

ABU DHABI ISLAMIC BANK PJSC

**Condensed consolidated interim
financial statements
30 June 2023 (unaudited)**

ABU DHABI ISLAMIC BANK PJSC

Condensed consolidated interim financial statements 30 June 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 condensed consolidated statement of financial position of Abu Dhabi Islamic Bank PJSC (the “Bank”) and its subsidiaries (together the Group”) as at 30 June 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 six-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.

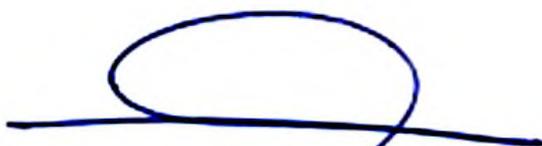
Scope of review

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 AlKowatly
Registration No. 1056
27 July 2023
Abu Dhabi
United Arab Emirates

Condensed consolidated interim income statement
Three months and six months ended 30 June 2023 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Operating income					
Income from murabaha, mudaraba and wakala with financial institutions		385,097	22,360	685,999	34,753
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	1,838,885	942,116	3,552,010	1,805,896
Income from sukuk measured at amortised cost		146,682	82,340	264,477	191,548
Income from investments measured at fair value	6	63,697	3,985	131,402	55,546
Share of results of associates and joint ventures		21,164	70,728	39,802	155,197
Fees and commission income, net	7	368,805	291,373	668,417	579,436
Foreign exchange income		110,871	89,090	199,182	164,842
Income from investment properties		9,302	9,172	18,407	18,388
Other income		3,002	1,873	12,938	3,576
		2,947,505	1,513,037	5,572,634	3,009,182
Operating expenses					
Employees' costs	8	(441,195)	(360,008)	(887,131)	(720,650)
General and administrative expenses	9	(196,317)	(140,619)	(393,337)	(282,354)
Depreciation		(78,167)	(68,602)	(157,661)	(129,684)
Amortisation of intangibles	25	(3,720)	(13,651)	(7,432)	(27,151)
Provision for impairment, net	10	(222,714)	(114,069)	(369,065)	(227,367)
		(942,113)	(696,949)	(1,814,626)	(1,387,206)
Profit from operations, before distribution to depositors					
		2,005,392	816,088	3,758,008	1,621,976
Distribution to depositors	11	(719,753)	(84,303)	(1,308,369)	(171,154)
Profit for the period before zakat and tax					
		1,285,639	731,785	2,449,639	1,450,822
Zakat and tax	12	(61,706)	(5,408)	(123,593)	(9,119)
Profit for the period after zakat and tax					
		1,223,933	726,377	2,326,046	1,441,703
<i>Attributable to:</i>					
Equity holders of the Bank		1,168,384	725,897	2,227,140	1,440,847
Non-controlling interest		55,549	480	98,906	856
		1,223,933	726,377	2,326,046	1,441,703
Basic and diluted earnings per share attributable to ordinary shares (AED)					
	13	0.304	0.192	0.568	0.362

The attached notes 1 to 43 form part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income
Three months and six months ended 30 June 2023 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 AED '000	2022 AED'000	2023 AED '000	2022 AED'000
Profit for the period after zakat and tax		1,223,933	726,377	2,326,046	1,441,703
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	30	12,451	(1,077)	12,014	368
Other movement in reserves	30	9	-	(28,731)	-
Directors' remuneration paid	36	-	-	(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	(28,414)	(143,989)	13,390	(222,523)
Exchange differences arising on translation of foreign operations	30	2,786	(18,274)	(228,831)	(95,726)
(Loss)/gain on hedge of foreign operations	30	(704)	4,307	(2,059)	5,344
Fair value gain on cash flow hedge	30	2,952	454	5,585	846
Other comprehensive loss for the period		(10,920)	(158,579)	(244,732)	(319,881)
Total comprehensive income for the period		1,213,013	567,798	2,081,314	1,121,822
<i>Attributable to:</i>					
Equity holders of the Bank		1,157,464	567,318	1,982,408	1,120,966
Non-controlling interest		55,549	480	98,906	856
		1,213,013	567,798	2,081,314	1,121,822

The attached notes 1 to 43 form part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of financial position
At 30 June 2023 (Unaudited)**

