

BEYOND AMBITION



Abu Dhabi Commercial Bank PJSC

Review report and condensed consolidated interim financial
information for the nine month period ended September 30, 2019

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Report on review of condensed consolidated interim financial information

To the Board of Directors of
Abu Dhabi Commercial Bank PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Abu Dhabi Commercial Bank PJSC as at 30 September 2019 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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, "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)



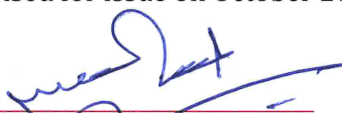
Mohammad Khamees Al Tah
Registration No. 717
27 October 2019
Abu Dhabi
United Arab Emirates

Condensed consolidated interim statement of financial position

As at September 30, 2019

		As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
	Notes		
Assets			
Cash and balances with central banks, net	4	26,578,930	19,589,957
Deposits and balances due from banks, net	5	25,815,047	19,627,076
Reverse-repo placements, net	6	-	2,203,800
Trading securities	7	-	60,134
Derivative financial instruments	8	7,825,576	4,447,247
Investment securities	9	72,929,679	52,362,234
Loans and advances to customers, net	10	249,529,988	166,425,762
Investment in associates		397,110	205,158
Investment properties	12	2,543,550	576,671
Other assets, net	13	13,302,018	13,330,894
Property and equipment, net		2,203,908	982,605
Goodwill	36	4,513,754	18,800
Assets held for sale		1,276,580	-
Total assets		406,916,140	279,830,338
Liabilities			
Due to banks	14	9,721,908	3,071,408
Derivative financial instruments	8	8,145,552	5,695,911
Deposits from customers	15	262,532,859	176,653,857
Euro commercial paper	16	2,354,371	3,279,302
Borrowings	17	51,526,584	43,027,749
Other liabilities	18	17,276,802	15,296,568
Liabilities related to assets held for sale		1,118,909	-
Total liabilities		352,676,985	247,024,795
Equity			
Share capital	19	6,957,379	5,198,231
Share premium		17,878,882	2,419,999
Other reserves	20	7,812,205	6,859,271
Retained earnings		15,437,197	14,328,042
Capital notes	21	6,000,000	4,000,000
Equity attributable to equity holders of the Bank		54,085,663	32,805,543
Non-controlling interests		153,492	-
Total equity		54,239,155	32,805,543
Total liabilities and equity		406,916,140	279,830,338

This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on October 27, 2019 and signed on its behalf by:


Eissa Al Suwaidi
 Chairman


Ala'a Eraiqat
 Group Chief Executive Officer


Deepak Khullar
 Group Chief Financial Officer

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim income statement (unaudited)

For the nine month period ended September 30, 2019

	Notes	3 months ended September 30 (*)		9 months ended September 30 (*)	
		2019	2018	2019	2018
		AED'000	AED'000	AED'000	AED'000
Interest income	22	3,806,603	2,647,361	10,136,191	7,515,727
Interest expense	23	(1,790,572)	(1,121,485)	(4,811,579)	(2,931,798)
Net interest income		2,016,031	1,525,876	5,324,612	4,583,929
Income from Islamic financing		758,012	324,290	1,725,870	949,017
Islamic profit distribution		(251,618)	(45,890)	(519,877)	(116,343)
Net income from Islamic financing		506,394	278,400	1,205,993	832,674
Total net interest and Islamic financing income		2,522,425	1,804,276	6,530,605	5,416,603
Net fees and commission income	24	527,446	328,470	1,345,071	1,036,403
Net trading income	25	143,052	113,274	356,214	343,148
Other operating income	26	78,841	48,731	196,913	141,113
Operating income		3,271,764	2,294,751	8,428,803	6,937,267
Operating expenses	27	(1,279,115)	(798,687)	(3,232,620)	(2,343,853)
Operating profit before impairment allowances		1,992,649	1,496,064	5,196,183	4,593,414
Impairment allowances	28	(571,560)	(347,367)	(1,442,682)	(1,117,321)
Operating profit after impairment allowances		1,421,089	1,148,697	3,753,501	3,476,093
Share in profit of associates		2,382	1,806	7,439	7,483
Profit before taxation		1,423,471	1,150,503	3,760,940	3,483,576
Overseas tax (expense)/income		(6,693)	515	(10,859)	(428)
Profit for the period from continuing operations		1,416,778	1,151,018	3,750,081	3,483,148
Loss from discontinued operations		(3,308)	-	(5,999)	-
Profit for the period		1,413,470	1,151,018	3,744,082	3,483,148
Attributable to:					
Equity holders of the Bank		1,412,072	1,151,018	3,741,545	3,483,148
Non-controlling interests		1,398	-	2,537	-
Profit for the period		1,413,470	1,151,018	3,744,082	3,483,148
Basic and diluted earnings per share (AED)	29	0.18	0.20	0.56	0.64

(*) Refer Note 2.1 for basis of preparation

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income (unaudited)

For the nine month period ended September 30, 2019

	3 months ended September 30 (*)		9 months ended September 30 (*)	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Profit for the period	1,413,470	1,151,018	3,744,082	3,483,148
Exchange difference arising on translation of foreign operations (Note 20)	(180)	(14,006)	22,940	(29,624)
Net movement in cash flow hedge reserve (Note 20)	84,764	6,768	190,233	13,229
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 20)	223,968	196,239	784,429	(332,733)
	308,552	189,001	997,602	(349,128)
Items that may not be re-classified subsequently to the condensed consolidated interim income statement				
Net movement in revaluation reserve of equity instruments designated at FVTOCI (Note 20)	(25,658)	(7,440)	(52,735)	(80,677)
Other comprehensive income/(loss) for the period	282,894	181,561	944,867	(429,805)
Total comprehensive income for the period	1,696,364	1,332,579	4,688,949	3,053,343
Attributable to:				
Equity holders of the Bank	1,693,920	1,332,579	4,684,758	3,053,343
Non-controlling interests	2,444	-	4,191	-
Total comprehensive income for the period	1,696,364	1,332,579	4,688,949	3,053,343

