2,040,472</u>	<u>-</u>	<u>266,043</u>	<u>4,145,358</u>	<u>6,451,873</u>
Due to financial institutions	-	-	610	-	610
Depositors' accounts	62	6,312	257,402	13,634	277,410
Other liabilities	-	-	141	2	143
	<u>62</u>	<u>6,312</u>	<u>258,153</u>	<u>13,636</u>	<u>278,163</u>
Contingencies	-	-	10,500	100,305	110,805

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

34 Related party transactions (continued)

Compensation of key management personnel

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

	Three months ended 31 March	
	2023	2022
	AED '000	AED '000
Salaries and other benefits	7,330	6,672
Employees' end of service benefits	788	514
	8,118	7,186

During 2023, AED 16,100 thousand was paid to Board of Directors pertaining to the year ended 31 December 2022 after the approval by the shareholders at the Annual General Assembly held on 6th March 2023.

35 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.

Associates and Subsidiaries – Include Banks subsidiaries (not included above), associates and joint ventures, operating within and outside UAE.

Other operations - Other operations comprises mainly of Head Office 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.

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

35 Segment information (continued)

	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	Associates & Subsidiaries AED '000	Total AED '000
31 March 2023 – unaudited								
Revenue and results								
Segment revenues, net	1,133,792	299,045	58,045	80,584	19,793	152,441	292,813	2,036,513
Operating expenses excluding provision for impairment, net	(496,815)	(68,645)	(20,405)	(10,943)	(14,547)	(25,232)	(89,575)	(726,162)
Operating profit	636,977	230,400	37,640	69,641	5,246	127,209	203,238	1,310,351
Provision for impairment, net	(41,614)	(60,283)	788	(33,362)	-	40,333	(52,213)	(146,351)
Profit for the period before zakat and tax	595,363	170,117	38,428	36,279	5,246	167,542	151,025	1,164,000
Zakat and tax	-	(1,754)	(1,166)	-	-	-	(58,967)	(61,887)
Profit for the period after zakat and tax	595,363	168,363	37,262	36,279	5,246	167,542	92,058	1,102,113
Non-controlling interest	-	-	-	-	-	-	(43,357)	(43,357)
Profit for the period attributable to equity holders of the Bank	595,363	168,363	37,262	36,279	5,246	167,542	48,701	1,058,756
Assets								
Segmental assets	65,819,330	48,448,219	4,755,969	30,282,132	2,061,025	3,179,082	17,601,187	172,146,944
Liabilities								
Segmental liabilities	87,795,510	30,757,879	11,920,349	2,735,089	241,935	1,882,043	14,558,653	149,891,458
31 March 2022 - unaudited								
Revenue and results								
Segment revenues, net	789,356	222,111	34,235	203,675	16,662	42,682	100,573	1,409,294
Operating expenses excluding provision for impairment, net	(452,914)	(67,820)	(17,680)	(10,028)	(13,821)	(12,461)	(2,235)	(576,959)
Operating profit	336,442	154,291	16,555	193,647	2,841	30,221	98,338	832,335
Provision for impairment, net	(5,892)	(89,971)	(4,014)	(5,520)	-	(7,901)	-	(113,298)
Profit for the period before zakat and tax	330,550	64,320	12,541	188,127	2,841	22,320	98,338	719,037
Zakat and tax	-	(2,153)	(1,558)	-	-	-	-	(3,711)
Profit for the period after zakat and tax	330,550	62,167	10,983	188,127	2,841	22,320	98,338	715,326
Non-controlling interest	-	-	-	-	-	-	(376)	(376)
Profit for the period attributable to equity holders of the Bank	330,550	62,167	10,983	188,127	2,841	22,320	97,962	714,950
31 December 2022 - audited								
Assets								
Segmental assets	60,893,474	47,491,618	4,533,618	30,423,008	2,055,432	3,226,222	19,893,719	168,517,091
Liabilities								
Segmental liabilities	83,076,924	27,182,626	11,929,262	4,423,763	241,040	2,861,446	15,341,360	145,056,421

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

35 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.