	Notes	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
ASSETS			
Cash and balances with central banks	14	31,239,798	24,229,302
Balances and wakala deposits with Islamic banks and other financial institutions	15	5,460,658	2,921,094
Murabaha and mudaraba with financial institutions	16	3,221,117	4,519,436
Murabaha and other Islamic financing	17	63,230,046	62,023,422
Ijara financing	18	46,098,491	45,693,485
Investment in sukuk measured at amortised cost	19	17,167,720	14,370,291
Investments measured at fair value	20	5,421,933	5,061,994
Investment in associates and joint ventures	21	799,269	776,084
Investment properties	22	1,270,147	1,277,943
Development properties	23	713,701	713,701
Other assets	24	4,102,271	3,239,346
Property and equipment		2,798,617	2,904,973
Goodwill and intangibles	25	642,779	786,020
TOTAL ASSETS		182,166,547	168,517,091
LIABILITIES			
Due to financial institutions	26	3,458,507	2,834,242
Depositors' accounts	27	150,400,856	138,136,603
Other liabilities	28	4,858,550	4,085,576
Total liabilities		158,717,913	145,056,421
EQUITY			
Share capital	29	3,632,000	3,632,000
Legal reserve		2,647,426	2,640,705
General reserve		2,976,046	2,975,819
Credit risk reserve		400,000	400,000
Retained earnings		8,989,675	8,642,250
Other reserves	30	(899,886)	(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		22,499,636	22,480,502
Non-controlling interest		948,998	980,168
Total equity		23,448,634	23,460,670
Total liabilities and equity		182,166,547	168,517,091

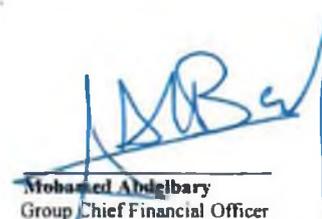
To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein.



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 43 form part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of changes in equity
Six months ended 30 June 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		-	-	-	-	2,227,140	-	-	2,227,140	98,906	2,326,046
Other comprehensive loss		-	-	-	-	(16,100)	(228,632)	-	(244,732)	-	(244,732)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Profit paid on Tier 1 sukuk – Government	31	-	-	-	-	(65,837)	-	-	(65,837)	-	(65,837)
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	-	-	-	-	115,787	(115,787)	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(3,965)	3,965	-	-	-	-
Transfer to reserves		-	6,721	227	-	(6,948)	-	-	-	-	-
Other movement in non-controlling Interest		-	-	-	-	-	-	-	-	(128,726)	(128,726)
Balance at 30 June 2023 – unaudited		3,632,000	2,647,426	2,976,046	400,000	8,989,675	(899,886)	4,754,375	22,499,636	948,998	23,448,634
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		-	-	-	-	1,440,847	-	-	1,440,847	856	1,441,703
Other comprehensive loss		-	-	-	-	(8,190)	(311,691)	-	(319,881)	-	(319,881)
Profit paid on Tier 1 sukuk – Listed (second issue)	31	-	-	-	-	(98,125)	-	-	(98,125)	-	(98,125)
Profit paid on Tier 1 sukuk – Government	31	-	-	-	-	(27,645)	-	-	(27,645)	-	(27,645)
Dividends paid	39	-	-	-	-	(1,130,115)	-	-	(1,130,115)	(1,350)	(1,131,465)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to Impairment reserve – General	30	-	-	-	-	(119,479)	119,479	-	-	-	-
Transfer to Impairment reserve – Specific	30	-	-	-	-	(13,202)	13,202	-	-	-	-
Balance at 30 June 2022 - unaudited		3,632,000	2,640,705	2,633,934	400,000	6,765,196	(433,636)	4,754,375	20,392,574	11,073	20,403,647

The attached notes 1 to 43 form part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows
Six months ended 30 June 2023 (Unaudited)

	Notes	Six months ended 30 June	
		2023 AED '000	2022 AED '000
Operating activities			
Profit for the period		2,326,046	1,441,703
Adjustments for:			
Depreciation on investment properties	22	7,283	7,174
Depreciation on property and equipment		116,924	89,015
Depreciation on right-of-use assets		33,454	33,495
Amortisation of intangibles	25	7,432	27,151
Share of results of associates and joint ventures		(39,802)	(155,197)
Realised (gain)/loss on investments carried at fair value through profit or loss	6	(18,906)	39,236
Unrealised (gain)/loss on investments carried at fair value through profit or loss	6	(6,647)	56,080
Realised gain on sukuk carried at fair value through other comprehensive income	6	-	(831)
Dividend income	6	(5,775)	(1,000)
Finance cost on lease liabilities	9	3,928	5,307
Provision for impairment, net	10	369,065	227,367
Changes in operating assets and liabilities		2,793,002	1,769,500
(Increase) decrease in balances with central banks		(7,268,909)	746,062
Decrease (increase) in balances and wakala deposits with Islamic banks and other financial institutions		1,638,832	(47,310)
Decrease in murabaha and mudaraba with financial institutions		402,978	694,532
Increase in murabaha and other Islamic financing		(2,756,576)	(5,114,484)
(Increase) decrease in ijara financing		(797,549)	970,423
Net movement in investments carried at fair value through profit or loss		(466,868)	(407,029)
Increase in other assets		(1,000,630)	(305,035)
Increase (decrease) in due to financial institutions		309,001	(133,697)
Increase in depositors' accounts		15,142,635	5,582,113
Increase in other liabilities		1,208,602	805,945
Cash from operations		9,204,518	4,561,020
Directors' remuneration paid		(16,100)	(8,190)
Net cash from operating activities		9,188,418	4,552,830
Investing activities			
Net movement in investments carried at fair value through other comprehensive income		139,958	(1,743,685)
Net movement in investments carried at amortised cost		(2,848,389)	(3,051,522)
Dividend received	6	5,775	1,000
Dividend received from associates		16,250	15,572
Additions in associates		(4,141)	(49,934)
Purchase of property and equipment		(130,345)	(142,069)
Net cash used in investing activities		(2,820,892)	(4,970,638)
Financing activities			
Profit paid on Tier 1 sukuk – Listed (second issue)	31	(98,125)	(98,125)
Profit paid on Tier 1 sukuk – Government	31	(65,837)	(27,645)
Finance cost on lease liability	9	(3,928)	(5,307)
Dividends paid		(1,870,841)	(1,132,306)
Net cash used in financing activities		(2,038,731)	(1,263,383)
Increase (decrease) in cash and cash equivalents		4,328,795	(1,681,191)
Cash and cash equivalents at 1 January		5,106,695	7,202,710
Cash and cash equivalents at 30 June	33	9,435,490	5,521,519
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		4,171,231	1,886,906
Profit paid to depositors		1,124,090	152,569