(*) Refer Note 2.1 for basis of preparation

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity (unaudited)

For the nine month period ended September 30, 2019

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
As at January 1, 2019	5,198,231	2,419,999	6,859,271	14,328,042	4,000,000	32,805,543	-	32,805,543
Issue of ordinary shares as consideration for business combinations (Note 19)	1,759,148	15,458,883	-	-	-	17,218,031	-	17,218,031
Addition on business combinations (Note 36)	-	-	-	-	3,836,500	3,836,500	149,322	3,985,822
Profit for the period	-	-	-	3,741,545	-	3,741,545	2,537	3,744,082
Other comprehensive income for the period	-	-	943,213	-	-	943,213	1,654	944,867
Other movements (Note 20)	-	-	9,721	-	-	9,721	-	9,721
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI	-	-	-	23,852	-	23,852	-	23,852
Adjustment arising from change in non-controlling interests	-	-	-	-	-	-	(21)	(21)
Repayment of Tier 1 capital notes (Note 21)	-	-	-	-	(1,836,500)	(1,836,500)	-	(1,836,500)
Dividends paid to equity holders of the Bank	-	-	-	(2,391,186)	-	(2,391,186)	-	(2,391,186)
Capital notes coupon paid (Note 29)	-	-	-	(265,056)	-	(265,056)	-	(265,056)
As at September 30, 2019 (*)	6,957,379	17,878,882	7,812,205	15,437,197	6,000,000	54,085,663	153,492	54,239,155
As at January 1, 2018 (as previously reported)	5,198,231	2,419,999	7,484,927	13,341,783	4,000,000	32,444,940	-	32,444,940
Effect of change in accounting policy for IFRS 9	-	-	149,349	(1,510,228)	-	(1,360,879)	-	(1,360,879)
As at January 1, 2018 (restated)	5,198,231	2,419,999	7,634,276	11,831,555	4,000,000	31,084,061	-	31,084,061
Profit for the period	-	-	-	3,483,148	-	3,483,148	-	3,483,148
Other comprehensive loss for the period	-	-	(429,805)	-	-	(429,805)	-	(429,805)
Amounts transferred within equity upon disposal of investments in equity instruments designated at FVTOCI	-	-	-	1,282	-	1,282	-	1,282
Other movements (Note 20)	-	-	19,342	-	-	19,342	-	19,342
Dividends paid to equity holders of the Bank	-	-	-	(2,183,257)	-	(2,183,257)	-	(2,183,257)
Capital notes coupon paid (Note 29)	-	-	-	(174,789)	-	(174,789)	-	(174,789)
As at September 30, 2018 (*)	5,198,231	2,419,999	7,223,813	12,957,939	4,000,000	31,799,982	-	31,799,982

(*) Refer Note 2.1 for basis of preparation

Following the Annual General Meeting held on March 21, 2019, the shareholders approved the distribution of proposed cash dividend of AED 2,391,186 thousand for the year 2018, being AED 0.46 dividend per share and representing 46% of the paid up share capital (For the year 2017 – cash dividend of AED 2,183,257 thousand, being AED 0.42 dividend per share and representing 42% of the paid up share capital).

The accompanying notes form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (unaudited)

For the nine month period ended September 30, 2019

	9 months ended September 30 (*)	
	2019	2018
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxation	3,760,940	3,483,576
Adjustments for:		
Depreciation on property and equipment (Note 27)	256,176	129,932
Impairment allowances (Note 28)	1,607,863	1,286,885
Share in profit of associates	(7,439)	(7,483)
Discount unwind	-	(19,380)
Net losses from disposal of investment securities (Note 26)	266	8,679
Interest income on investment securities	(1,758,847)	(1,200,870)
Dividend income (Note 26)	(7,494)	(1,722)
Interest expense on borrowings and euro commercial paper	1,387,668	1,028,818
Net gains from trading securities (Note 25)	(793)	(9,175)
Ineffective portion of hedges – losses/(gains) (Note 8)	77,263	(41,880)
Employees' incentive plan expense (Note 20)	9,721	19,342
Cash flows from operating activities before changes in operating assets and liabilities	5,325,324	4,676,722
Decrease in balances with central banks	666,165	-
Increase in due from banks	(564,407)	(2,929,785)
Net movement in derivative financial instruments	72,182	(97,541)
Net disposals/(purchases) of trading securities	60,927	(23,791)
Increase in loans and advances to customers	(766,168)	(4,304,040)
Increase in other assets	(139,538)	(263,420)
Decrease in due to banks	(271,835)	(532,425)
(Decrease)/increase in deposits from customers	(8,089,011)	6,715,767
Increase in other liabilities	102,981	364,297
Net cash (used in)/from operations	(3,603,380)	3,605,784
Overseas tax paid	(25,346)	(985)
Net cash (used in)/from operating activities	(3,628,726)	3,604,799
INVESTING ACTIVITIES		
Net proceeds from redemption/disposal of investment securities	26,063,318	18,335,250
Net purchases of investment securities	(24,793,462)	(19,782,821)
Interest received on investment securities	1,807,498	1,265,902
Dividend received from investment securities (Note 26)	7,494	1,722
Dividend received from associate	14,193	10,284
Disposal of investment properties (Note 12)	4,627	1,900
Net purchases of property and equipment	(172,559)	(139,605)
Net cash from/(used in) investing activities	2,931,109	(307,368)
FINANCING ACTIVITIES		
Net (decrease)/increase in euro commercial paper	(960,834)	294,239
Net proceeds from borrowings	12,503,195	18,262,223
Repayment of borrowings	(14,399,675)	(15,794,895)
Interest paid on borrowings and euro commercial paper	(745,462)	(548,448)
Payment of lease liabilities	(54,016)	-
Dividends paid to equity holders of the Bank	(2,391,186)	(2,183,257)
Repayment of capital notes (Note 21)	(1,836,500)	-
Capital notes coupon paid (Note 29)	(265,056)	(174,789)
Net cash used in financing activities	(8,149,534)	(144,927)
Net (decrease)/increase in cash and cash equivalents	(8,847,151)	3,152,504
Cash and cash equivalents at the beginning of the period	23,094,853	15,811,548
Cash and cash equivalents acquired on business combinations	9,562,191	-
Cash and cash equivalents at the end of the period	23,809,893	18,964,052