	Domestic AED '000	International AED '000	31 March 2023 Total AED '000	Domestic AED '000	International AED '000	31 March 2022 Total AED '000
Revenue and results						
Segment revenues, net	1,716,977	319,536	2,036,513	1,372,882	36,412	1,409,294
Operating expenses excluding provision for impairment, net	(628,152)	(98,010)	(726,162)	(565,220)	(11,739)	(576,959)
Operating profit	1,088,825	221,526	1,310,351	807,662	24,673	832,335
Provision for impairment, net	(92,424)	(53,927)	(146,351)	(126,745)	13,447	(113,298)
Profit for the period before zakat and tax	996,401	167,599	1,164,000	680,917	38,120	719,037
Zakat and tax	-	(61,887)	(61,887)	-	(3,711)	(3,711)
Profit for the period after zakat and tax	996,401	105,712	1,102,113	680,917	34,409	715,326
Non-controlling interest	(478)	(42,879)	(43,357)	(376)	-	(376)
Profit for the period attributable to equity holders of the Bank	995,923	62,833	1,058,756	680,541	34,409	714,950
			31 March 2023 Total AED '000	Domestic AED '000	International AED '000	<i>Audited</i> 31 December 2022 Total AED '000
Assets						
Segmental assets	151,948,406	20,198,538	172,146,944	146,584,267	21,932,824	168,517,091
Liabilities						
Segmental liabilities	133,848,013	16,043,445	149,891,458	128,534,644	16,521,777	145,056,421

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

36 Risk management

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 loss (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
<i>31 March 2023 - unaudited</i>								
Cash and balances with central banks	12,174,640	-	-	12,174,640	6,801	-	-	6,801
Balances and wakala deposits with Islamic banks and other financial institutions	3,892,777	-	-	3,892,777	64,999	-	-	64,999
Murabaha and mudaraba with financial institutions	3,393,311	-	-	3,393,311	23,232	-	-	23,232
Murabaha and other Islamic financing	60,250,818	1,989,122	2,523,252	64,763,192	383,467	392,839	1,872,353	2,648,659
Ijara financing	37,660,093	4,275,767	6,186,666	48,122,526	310,414	192,050	2,460,780	2,963,244
Investment in sukuk measured at amortised cost	15,983,157	-	126,000	16,109,157	62,330	-	98,188	160,518
Investments measured at fair value	3,137,817	76,186	377	3,214,380	21,999	17,622	150	39,771
Other assets	1,034,495	19,162	-	1,053,657	15,735	955	-	16,690
	137,527,108	6,360,237	8,836,295	152,723,640	888,977	603,466	4,431,471	5,923,914
Contingent liabilities and commitments	10,609,183	1,557,499	598,821	12,765,503	95,648	13,743	93,242	202,633
	148,136,291	7,917,736	9,435,116	165,489,143	984,625	617,209	4,524,713	6,126,547

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

36 Risk management (continued)

Credit quality per stage for financial assets

	Gross exposure				Expected credit loss (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
<i>31 December 2022 - audited</i>								
Cash and balances with central banks	12,263,762	-	-	12,263,762	2,921	-	-	2,921
Balances and wakala deposits with Islamic banks and other financial institutions	2,964,189	-	-	2,964,189	43,095	-	-	43,095
Murabaha and mudaraba with financial institutions	4,557,805	-	-	4,557,805	38,369	-	-	38,369
Murabaha and other Islamic financing	60,178,904	2,050,635	2,653,959	64,883,498	522,480	339,620	1,997,976	2,860,076
Ijara financing	36,951,833	5,480,904	6,050,923	48,483,660	281,671	162,681	2,345,823	2,790,175
Investment in sukuk measured at amortised cost	14,373,185	-	125,348	14,498,533	30,449	-	97,793	128,242
Investments measured at fair value	3,194,342	78,176	383	3,272,901	18,940	14,590	153	33,683
Other assets	422,607	-	-	422,607	1,055	-	-	1,055
	<u>134,906,627</u>	<u>7,609,715</u>	<u>8,830,613</u>	<u>151,346,955</u>	<u>938,980</u>	<u>516,891</u>	<u>4,441,745</u>	<u>5,897,616</u>
Contingent liabilities and commitments	10,109,015	1,552,265	652,387	12,313,667	97,960	14,429	103,744	216,133
	<u>145,015,642</u>	<u>9,161,980</u>	<u>9,483,000</u>	<u>163,660,622</u>	<u>1,036,940</u>	<u>531,320</u>	<u>4,545,489</u>	<u>6,113,749</u>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