The attached notes 1 to 43 form part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements 30 June 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. Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and came into effect on 2 January 2022 and entirely replaced 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 (2022: 58 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE, Egypt and the United Kingdom. The condensed consolidated interim financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

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

The condensed consolidated interim financial statements of the Group were authorised for issue by the Board of Directors on 27 July 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
30 June 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
30 June 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	
			30 June 2023	31 December 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 II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 3 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
30 June 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 six months ended 30 June 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.

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.

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)****4 Significant accounting policies (continued)****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
30 June 2023 (Unaudited)**

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

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Vehicle murabaha	132,789	57,399	247,954	113,195
Goods murabaha	287,548	66,261	521,941	120,148
Share murabaha	214,363	206,257	426,965	414,537
Commodities murabaha – Al Khair	102,400	90,965	201,761	178,530
Islamic covered cards (murabaha)	91,912	78,789	187,294	148,024
Other murabaha	169,492	86,869	311,439	158,533
Total murabaha	998,504	586,540	1,897,354	1,132,967
Mudaraba	172,483	68	335,102	135
Wakala	26,630	18,754	94,682	29,158
Ijara	641,267	336,751	1,224,870	643,629
Istisna'a	1	3	2	7
	1,838,885	942,116	3,552,010	1,805,896

6 Income from investments measured at fair value

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Income from sukuk measured at fair value through profit or loss	18,043	20,533	36,505	36,809
Income from sukuk measured at fair value through other comprehensive income	31,684	30,442	63,543	47,808
Realised gain (loss) on sale of investments carried at fair value through profit or loss	12,834	(19,271)	18,906	(39,236)
Unrealised gain (loss) on investments carried at fair value through profit or loss	2,080	(28,753)	6,647	(56,080)
Realised (loss) gain on sale of sukuk carried at fair value through other comprehensive income	-	(1,456)	-	831
(Loss)/gain from other investment assets	(944)	1,490	26	64,414
Dividend income	-	1,000	5,775	1,000
	63,697	3,985	131,402	55,546

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

7 Fees and commission income, net

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Fees and commission income				
Fees and commission income on cards	366,118	267,215	677,714	505,441
Trade related fees and commission	35,049	20,189	74,964	40,190
Takaful related fees	896	3,509	4,496	6,074
Accounts services fees	30,386	26,398	61,018	53,196
Projects and property management fees	10,892	11,196	22,239	21,671
Risk participation and arrangement fees	25,414	33,342	45,760	63,079
Brokerage fees and commission	11,588	10,424	19,427	19,461
	126,736	134,351	246,871	252,981
Total fees and commission income	607,079	506,624	1,152,489	962,093
Fees and commission expenses				
Card related fees and commission expenses	(215,534)	(194,118)	(438,034)	(345,551)
Other fees and commission expenses	(22,740)	(21,133)	(46,038)	(37,106)
Total fees and commission expenses	(238,274)	(215,251)	(484,072)	(382,657)
Fees and commission income, net	368,805	291,373	668,417	579,436

8 Employees' costs

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Salaries and wages	394,057	336,124	780,488	664,884
End of service benefits	18,892	15,465	47,174	31,945
Other staff expenses	28,246	8,419	59,469	23,821
	441,195	360,008	887,131	720,650

Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)

9 General and administrative expenses

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Legal and professional expenses	29,521	19,966	59,044	36,314
Premises expenses	27,342	16,829	54,100	34,145
Marketing and advertising expenses	19,243	21,806	38,593	36,043
Communication expenses	25,342	22,482	52,822	45,888
Technology related expenses	52,099	42,113	102,067	84,453
Finance cost on lease liabilities	1,916	2,939	3,928	5,307
Other operating expenses	40,854	14,484	82,783	40,204
	196,317	140,619	393,337	282,354