(*) Refer Note 2.1 for basis of preparation

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows (unaudited) (continued)

For the nine month period ended September 30, 2019

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise of following amounts:

	As at September 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash and balances with central banks (Note 4)	26,579,135	19,590,185
Deposits and balances due from banks (excluding loans and advances to banks) (Note 5)	14,877,421	12,638,037
Reverse-repo placements (Note 6)	-	2,203,800
Due to banks (Note 14)	(9,721,908)	(3,071,408)
	31,734,648	31,360,614
Less: Cash and balances with central banks and deposits and balances due from banks – with original maturity of more than 3 months	(11,366,379)	(9,935,092)
Add: Due to banks – with original maturity of more than 3 months	3,441,624	1,669,331
Total cash and cash equivalents	23,809,893	23,094,853

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

1. General information

ADCB is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). The Bank and its subsidiaries (together referred to as the “Group”) is principally engaged in the business of retail, commercial and Islamic banking and provision of other financial services.

On March 21, 2019, the shareholders of Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) and Union National Bank PJSC (“UNB”) approved the merger of two banks pursuant to Article 283 (1) of UAE Federal Law No. 2 of 2015 and subsequent acquisition of 100% of issued share capital of Al Hilal Bank PJSC (“AHB”) by the combined bank. The merger was effected through issuance of 0.5966 new shares in ADCB for every one share of UNB, subject to the terms and conditions of the merger. Following the merger, ADCB and UNB shareholders owns approximately 76% and 24% of the combined bank, respectively. On the effective date of the merger, UNB shares were delisted from the Abu Dhabi Securities Exchange. The combined bank retained ADCB’s legal registrations.

The combined bank issued a mandatory convertible bond (“bond”) of AED 1,000,000 thousand to the shareholder of AHB as consideration to acquire the entire issued share capital of AHB. Such bond was converted immediately into 117,647,058 ADCB shares.

The effective date of the above merger and acquisition was May 1, 2019.

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

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

The condensed consolidated interim financial information has been prepared on a going concern basis and in accordance with IAS 34 - Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of ADCB for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The condensed consolidated financial information and related notes comprise of results for the nine month period ended September 30, 2019 for ADCB and its subsidiaries and the results for the five month period ended September 30, 2019 for erstwhile UNB (including its subsidiaries) and AHB group while the comparatives are of ADCB only.

The same accounting policies, presentation and methods of computation have been followed in this condensed consolidated interim financial information as were applied in the preparation and presentation of the Group’s consolidated financial statements for the year ended December 31, 2018, except for the changes in accounting policies mentioned in Note 2.5.

Certain disclosure notes have been reclassified and rearranged from the Group’s prior period condensed consolidated interim financial information to conform to the current period’s presentation.

The results for the nine month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirhams (AED) which is the Group's functional and presentation currency and is rounded off to the nearest thousand unless otherwise indicated.

As required by the Securities and Commodities Authority of the UAE (SCA) Notification No. 2624/2008 dated October 12, 2008, accounting policies relating to investment securities and investment properties applied in this condensed consolidated interim financial information are same as were applied in the preparation and presentation of the Group's consolidated financial statements for the year ended December 31, 2018.

The preparation of the condensed consolidated interim financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The main areas of judgments, estimates and assumptions applied in this condensed consolidated interim financial information, including the key sources of estimation uncertainty were the same as those applied in the ADCB's consolidated financial statements for the year ended December 31, 2018, except for those disclosed in Note 3.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2019

In the current period, the Group applied for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed in Note 2.5 of the condensed consolidated interim financial information.

The Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- ▶ Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23
- ▶ IFRIC 23 Uncertainty over Income Tax Treatments
- ▶ Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation
- ▶ Amendment to IAS 19 Employee Benefits
- ▶ Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2019.

2. Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 Standards and Interpretations in issue but not yet effective

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

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to references to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
Amendment to IFRS 3 regarding the definition of business.	January 1, 2020
Amendments to IAS 1 and IAS 8 regarding the definition of materiality.	January 1, 2020
IFRS 17 Insurance Contracts which requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2021.	January 1, 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

2.3 Basis of consolidation

This condensed consolidated interim financial information incorporates the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

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

Following is the list of subsidiaries as at September 30, 2019:

Name of subsidiary	Ownership interest	Incorporation		Principal activities
		Year	Country	
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Abu Dhabi Commercial Properties LLC	100%	2005	UAE	Real estate property management and advisory services.
Abu Dhabi Commercial Finance Solutions LLC	100%	2005	UAE	Financial investments.
Abu Dhabi Commercial Investment Services LLC	100%	2005	UAE	Financial investments.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC ⁽¹⁾	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited (Formerly known as ADCB Holdings (Cayman) Limited)	100%	2008	Cayman Islands	Treasury related activities.
ACB LTIP (IOM) Limited	Controlling interest	2008	Isle of Man	Trust activities.
Abu Dhabi Commercial Properties Consultancy LLC ⁽¹⁾⁽²⁾	100%	2008	UAE	Real estate consultancy.
Abu Dhabi Commercial Bank (UK Representative Office) Limited	100%	2008	United Kingdom	UK representative office and process service agent.
ITMAM Services FZ LLC (Formerly known as ADCB Services FZ LLC)	100%	2010	UAE	Transaction processing and back office support for the Group.
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back office support for the Group.
Omicron Capital	100%	2014	Cayman Islands	Treasury financing activities.
ADCB Structuring I (Cayman) Limited	100%	2016	Cayman Islands	Treasury financing activities.
ADCB Structuring II (Cayman) Limited	100%	2016	Cayman Islands	Treasury financing activities.
Common Services SARL	100%	2018	Luxembourg	Acquisition, holding, management and disposal of participations and interests.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Al Wifaq Finance Company PrJSC	89.2%	2006	UAE	Shari'a compliant Islamic finance products and services.
Al Wifaq Properties LLC	87.4%	2015	UAE	Property management services.
Union Brokerage LLC	100%	2002	UAE	Agent in trading of financial instruments and stocks.
Injaz Marketing Management LLC	98.6%	2007	UAE	Marketing management services.
Union National Bank – Egypt	96.6%	1981	Egypt	Commercial banking services.
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities.
Al Hilal Islamic Bank JSC	100%	2010	Kazakhstan	Islamic banking activities.
Al Hilal Leasing LLP	100%	2011	Kazakhstan	Shari'a compliant leasing operations.
Al Hilal Takaful PSC ⁽³⁾	100%	2008	UAE	Shari'a compliant general insurance services.
Al Hilal Auto LLC ⁽⁴⁾	100%	2009	UAE	Shari'a compliant trading in new and used cars.
Al Hilal Al Mariah Development LLC ⁽²⁾	100%	2012	UAE	Real estate development.
AHB Sukuk Company Limited	Controlling interest	2011	Cayman Islands	Treasury financing activities.
AHB Tier 1 Sukuk Limited	Controlling interest	2014	Cayman Islands	Treasury financing activities.

(1) dormant

(2) under liquidation

(3) held for sale

(4) discontinued operations

2. Summary of significant accounting policies (continued)**2.3 Basis of consolidation (continued)****Funds under management**

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the condensed consolidated interim financial information except when the Bank controls the entity, as referred to above.

Loss of control

Upon loss of control, the Bank derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Bank's accounting policy for financial instruments depending on the level of influence retained.

Transactions eliminated on consolidation

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

Investment in associates

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

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

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

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2. Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

2.4 Business combination under common control

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Currently, there is no specific guidance on accounting for common control transactions under IFRSs, therefore the management needs to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8.

The Group accounts for business combinations under common control using the acquisition method. Under acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- ▶ deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- ▶ assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

2. Summary of significant accounting policies (continued)

2.4 Business combination under common control (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date but does not exceed twelve months.

Impairment testing of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (Note 36) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Summary of significant accounting policies (continued)**2.5 Changes in accounting policy****General impact of application of IFRS 16 Leases**

In the current period, the Group, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Group is January 1, 2019. The Group has applied IFRS 16 using simplified modified approach. Management has assessed that the impact of adoption of IFRS 16 on the Group's condensed consolidated interim financial statements is not material.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before January 1, 2019. The lease liability for such leases are measured at the present value of the remaining lease payments using the incremental borrowing rate as of January 1, 2019. The right-of-use asset is measured at an amount equal to lease liability, adjusted by any prepaid amounts. The Group has applied a single discount rate to portfolio of leases, as the leases are of reasonably similar characteristics. The Group also applied the practical expedient for leases which are due to expire within 12 months from the date of transition. These leases are accounted for in the same way as short-term leases.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance lease or operating lease and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2. Summary of significant accounting policies (continued)

2.5 Changes in accounting policy (continued)

Significant accounting policies introduced on adoption of IFRS 16

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term (defined as leases with a lease term of 12 months or less) and leases of low value asset. For these leases, the Group recognises the lease payments as an operating lease on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other expenses in the condensed consolidated interim income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the period of lease term or useful life of the underlying asset whichever is shorter. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per the Group's impairment policy for non-financial assets.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease component, and instead account for any lease and associated non-lease component as a single arrangement. The Group has used this practical expedient.

The Group has presented right of use asset within 'Property and equipment' and lease liabilities within 'Other liabilities' in the condensed consolidated interim statement of financial position.

The Group as lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental income are recognised in the condensed consolidated interim income statement on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying the changes in Group's accounting policies

The following are the critical judgments in the application of IFRS 16, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information:

- ▶ identifying whether a contract (or part of a contract) includes a lease;
- ▶ determining whether it is reasonably certain that an extension or termination option will be exercised;
- ▶ classification of lease arrangements (when the entity is a lessor).

3.2 Key sources of estimation uncertainty

▶ Lease accounting under IFRS 16

The following are key estimations that the management has used in the process of applying the Group's accounting policies for IFRS 16 and that have the most significant effect on the amounts recognised in the Group's condensed consolidated interim financial information:

- ▶ determination of the appropriate rate to discount the lease payments;
- ▶ assessment of whether a right-of-use asset is impaired.