37 Capital adequacy ratio

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

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

For 2023 and onwards, CCB will be required to be maintained at 2.5% (2022: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2023 (2022: Nil).

As part of the measures adopted by the CBUAE to help banks deal with the COVID-19 crisis, 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.

	Basel III	
	31 March 2023	31 December 2022
	AED ‘000	AED ‘000 (audited)
<i>Capital base</i>		
Common Equity Tier 1	15,411,562	14,480,430
Additional Tier 1 capital	4,754,375	4,754,375
	<hr/>	<hr/>
Tier 1 capital	20,165,937	19,234,805
Tier 2 capital	1,379,425	1,344,099
	<hr/>	<hr/>
Total capital base	21,545,362	20,578,904
	<hr/> <hr/>	<hr/> <hr/>
<i>Risk weighted assets</i>		
Credit risk	110,354,012	107,527,886
Market risk	1,804,519	1,934,765
Operational risk	10,681,870	10,394,131
	<hr/>	<hr/>
Total risk weighted assets	122,840,401	119,856,782
	<hr/> <hr/>	<hr/> <hr/>
<i>Capital ratios</i>		
Common Equity Tier 1 ratio	12.55%	12.08%
	<hr/> <hr/>	<hr/> <hr/>
Total Tier 1 capital ratio	16.42%	16.05%
	<hr/> <hr/>	<hr/> <hr/>
Total capital ratio	17.54%	17.17%
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)****38 Profit rate benchmark reform**

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

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

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

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

39 Dividends

During 2023, cash dividend of 49.0% of the paid-up capital relating to year ended 31 December 2022 amounting to AED 1,779,312 thousand was paid after the approval by the shareholders at the Annual General Assembly held on 6th March 2023.

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

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

40 Fair value of financial instruments

Fair value measurement recognized in the consolidated statement of financial position

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

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

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

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

Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)

40 Fair value of financial instruments (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
<i>31 March 2023 - unaudited</i>				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	11,582	-	-	11,582
Sukuk	1,661,783	-	-	1,661,783
	<u>1,673,365</u>	<u>-</u>	<u>-</u>	<u>1,673,365</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	29,532	-	-	29,532
Sukuk	3,143,974	-	-	3,143,974
	<u>3,173,506</u>	<u>-</u>	<u>-</u>	<u>3,173,506</u>
<i>Unquoted investments</i>				
Sukuk	-	-	70,406	70,406
Funds	-	-	26,480	26,480
Private equities	-	-	101,357	101,357
	<u>-</u>	<u>-</u>	<u>198,243</u>	<u>198,243</u>
	<u>3,173,506</u>	<u>-</u>	<u>198,243</u>	<u>3,371,749</u>
	<u>4,846,871</u>	<u>-</u>	<u>198,243</u>	<u>5,045,114</u>
Shari'a compliant alternatives of swap (note 24)	-	41,540	-	41,540
Financial Liabilities				
Shari'a compliant alternatives of swap (note 28)	-	-	-	-
Assets for which fair values are disclosed:				
Investment properties	-	-	1,588,299	1,588,299
Investment carried at amortised cost - Sukuk	14,999,726	-	-	14,999,726
Assets acquired in satisfaction of claims	-	155,267	-	155,267