10 Provision for impairment, net

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Murabaha and other Islamic financing	79,932	40,757	(18,171)	73,472
Ijara financing	113,135	71,688	296,836	149,837
Recoveries, net of direct write-off	2,622	(10,532)	(514)	(17,229)
Others	27,025	12,156	90,914	21,287
	222,714	114,069	369,065	227,367

11 Distribution to depositors

	Three months ended 30 June		Six months ended 30 June	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Saving accounts	48,795	35,451	91,691	88,066
Investment accounts	670,958	48,852	1,216,678	83,088
	719,753	84,303	1,308,369	171,154

**Notes to the condensed consolidated interim financial statements
30 June 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.

On 16 January 2023 the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Enactment of the legislation requires the recognition of deferred taxes where relevant, however the Bank does not have any material deferred tax balances to record for the period. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted or enacted.

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
30 June 2023 (Unaudited)**

13 Basic and diluted earnings per share

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

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

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

		Three months ended 30 June		Six months ended 30 June	
	Notes	2023	2022	2023	2022
Profit for the period attributable to equity holders - (AED '000)		1,168,384	725,897	2,227,140	1,440,847
Less: profit attributable to Tier 1 sukuk:					
- Listed (second issue) - (AED '000)	31	-	-	(98,125)	(98,125)
- Government of Abu Dhabi - (AED '000)	31	(65,837)	(27,645)	(65,837)	(27,645)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		1,102,547	698,252	2,063,178	1,315,077
Weighted average number of ordinary shares in issue (000's)		3,632,000	3,632,000	3,632,000	3,632,000
Basic and diluted earnings per share (AED)		0.304	0.192	0.568	0.362

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
30 June 2023 (Unaudited)**

14 Cash and balances with central banks

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Cash on hand	2,069,495	2,122,245
Balances with central banks:		
- Current accounts	1,390,672	803,885
- Statutory reserve	13,319,739	9,042,331
- Islamic certificate of deposits	14,464,129	12,263,762
	31,244,035	24,232,223
Less: provision for impairment	(4,237)	(2,921)
	31,239,798	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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	28,073,836	21,292,257
Rest of the Middle East	1,945,228	1,384,595
Others	1,224,971	1,555,371
	31,244,035	24,232,223

Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)

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

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	190,214	434,284
Wakala deposits	5,325,988	2,529,905
	<hr/>	<hr/>
	5,516,202	2,964,189
Less: provision for impairment	(55,544)	(43,095)
	<hr/>	<hr/>
	5,460,658	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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	1,143,227	338,283
Rest of the Middle East	4,209,429	2,241,486
Europe	69,528	109,338
Others	94,018	275,082
	<hr/>	<hr/>
	5,516,202	2,964,189
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

16 Murabaha and Mudaraba with financial institutions

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Murabaha	3,248,739	4,557,805
Less: provision for impairment	(27,622)	(38,369)
	<hr/>	<hr/>
	3,221,117	4,519,436
	<hr/> <hr/>	<hr/> <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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	25,397	44,669
Rest of the Middle East	8,969	-
Others	3,214,373	4,513,136
	<hr/>	<hr/>
	3,248,739	4,557,805
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)

17 Murabaha and other Islamic financing

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Vehicle murabaha	8,084,017	6,751,529
Goods murabaha	22,175,562	20,747,562
Share murabaha	13,297,058	14,136,965
Commodities murabaha – Al Khair	8,330,521	7,917,493
Islamic covered cards (Murabaha)	6,237,166	5,884,218
Other murabaha	8,894,210	8,183,534
	<hr/>	<hr/>
Total murabaha	67,018,534	63,621,301
Mudaraba	5,202,286	5,897,248
Wakala	2,747,961	4,034,965
Istisna'a	91,694	91,733
Other financing receivables	179,795	182,761
	<hr/>	<hr/>
Total murabaha and other Islamic financing	75,240,270	73,828,008
Less: deferred income on murabaha	(9,300,357)	(8,944,510)
	<hr/>	<hr/>
	65,939,913	64,883,498
Less: provision for impairment	(2,709,867)	(2,860,076)
	<hr/>	<hr/>
	63,230,046	62,023,422
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Industry sector		
Government	2,625,541	2,372,318
Public sector	9,669,621	9,131,037
Corporates	7,705,191	8,420,531
Financial institutions	4,207,412	6,010,207
Individuals	40,596,375	37,782,357
Small and medium enterprises	1,135,773	1,167,048
	<hr/>	<hr/>
	65,939,913	64,883,498
	<hr/> <hr/>	<hr/> <hr/>
Geographic region		
UAE	50,054,878	45,893,698
Rest of the Middle East	5,181,180	6,841,932
Europe	2,368,115	2,123,992
Others	8,335,740	10,023,876
	<hr/>	<hr/>
	65,939,913	64,883,498
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Due within one year	9,284,500	9,935,047
Due in the second to fifth year	26,682,905	25,278,339
Due after five years	34,063,221	33,411,525
	<hr/>	<hr/>
Total Ijara financing	70,030,626	68,624,911
Less: deferred income	(20,879,928)	(20,141,251)
	<hr/>	<hr/>
Net present value of minimum lease payments receivables	49,150,698	48,483,660
Less: provision for impairment	(3,052,207)	(2,790,175)
	<hr/>	<hr/>
	46,098,491	45,693,485
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