▶ Fair valuation of assets acquired and liabilities assumed in business combination

As stated in Note 2.4 above, the identifiable assets acquired and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Such valuations are sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

4. Cash and balances with central banks, net

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash on hand	2,112,520	1,499,000
Balances with central banks	2,876,951	3,404,794
Reserves maintained with central banks	15,717,707	11,004,968
Certificate of deposits with central banks	5,871,957	3,673,000
Reverse-repo with Central Bank	-	8,423
Gross cash and balances with central banks	26,579,135	19,590,185
Less: Allowance for impairment (Note 11)	(205)	(228)
Total cash and balances with central banks, net	26,578,930	19,589,957
The geographical concentration is as follows:		
Within the UAE	24,821,520	19,534,940
Outside the UAE	1,757,615	55,245
	26,579,135	19,590,185
Less: Allowance for impairment (Note 11)	(205)	(228)
	26,578,930	19,589,957

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

5. Deposits and balances due from banks, net

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Nostro balances	2,161,350	1,913,798
Margin deposits	1,872,040	256,474
Time deposits	7,538,331	6,888,240
Wakala placements	3,305,700	3,579,525
Loans and advances to banks	10,973,136	7,023,366
Gross deposits and balances due from banks	25,850,557	19,661,403
Less: Allowance for impairment (Note 11)	(35,510)	(34,327)
Total deposits and balances due from banks, net	25,815,047	19,627,076
The geographical concentration is as follows:		
Within the UAE	8,467,184	8,730,693
Outside the UAE	17,383,373	10,930,710
	25,850,557	19,661,403
Less: Allowance for impairment (Note 11)	(35,510)	(34,327)
	25,815,047	19,627,076

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

6. Reverse-repo placements, net

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Banks and financial institutions	-	2,203,800
Total reverse-repo placements, net	-	2,203,800
The geographical concentration is as follows:		
Within the UAE	-	2,020,150
Outside the UAE	-	183,650
	-	2,203,800

The Group enters into reverse repurchase agreements under which bonds with fair value of AED Nil (December 31, 2018 – bonds with fair value of AED 2,271,007 thousand) were received as collateral against reverse-repo placements. The risks and rewards relating to these bonds remains with the counterparties. The terms and conditions of these collaterals are governed by Global Master Repurchase Agreements (GMRA).

7. Trading securities

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Bonds	-	60,134
Total trading securities	-	60,134
The geographical concentration is as follows:		
Outside the UAE	-	60,134
	-	60,134

Bonds represent investments mainly in banks and public sector. The fair value of trading securities was based on quoted market prices.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

8. Derivative financial instruments

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

	Fair values		Notional AED'000
	Assets	Liabilities	
	AED'000	AED'000	
As at September 30, 2019 (unaudited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	575,038	471,607	299,996,977
Interest rate and cross currency swaps	4,819,513	4,806,348	261,667,374
Interest rate and commodity options	553,716	438,127	60,886,858
Forward rate agreements	154	-	372,069
Futures (exchange traded)	-	17	128,554
Commodity and energy swaps	86,044	79,777	1,839,964
Swaptions	469,745	477,540	42,347,465
Total derivatives held or issued for trading	6,504,210	6,273,416	667,239,261
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	1,199,509	1,728,070	81,014,187
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	107,133	66,100	7,437,020
Forward foreign exchange contracts	14,724	77,966	9,911,568
Total derivatives held as cash flow hedges	121,857	144,066	17,348,588
Total derivative financial instruments	7,825,576	8,145,552	765,602,036
As at December 31, 2018 (audited)			
Derivatives held or issued for trading			
Foreign exchange derivatives	719,659	440,214	268,624,410
Interest rate and cross currency swaps	2,548,601	2,516,720	232,645,162
Interest rate and commodity options	524,402	593,051	49,190,144
Forward rate agreements	9	303	1,100,000
Futures (exchange traded)	56	275	1,212,100
Commodity and energy swaps	107,552	92,133	3,105,642
Swaptions	176,872	173,068	45,421,133
Total derivatives held or issued for trading	4,077,151	3,815,764	601,298,591
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	347,962	1,645,460	70,385,718
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	17,923	154,190	5,479,207
Forward foreign exchange contracts	4,211	80,497	18,445,248
Total derivatives held as cash flow hedges	22,134	234,687	23,924,455
Total derivative financial instruments	4,447,247	5,695,911	695,608,764

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk.

The net hedge ineffectiveness losses relating to the fair value and cash flow hedges amounting to AED 77,263 thousand (for the nine month period ended September 30, 2018 – net gains of AED 41,880 thousand) has been recognised in the condensed consolidated interim income statement.

As at September 30, 2019, the Group received cash collateral of AED 897,099 thousand (December 31, 2018 - AED 207,554 thousand) and bonds with fair value of AED 190,910 thousand (December 31, 2018 – AED 26,847 thousand) against positive fair value of derivative assets.

As at September 30, 2019, the Group placed cash collateral of AED 1,873,105 thousand (December 31, 2018 – AED 275,060 thousand) and bonds with fair value of AED 2,734,059 thousand (December 31, 2018 - AED 2,317,131 thousand) against the negative fair value of derivative liabilities. These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

9. Investment securities

	UAE AED'000	Other GCC(*) AED'000	Rest of the world AED'000	Total AED'000
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As at September 30, 2019 (unaudited)

Quoted:

Government securities	11,850,828	14,517,216	8,739,285	35,107,329
Bonds – Public sector	10,242,986	1,769,625	4,688,336	16,700,947
Bonds – Banks and financial institutions	7,833,570	1,650,219	4,088,384	13,572,173
Bonds – Corporate	1,221,063	474,727	302,796	1,998,586
Equity instruments	243,989	110,442	74,998	429,429
Mutual funds	73,084	-	86,608	159,692
Total quoted	31,465,520	18,522,229	17,980,407	67,968,156

Unquoted:

Government securities	4,434,885	174,046	-	4,608,931
Bonds – Banks and financial institutions	-	-	133,996	133,996
Equity instruments	181,695	-	34,634	216,329
Mutual funds	-	1,617	650	2,267
Total unquoted	4,616,580	175,663	169,280	4,961,523
Total investment securities	36,082,100	18,697,892	18,149,687	72,929,679

As at December 31, 2018 (audited)

Quoted:

Government securities	4,934,961	9,028,003	9,022,797	22,985,761
Bonds – Public sector	6,918,084	1,019,842	4,308,028	12,245,954
Bonds – Banks and financial institutions	3,525,733	798,208	4,009,956	8,333,897
Bonds – Corporate	604,407	174,855	271,557	1,050,819
Equity instruments	333	-	-	333
Mutual funds	68,136	-	81,767	149,903
Total quoted	16,051,654	11,020,908	17,694,105	44,766,667

Unquoted:

Government securities	7,210,099	-	-	7,210,099
Bonds – Banks and financial institutions	-	133,625	-	133,625
Equity instruments	241,654	-	10,189	251,843
Total unquoted	7,451,753	133,625	10,189	7,595,567
Total investment securities	23,503,407	11,154,533	17,704,294	52,362,234

(*) Gulf Cooperation Council

As at September 30, 2019, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 216,589 thousand (December 31, 2018 - AED 183,435 thousand) (Note 11) is included in revaluation reserve of investments carried at FVTOCI and recognised in other comprehensive income.

The Group hedges interest rate and foreign currency risks on certain fixed rate and floating rate investments through interest rate and currency swaps and designates these as fair value and cash flow hedges, respectively. The net negative fair value of these swaps at September 30, 2019 was AED 1,251,339 thousand (December 31, 2018 – net negative fair value AED 85,541 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the condensed consolidated interim income statement.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

9. Investment securities (continued)

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at September 30, 2019 (unaudited)		As at December 31, 2018 (audited)	
	Carrying value of pledged securities	Carrying value of associated liabilities	Carrying value of pledged securities	Carrying value of associated liabilities
	AED'000	AED'000	AED'000	AED'000
Repurchase financing	1,031,123	831,889	240,856	228,653

Further, the Group pledged investment securities with fair value amounting to AED 2,734,059 thousand (December 31, 2018 – AED 2,333,615 thousand) as collateral against margin calls. The risks and rewards on these pledged investments remains with the Group.

10. Loans and advances to customers, net

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Overdrafts (retail and corporate)	10,904,024	5,091,419
Retail loans	50,319,886	26,296,282
Corporate loans	180,621,645	131,833,632
Credit cards	5,150,473	4,461,828
Other facilities	9,665,110	5,469,473
Gross loans and advances to customers	256,661,138	173,152,634
Less: Allowance for impairment (Note 11)	(7,131,150)	(6,726,872)
Total loans and advances to customers, net	249,529,988	166,425,762

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

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Murabaha	22,134,130	3,633,709
Ijara financing	20,849,011	11,436,508
Salam	6,634,528	6,596,310
Others	406,927	234,908
Gross Islamic financing assets	50,024,596	21,901,435
Less: Allowance for impairment	(704,818)	(568,667)
Total Islamic financing assets, net	49,319,778	21,332,768

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

10. Loans and advances to customers, net (continued)

The Group hedges certain fixed rate and floating rate loans and advances to customers for interest rate risk using interest rate swaps and designates these instruments as fair value and cash flow hedges, respectively. The net positive fair value of these swaps at September 30, 2019 was AED 29,056 thousand (December 31, 2018 - net negative fair value of AED 60,106 thousand).

The economic activity sector composition of the loans and advances to customers is as follows:

	As at September 30, 2019 (unaudited)			As at December 31, 2018 (audited)		
	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	204,068	40,487	244,555	206,858	-	206,858
Energy	1,598,597	2,069,560	3,668,157	984,371	635,136	1,619,507
Trading	9,319,282	1,620,105	10,939,387	5,159,486	749,157	5,908,643
Real estate investment	69,536,327	1,365,766	70,902,093	48,969,942	1,725,242	50,695,184
Hospitality	11,314,859	575,200	11,890,059	8,691,000	69,730	8,760,730
Transport and communication	2,731,775	2,113,636	4,845,411	1,419,435	1,041,719	2,461,154
Personal	64,292,243	1,204,828	65,497,071	36,582,222	111,637	36,693,859
Government and public sector entities	48,536,603	513,979	49,050,582	35,260,180	88,955	35,349,135
Financial institutions (*)	14,584,501	3,309,388	17,893,889	11,055,743	3,379,204	14,434,947
Manufacturing	4,031,313	2,112,329	6,143,642	2,681,505	2,143,409	4,824,914
Services	5,926,751	250,380	6,177,131	3,141,602	284,631	3,426,233
Others	9,111,994	297,167	9,409,161	8,719,723	51,747	8,771,470
Gross loans and advances to customers	241,188,313	15,472,825	256,661,138	162,872,067	10,280,567	173,152,634
Less: Allowance for impairment (Note 11)			(7,131,150)			(6,726,872)
Total loans and advances to customers, net			249,529,988			166,425,762

(*) includes investment companies

11. Impairment allowances

The movement in impairment allowances is as follows:

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Opening balance	7,308,843	6,090,677
Effect of change in accounting policy for IFRS 9	-	1,510,228
Opening balance restated	7,308,843	7,600,905
Addition on business combinations	1,272,009	-
Charge for the period/year	1,607,863	1,483,876
Recoveries during the period/year	(165,181)	(218,089)
Net charge for the period/year	1,442,682	1,265,787
Discount unwind	-	(19,380)
Net amounts written-off	(1,170,869)	(1,538,469)
Impact of currency translation	3,317	-
Closing balance	8,855,982	7,308,843