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

40 Fair value of financial instruments (continued)

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2022 - audited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	27,691	-	-	27,691
Sukuk	1,633,584	-	-	1,633,584
	<hr/>	<hr/>	<hr/>	<hr/>
	1,661,275	-	-	1,661,275
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	29,958	-	-	29,958
Sukuk	3,200,481	-	-	3,200,481
	<hr/>	<hr/>	<hr/>	<hr/>
	3,230,439	-	-	3,230,439
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Unquoted investments</i>				
Sukuk	-	-	72,420	72,420
Funds	-	-	27,083	27,083
Private equities	-	-	104,460	104,460
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	203,963	203,963
	<hr/>	<hr/>	<hr/>	<hr/>
	3,230,439	-	203,963	3,434,402
	<hr/>	<hr/>	<hr/>	<hr/>
	4,891,714	-	203,963	5,095,677
	<hr/>	<hr/>	<hr/>	<hr/>
Shari'a compliant alternatives of swap (note 24)	-	8,897	-	8,897
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities				
Shari'a compliant alternatives of swap (note 28)	-	5,950	-	5,950
	<hr/>	<hr/>	<hr/>	<hr/>
Assets for which fair values are disclosed:				
Investment properties	-	-	1,561,752	1,561,752
	<hr/>	<hr/>	<hr/>	<hr/>
Investment carried at amortised cost - Sukuk	13,312,922	-	-	13,312,922
	<hr/>	<hr/>	<hr/>	<hr/>
Assets acquired in satisfaction of claims	-	156,538	-	156,538
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

40 Fair value of financial instruments (continued)

There were no transfers between level 1, 2 and 3 during the period (2022: Nil).

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

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

	31 March 2023 AED '000	31 December 2022 AED '000 (audited)
At the beginning of the period	203,963	154,280
Net purchases	-	4,012
(Loss) / gain recorded in equity	(5,720)	17,963
Movement due to business combination	-	27,708
	<hr/>	<hr/>
At the end of the period	198,243	203,963
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

41 Business combination

The Bank participated in the right issuance of Abu Dhabi Islamic Bank – Egypt (S.A.E) (“ADIB Egypt”) and consequently acquired a further 1.2% share in ADIB Egypt. The Bank holding increased from 49.6% to 50.8% of ADIB Egypt and accordingly assumed control and has consolidated its net assets as of the date of acquisition i.e. 1 October 2022.

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration for acquisition (“purchase price”) were recorded at estimated fair value on the acquisition date.

The allocation of the purchase price will be completed within a period of twelve months from the date of acquisition, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

The acquisition would provide opportunities for the Bank to grow its overall banking business in line with its overall growth strategy.

The identifiable assets and liabilities of ADIB Egypt as at the acquisition date were assessed as follows:

	Recognised acquisition (Provisional) AED ‘000
Cash and balances with central bank	1,219,035
Balances and wakala deposits with Islamic banks and other financial institutions	1,935,697
Murabaha and mudaraba with financial institutions	5,215,768
Murabaha and other Islamic financing	9,804,953
Ijara financing	514,595
Investments measured at fair value	43,784
Investment in associates	38,942
Investment properties	3,085
Other assets	721,689
Property and equipment	706,382
Intangible assets	648,549
Total assets	20,852,479
Due to financial institutions	511,821
Customers’ deposits	16,025,767
Other liabilities	1,747,842
Total liabilities	18,285,430
Net assets as at acquisition date	2,567,049

**Notes to the condensed consolidated interim financial statements
31 March 2023 (Unaudited)**

41 Business combination (continued)

Goodwill and intangibles

The Bank is in the process of undertaking a comprehensive purchase price allocation which is expected to be completed within twelve months from the acquisition date and will focus on, but is not limited to, the following:

- valuation of intangible assets;
- valuation of properties and equipment;
- valuation adjustments on other recognized financial and non-financial assets and liabilities; and
- initial adjustments to fair value of Islamic financing.

The Bank has used the provisional carrying value of financial assets and liabilities as at 1 October 2022, which has been used for the purpose of calculating goodwill:

	AED '000
Total consideration	1,519,200
Less: Share of net assets acquired at acquisition date by the Bank	(1,302,712)

Provisional goodwill	216,488
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