18 Ijara financing (continued)

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

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Industry sector		
Government	1,086,583	503,174
Public sector	7,440,211	7,783,149
Corporates	17,771,015	17,082,626
Individuals	22,569,696	22,869,778
Small and medium enterprises	208,124	170,935
Non-profit organisations	75,069	73,998
	<hr/> 49,150,698 <hr/>	<hr/> 48,483,660 <hr/>
Geographic region		
UAE	46,648,724	44,885,205
Rest of the Middle East	1,213,540	1,505,463
Europe	407,852	707,614
Others	880,582	1,385,378
	<hr/> 49,150,698 <hr/>	<hr/> 48,483,660 <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

19 Investment in sukuk measured at amortised cost

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Sukuk – Quoted	17,346,922	14,498,533
Less: provision for impairment	(179,202)	(128,242)
	<hr/> 17,167,720 <hr/>	<hr/> 14,370,291 <hr/>

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

UAE	10,015,399	9,201,049
Rest of the Middle East	5,277,832	4,059,864
Others	2,053,691	1,237,620
	<hr/> 17,346,922 <hr/>	<hr/> 14,498,533 <hr/>

Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)

20 Investments measured at fair value

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	24,328	27,691
Sukuk	2,129,368	1,633,584
	<hr/>	<hr/>
	2,153,696	1,661,275
	<hr/>	<hr/>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	29,919	29,958
Sukuk	3,083,857	3,200,481
	<hr/>	<hr/>
	3,113,776	3,230,439
	<hr/>	<hr/>
Unquoted investments		
Sukuk	72,356	72,420
Funds	26,612	27,083
Private equities	101,307	104,460
	<hr/>	<hr/>
	200,275	203,963
	<hr/>	<hr/>
	3,314,051	3,434,402
	<hr/>	<hr/>
	5,467,747	5,095,677
Less: provision for impairment	(45,814)	(33,683)
	<hr/>	<hr/>
	5,421,933	5,061,994
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

20 Investments measured at fair value (continued)

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

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Geography region		
UAE	2,181,312	2,486,822
Rest of the Middle East	1,817,371	1,747,898
Europe	821	809
Others	1,468,243	860,148
	<hr/> 5,467,747 <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:

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
At the beginning of the period	791,240	1,620,378
Share of results	39,802	224,591
Additions for the period	4,141	49,934
Dividends received	(16,250)	(15,572)
Movement due to business combination	(5,750)	(1,084,096)
Foreign currency translation	1,242	(3,995)
	<hr/> 814,425 <hr/>	<hr/> 791,240 <hr/>
At the end of the period	814,425	791,240
Less: provision for impairment	(15,156)	(15,156)
	<hr/> 799,269 <hr/>	<hr/> 776,084 <hr/>
Net balance at the end of the period	799,269	776,084

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

21 Investment in associates and joint ventures (continued)

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

	30 June 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 30 June 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
30 June 2023 (Unaudited)

22 Investment properties

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

	30 June 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	(518)	-
	<hr/>	<hr/>
Gross balance at the end of the period	1,499,536	1,500,054
Less: provision for impairment	(119,247)	(119,252)
	<hr/>	<hr/>
Net balance at the end of the period	1,380,289	1,380,802
	<hr/>	<hr/>
Accumulated depreciation		
Balance at the beginning of the period	102,859	88,351
Charge for the period	7,283	14,508
	<hr/>	<hr/>
Balance at the end of the period	110,142	102,859
	<hr/>	<hr/>
Net book value at the end of the period	1,270,147	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 18,407 thousand (30 June 2022: AED 18,388 thousand) for the six months period ended 30 June 2023.

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

	30 June 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/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

22 Investment properties (continued)

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

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
UAE	1,379,182	1,386,410
Rest of the Middle East	8,214	8,214
Others	1,998	2,571
	<hr/> 1,389,394 <hr/>	<hr/> 1,397,195 <hr/>

23 Development properties

	30 June 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 and 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
30 June 2023 (Unaudited)

24 Other assets

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Acceptances	752,049	283,937
Assets acquired in satisfaction of claims	117,073	105,983
Trade receivables	442,014	478,476
Prepaid expenses	897,715	927,115
Accrued profit	487,253	429,482
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	99,627	8,897
Others, net	1,306,540	1,005,456
	4,102,271	3,239,346