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

11. Impairment allowances (continued)

Allocation of impairment allowances is as follows:

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Cash and balances with central banks (Note 4)	205	228
Deposits and balances due from banks (Note 5)	35,510	34,327
Investment securities (Note 9) (*)	216,589	183,435
Loans and advances to customers (Note 10)	7,131,150	6,726,872
Other assets (Note 13)	29,624	14,229
Letters of credit, guarantees and other commitments (Note 18)	1,442,904	349,752
Total impairment allowances	8,855,982	7,308,843

(*) impairment allowance is included in revaluation reserve of investments designated at FVTOCI and recognised in other comprehensive income

12. Investment properties

	AED'000
As at January 1, 2018	634,780
Disposal during the year	(1,900)
Revaluation of investment properties	(56,209)
As at December 31, 2018 (audited)	576,671
Acquired on business combinations (*)	1,965,199
Additions during the period	5,850
Disposals during the period	(4,627)
Impact of currency translation	457
As at September 30, 2019 (unaudited)	2,543,550

(*) investment properties acquired on business combinations are shown at carrying value as the fair values are yet to be determined, which may result in goodwill adjustment during the measurement period

Additions during the period represent real estate acquired on settlement of certain loans and advances. This being a non-cash transaction has not been reflected in the consolidated statement of cash flows.

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- ▶ Direct comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- ▶ Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

All investment properties of the Group are primarily located within the UAE.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

13. Other assets, net

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Interest receivable	3,184,488	2,229,084
Advance tax	2,065	5,597
Prepayments	184,053	78,314
Acceptances (Note 18)	9,134,750	10,531,047
Others	826,286	501,081
Gross other assets	13,331,642	13,345,123
Less: Allowance for impairment (Note 11)	(29,624)	(14,229)
Total other assets, net	13,302,018	13,330,894

14. Due to banks

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Vostro balances	2,089,332	870,881
Margin deposits	580,883	200,090
Time deposits	7,051,693	2,000,437
Total due to banks	9,721,908	3,071,408

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net positive fair value of these swaps at September 30, 2019 was AED 15,410 thousand (December 31, 2018 – net negative fair value of AED 3,008 thousand).

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

15. Deposits from customers

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Time deposits	157,287,286	95,078,854
Current account deposits	75,985,455	54,855,845
Savings deposits	20,345,255	13,534,209
Murabaha deposits	6,475,127	11,549,497
Long term government deposits	351,702	377,014
Margin deposits	2,088,034	1,258,438
Total deposits from customers	262,532,859	176,653,857

Islamic deposits (excluding Murabaha deposits) included in the above table are as follows:

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Mudaraba term deposits	1,358,448	621,365
Wakala deposits	21,964,251	5,228,283
Current account deposits	10,668,384	4,282,450
Mudaraba savings deposits	10,542,462	6,732,645
Margin deposits	291,441	75,248
Total Islamic deposits	44,824,986	16,939,991

The Group hedges certain foreign currency time deposits for foreign currency and floating interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net negative fair value of these swaps at September 30, 2019 was AED 24,027 thousand (December 31, 2018 – net negative fair value of AED 40,044 thousand).

16. Euro commercial paper

The details of euro commercial paper (“ECP”) issuances under the Bank’s ECP programme are as follows:

Currency	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
US dollar (USD)	767,427	2,338,833
Arab Emirati dirham (AED)	299,464	-
Euro (EUR)	564,770	715,882
Swiss franc (CHF)	424,161	-
GB pound (GBP)	298,549	224,587
Total euro commercial paper	2,354,371	3,279,302

The Group hedges certain ECP for foreign currency exchange rate risk through foreign exchange swap contracts and designates these instruments as cash flow hedges. The net negative fair value of these hedge contracts as at September 30, 2019 was AED 45,529 thousand (December 31, 2018 - net negative fair value of AED 34,895 thousand).

The effective interest rate on ECPs issued ranges between negative 0.439% p.a. to positive 3.23% p.a. (December 31, 2018 – between negative 0.164% p.a. to positive 3.23% p.a.).

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

17. Borrowings

The details of borrowings as at September 30, 2019 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	153,115	625,513	394,836	1,173,464
	Swiss franc (CHF)	-	298,149	1,244,804	745,607	2,288,560
	Chinese renminbi (CNH)	231,366	343,291	103,415	-	678,072
	Euro (EUR)	128,493	79,953	83,034	-	291,480
	Great Britain pound (GBP)	-	322,885	-	-	322,885
	Hong Kong dollar (HKD)	75,095	441,661	181,721	-	698,477
	Indonesian rupiah (IDR)	-	-	-	349,017	349,017
	Japanese yen (JPY)	-	163,740	-	-	163,740
	US dollar (USD)	3,899,318	3,776,764	6,694,535	14,763,990	29,134,607
		4,334,272	5,579,558	8,933,022	16,253,450	35,100,302
Islamic sukuk notes	US dollar (USD)	-	-	1,826,247	-	1,826,247
Bilateral loans – floating rate	US dollar (USD)	1,835,036	2,382,676	1,239,618	-	5,457,330
Syndicated loan – floating rate	US dollar (USD)	-	3,028,649	-	-	3,028,649
Certificate of deposits issued	Great Britain pound (GBP)	157,287	-	-	-	157,287
	US dollar (USD)	2,120,590	-	-	-	2,120,590
	Canadian dollar (CAD)	206,275	-	-	-	206,275
Subordinated notes – fixed rate	US dollar (USD)	-	-	2,798,015	-	2,798,015
Borrowings through repurchase agreements	US dollar (USD)	48,978	569,478	-	202,333	820,789
	Egyptian pound (EGP)	59	614	-	10,427	11,100
Total borrowings		8,702,497	11,560,975	14,796,902	16,466,210	51,526,584