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)
	280,866	-	215,920	289,234	786,020
At 1 January 2023 – audited	280,866	-	215,920	289,234	786,020
Exchange translation differences	(33,988)	-	(44,325)	(57,496)	(135,809)
Amortisation during the period	-	-	(7,432)	-	(7,432)
	246,878	-	164,163	231,738	642,779
At 30 June 2023 - unaudited	246,878	-	164,163	231,738	642,779

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

26 Due to financial institutions

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	1,768,718	1,760,078
Investment deposits	1,444,447	1,059,566
	<hr/>	<hr/>
	3,213,165	2,819,644
Current account – Central Bank of UAE	245,342	14,598
	<hr/>	<hr/>
	3,458,507	2,834,242
	<hr/> <hr/>	<hr/> <hr/>

27 Depositors' accounts

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Current accounts	43,945,265	40,719,859
Investment accounts	105,720,664	96,703,737
Investment risk reserve	734,927	713,007
	<hr/>	<hr/>
	150,400,856	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	21,920	3,375
Payment made during the period	-	(13,813)
	<hr/>	<hr/>
At the end of the period	734,927	713,007
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

27 Depositors' accounts (continued)

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

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Government	23,629,368	21,302,897
Public sector	12,140,619	10,881,169
Corporates	8,990,888	8,077,548
Financial institutions	2,003,545	1,724,141
Individuals	86,407,270	80,889,684
Small and medium enterprises	14,590,666	12,771,531
Non-profit organisations	2,638,500	2,489,633
	<hr/> 150,400,856 <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
30 June 2023 (Unaudited)**

28 Other liabilities

	30 June 2023 AED '000	31 December 2022 AED '000 (audited)
Accounts payable	456,636	447,035
Acceptances	740,155	283,937
Lease liabilities	206,693	233,786
Accrued profit for distribution to depositors and sukuk holders	346,077	183,718
Bankers' cheques	785,328	462,354
Provision for staff benefits and other expenses	447,702	570,905
Retentions payable	15,212	10,502
Advances from customers	78,411	57,013
Accrued expenses	306,681	314,448
Unclaimed dividends	-	90,179
Deferred income	215,760	201,418
Donation and charity account	29,000	15,646
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	-	5,950
Others	1,230,895	1,208,685
	<hr/> 4,858,550 <hr/>	<hr/> 4,085,576 <hr/>

29 Share capital

	30 June 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/> 4,000,000 <hr/>	<hr/> 4,000,000 <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
	<hr/> 3,632,000 <hr/>	<hr/> 3,632,000 <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 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	12,014	-	-	-	-	-	-	12,014
Net movement in valuation of investment in sukuk carried at FVTOCI	13,390	-	-	-	-	-	-	13,390
Loss on disposal of investments carried at FVTOCI	5,215	-	-	-	-	-	-	5,215
Exchange differences arising on translation of foreign operations	-	-	(228,831)	-	-	-	-	(228,831)
Loss on hedge of foreign operations	-	-	(2,059)	-	-	-	-	(2,059)
Fair value gain on cash flow hedges	-	-	-	5,585	-	-	-	5,585
Net movement in impairment reserve – Specific	-	-	-	-	3,965	-	-	3,965
Net movement in impairment reserve – General	-	-	-	-	-	(115,787)	-	(115,787)
Net movement in other reserves	-	-	-	-	-	-	(28,731)	(28,731)
At 30 June 2023 - unaudited	(432,875)	137,400	(1,068,870)	5,585	324,065	163,540	(28,731)	(899,886)
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	368	-	-	-	-	-	-	368
Net movement in valuation of investment in sukuk carried at FVTOCI	(221,692)	-	-	-	-	-	-	(221,692)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(831)	-	-	-	-	-	-	(831)
Exchange differences arising on translation of foreign operations	-	-	(95,726)	-	-	-	-	(95,726)
Gain on hedge of foreign operations	-	-	5,344	-	-	-	-	5,344
Fair value gain on cash flow hedges	-	-	-	846	-	-	-	846
Net movement in impairment reserve – Specific	-	-	-	-	13,202	-	-	13,202
Net movement in impairment reserve – General	-	-	-	-	-	119,479	-	119,479
At 30 June 2022 - unaudited	(407,180)	137,400	(950,781)	-	269,041	517,884	-	(433,636)

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

31 Tier 1 sukuk

	30 June 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/> 4,754,375 <hr/>	<hr/> 4,754,375 <hr/>

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 complaint with Basel 3.

**Notes to the condensed consolidated interim financial statements
30 June 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:

	30 June 2023 AED ‘000	31 December 2022 AED ‘000 (audited)
<i>Contingent liabilities</i>		
Letters of credit	3,695,214	3,457,528
Letters of guarantee	8,112,988	8,125,921
	11,808,202	11,583,449
<i>Commitments</i>		
Undrawn facilities commitments	1,196,738	730,218
Future capital expenditure	196,192	120,778
	1,392,930	850,996
	13,201,132	12,434,445

Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)

33 Cash and cash equivalents

	Six months ended 30 June	
	2023	2022
	AED '000	AED '000
Cash and balances with central banks, short term	7,163,635	6,569,712
Balances and wakala deposits with Islamic banks and other financial institutions, short term	5,462,536	1,262,287
Due to financial institutions, short term	(3,190,691)	(2,310,480)
	9,435,490	5,521,519

**Notes to the condensed consolidated interim financial statements
30 June 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>30 June 2023 - unaudited</i>					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	198	-	198
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	20,821	-	5,452	48,335	74,608
Fees and commission income, net	1	-	24	774	799
Operating expenses	-	270	-	-	270
Distribution to depositors and sukuk holders	255	142	555	3	955
<i>30 June 2022 - unaudited</i>					
Income from murabaha, mudaraba and wakala with financial institutions		-	11,141	-	11,141
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	20,821	-	4,644	41,879	67,344
Fees and commission income, net	-	-	7,601	777	8,378
Operating expenses	-	348	-	-	348
Distribution to depositors and sukuk holders	52	-	374	1	427

Notes to the condensed consolidated interim financial statements
30 June 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
30 June 2023 - unaudited					
Murabaha and mudaraba with financial Institutions	-	-	9,824	-	9,824
Murabaha, mudaraba, ijara and other Islamic financing	2,040,371	-	-	4,145,295	6,185,666
Other assets	-	-	256,388	-	256,388
	<u>2,040,371</u>	<u>-</u>	<u>266,212</u>	<u>4,145,295</u>	<u>6,451,878</u>
Due to financial institutions	-	-	916	-	916
Depositors' accounts	227	21,150	329,211	18,971	369,559
Other liabilities	-	-	109	1	110
	<u>227</u>	<u>21,150</u>	<u>330,236</u>	<u>18,972</u>	<u>370,585</u>
Contingencies	-	-	10,500	78,183	88,683
31 December 2022 – audited					
Murabaha and mudaraba with financial Institutions	-	-	45,162	-	45,162
Murabaha, mudaraba, ijara and other Islamic financing	2,040,472	-	-	4,145,358	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
30 June 2023 (Unaudited)**

34 Related party transactions (continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
	AED '000	AED '000
Salaries and other benefits	15,123	16,552
Employees' end of service benefits	1,383	979
	16,506	17,531

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
30 June 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
30 June 2023 – unaudited								
Revenue and results								
Segment revenues, net	2,379,262	611,606	121,425	180,622	33,192	284,658	653,500	4,264,265
Operating expenses excluding Provision for impairment, net	(989,962)	(137,890)	(42,349)	(22,112)	(28,977)	(37,201)	(187,070)	(1,445,561)
Operating profit	1,389,300	473,716	79,076	158,510	4,215	247,457	466,430	2,818,704
Provision for impairment, net	(96,184)	(136,634)	2,243	(56,376)	-	29,281	(111,395)	(369,065)
Profit for the period before zakat and tax	1,293,116	337,082	81,319	102,134	4,215	276,738	355,035	2,449,639
Zakat and tax	-	(6,273)	(2,597)	-	-	-	(114,723)	(123,593)
Profit for the period after zakat and tax	1,293,116	330,809	78,722	102,134	4,215	276,738	240,312	2,326,046
Non-controlling interest	-	-	-	-	-	-	(98,906)	(98,906)
Profit for the period attributable to equity holders of the Bank	1,293,116	330,809	78,722	102,134	4,215	276,738	141,406	2,227,140
Assets								
Segmental assets	66,298,434	48,724,633	4,960,894	36,323,995	2,060,653	4,521,249	19,276,689	182,166,547
Liabilities								
Segmental liabilities	90,095,746	34,036,445	12,808,823	2,952,142	244,206	2,720,739	15,859,812	158,717,913
30 June 2022 - unaudited								
Revenue and results								
Segment revenues, net	1,628,713	480,287	72,043	304,387	32,486	123,183	196,929	2,838,028
Operating expenses excluding provision for impairment, net	(904,316)	(136,216)	(35,666)	(20,479)	(27,701)	(30,502)	(4,959)	(1,159,839)
Operating profit	724,397	344,071	36,377	283,908	4,785	92,681	191,970	1,678,189
Provision for impairment, net	(62,893)	(78,896)	(22,458)	(5,041)	-	(58,079)	-	(227,367)
Profit for the period before zakat and tax	661,504	265,175	13,919	278,867	4,785	34,602	191,970	1,450,822
Zakat and tax	-	(5,811)	(3,308)	-	-	-	-	(9,119)
Profit for the period after zakat and tax	661,504	259,364	10,611	278,867	4,785	34,602	191,970	1,441,703
Non-controlling interest	-	-	-	-	-	-	(856)	(856)
Profit for the period attributable to equity holders of the Bank	661,504	259,364	10,611	278,867	4,785	34,602	191,114	1,440,847
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
30 June 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>30 June 2023 - unaudited</i>								
Cash and balances with central banks	14,324,129	140,000	-	14,464,129	-	4,237	-	4,237
Balances and wakala deposits with Islamic banks and other financial institutions	5,516,202	-	-	5,516,202	55,544	-	-	55,544
Murabaha and mudaraba with financial institutions	3,248,739	-	-	3,248,739	27,622	-	-	27,622
Murabaha and other Islamic financing	61,078,080	2,347,385	2,514,448	65,939,913	434,055	391,396	1,884,416	2,709,867
Ijara financing	39,082,175	3,964,285	6,104,238	49,150,698	323,610	200,237	2,528,360	3,052,207
Investment in sukuk measured at amortised cost	17,222,576	-	124,346	17,346,922	81,014	-	98,188	179,202
Investments measured at fair value	3,077,698	78,138	377	3,156,213	27,097	18,567	150	45,814
Other assets	920,120	20,922	-	941,042	15,878	886	-	16,764
	144,469,719	6,550,730	8,743,409	159,763,858	964,820	615,323	4,511,114	6,091,257
Contingent liabilities and commitments (unfunded)	11,166,347	1,539,844	595,299	13,301,490	102,148	19,879	93,261	215,288
	155,636,066	8,090,574	9,338,708	173,065,348	1,066,968	635,202	4,604,375	6,306,545

Notes to the condensed consolidated interim financial statements
30 June 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 (unfunded)	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
30 June 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	
	30 June 2023	31 December 2022
	AED ‘000	AED ‘000 (audited)
<i>Capital base</i>		
Common Equity Tier 1	16,455,668	14,480,430
Additional Tier 1 capital	4,754,375	4,754,375
	<hr/>	<hr/>
Tier 1 capital	21,210,043	19,234,805
Tier 2 capital	1,446,157	1,344,099
	<hr/>	<hr/>
Total capital base	22,656,200	20,578,904
	<hr/> <hr/>	<hr/> <hr/>
<i>Risk weighted assets</i>		
Credit risk	115,692,538	107,527,886
Market risk	1,956,796	1,934,765
Operational risk	10,681,870	10,394,131
	<hr/>	<hr/>
Total risk weighted assets	128,331,204	119,856,782
	<hr/> <hr/>	<hr/> <hr/>
<i>Capital ratios</i>		
Common Equity Tier 1 ratio	12.82%	12.08%
	<hr/> <hr/>	<hr/> <hr/>
Total Tier 1 capital ratio	16.53%	16.05%
	<hr/> <hr/>	<hr/> <hr/>
Total capital ratio	17.65%	17.17%
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements
30 June 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
30 June 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
30 June 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>30 June 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	24,328	-	-	24,328
Sukuk	2,129,368	-	-	2,129,368
	<u>2,153,696</u>	<u>-</u>	<u>-</u>	<u>2,153,696</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	29,919	-	-	29,919
Sukuk	3,083,857	-	-	3,083,857
	<u>3,113,776</u>	<u>-</u>	<u>-</u>	<u>3,113,776</u>
<i>Unquoted investments</i>				
Sukuk	-	-	72,356	72,356
Funds	-	-	26,612	26,612
Private equities	-	-	101,307	101,307
	<u>-</u>	<u>-</u>	<u>200,275</u>	<u>200,275</u>
	<u>3,113,776</u>	<u>-</u>	<u>200,275</u>	<u>3,314,051</u>
	<u>5,267,472</u>	<u>-</u>	<u>200,275</u>	<u>5,467,747</u>
Shari'a compliant alternatives of swap (note 24)	-	99,627	-	99,627
Assets for which fair values are disclosed:				
Investment properties	-	-	1,588,299	1,588,299
Investment carried at amortised cost - Sukuk	16,182,277	-	-	16,182,277
Assets acquired in satisfaction of claims	-	165,235	-	165,235

**Notes to the condensed consolidated interim financial statements
30 June 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
30 June 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:

	30 June 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	(3,688)	17,963
Movement due to business combination	-	27,708
	<hr/>	<hr/>
At the end of the period	200,275	203,963
	<hr/> <hr/>	<hr/> <hr/>

41 Seasonality of results

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

**Notes to the condensed consolidated interim financial statements
30 June 2023 (Unaudited)**

42 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) 31 December 2022 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
30 June 2023 (Unaudited)**

42 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:

	31 December 2022
	AED '000
Total consideration	1,519,200
Less: Share of net assets acquired at acquisition date by the Bank	(1,302,712)
	<hr/>
Provisional goodwill	216,488
	<hr/> <hr/>

43 Subsequent event

On July 18, 2023, the Bank successfully raised \$750 million through the issuance of the dollar-denominated additional tier-one (AT1) perpetual sukuk. The sukuk has a profit rate of 7.25 percent per annum, payable semi-annually, and is listed and traded on the London Stock Exchange's International Securities Market (ISM).