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net positive fair value of these swaps as at September 30, 2019 was AED 725,658 thousand.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

17. Borrowings (continued)

The details of borrowings as at December 31, 2018 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	649,799	78,613	723,569	372,866	1,824,847
	Chinese renminbi (CNH)	379,195	130,085	64,709	-	573,989
	Euro (EUR)	167,632	219,047	-	83,532	470,211
	Swiss franc (CHF)	-	298,691	648,917	373,533	1,321,141
	Japanese yen (JPY)	50,092	83,592	-	-	133,684
	Hong Kong dollar (HKD)	-	297,650	179,361	71,798	548,809
	US dollar (USD)	5,308,791	3,772,456	3,137,192	11,479,505	23,697,944
		6,555,509	4,880,134	4,753,748	12,381,234	28,570,625
Bilateral loans – floating rate	US dollar (USD)	-	4,947,819	1,237,915	-	6,185,734
Syndicated loan – floating rate	US dollar (USD)	2,201,050	734,600	-	-	2,935,650
Certificate of deposits issued	Great Britain pound (GBP)	163,944	-	-	-	163,944
	Indian rupee (INR)	312,804	-	-	-	312,804
	US dollar (USD)	1,872,803	97,713	-	-	1,970,516
Subordinated notes – fixed rate	US dollar (USD)	-	-	2,659,823	-	2,659,823
Borrowings through repurchase agreements	US dollar (USD)	-	-	-	202,333	202,333
	Indian rupee (INR)	26,320	-	-	-	26,320
Total borrowings		11,132,430	10,660,266	8,651,486	12,583,567	43,027,749

The Group hedges certain borrowings for foreign currency exchange rate risk and interest rate risk using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2018 was AED 1,286,457 thousand.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

17. Borrowings (continued)

Interests are payable in arrears and the contractual coupon rates as at September 30, 2019 (unaudited) are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	-	Fixed rate between 3.73% p.a. to 3.92% p.a.	Fixed rate of 3.75% p.a. and quarterly coupons with 138 basis points over bank bill swap rate (BBSW)	Fixed rate of 4.50% p.a.
	CHF	-	-	Fixed rate between 0.05% p.a. and 0.735% p.a.	Fixed rate of 0.51% p.a.
	CNH	Fixed rate between 4.40% p.a. to 4.50% p.a.	Fixed rate between 4.05% p.a. to 5.02% p.a.	Fixed rate of 4.60% p.a.	-
	EUR	Quarterly coupons between 50 to 59 basis points over Euribor	Quarterly coupons with 50 basis points over Euribor	Fixed rate of 0.75% p.a.	-
	GBP	-	Fixed rate between 1.40% p.a. to 2.30% p.a.	-	-
	HKD	Fixed rate of 2.46% p.a.	Fixed rate between 2.30% p.a. to 3.20% p.a.	Fixed rate between 2.84 % p.a. to 2.87% p.a.	-
	IDR	-	-	-	Fixed rate of 8.16% p.a.
	JPY	-	Fixed rate of 0.45% p.a.	-	-
	USD	Fixed rate of 2.625% p.a. and quarterly coupons between 50 to 82 basis points over Libor	Fixed rate of 2.75% p.a. and quarterly coupons between 80 to 140 basis points over Libor	Fixed rate of 4.00% p.a. and quarterly coupons between 105 to 155 basis points over Libor	Fixed rate between 3.82% p.a. to 5.785% p.a. and quarterly coupons with 140 basis points over Libor (*)
Islamic sukuk notes	USD	-	-	Fixed rate of 4.375% p.a.	-
Bilateral loans – floating rate	USD	Monthly coupons between 60 to 85 basis points over Libor	Monthly coupons between 63 to 80 basis points over Libor and quarterly coupons with 60 basis points over Libor	Monthly coupons of 95 basis points over Libor	-
Syndicated loan – floating rate	USD	-	Monthly coupons with 73 and 80 basis point over Libor	-	-
Certificate of deposits issued	GBP	Fixed rate of 0.92% p.a.	-	-	-
	USD	Fixed rate between 2.41% p.a. to 2.84% p.a. and quarterly Coupons with 114 bps over Libor	-	-	-
	CAD	Fixed rate of 2.40% p.a.	-	-	-
Subordinated notes – fixed rate	USD	-	-	Fixed rate of 4.50% p.a.	-
Borrowings through repurchase agreements	USD	Fixed rate between 1.00% p.a. to 1.50% p.a.	Fixed rate between 3.72% p.a. to 3.85% p.a.	-	Semi-annual coupons between negative 20 to negative 18 basis points over Libor
	EGP	Fixed rate between 0.50% p.a. to 3.50% p.a.	Fixed rate of 3.00% p.a.	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) includes AED 13,923,732 thousand accreting notes for maturities ranging from 30 years to 40 years with yield ranging between 3.823% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th or 10th year from issue date

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

17. Borrowings (continued)

The subordinated fixed rate note qualifies as Tier 2 capital and is eligible for grandfathering at the rate of 10% per annum in accordance with capital guidance issued by the UAE Central Bank. Further, the subordinated fixed rate note has entered its five years to maturity and is being amortised at the rate of 20% per annum till its maturity in 2023 (Note 32).

18. Other liabilities

	As at September 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Interest payable	2,117,031	1,409,503
Recognised liability for defined benefit obligation	624,379	487,995
Accounts payable and other creditors	388,765	215,558
Deferred income	789,717	672,303
Acceptances (Note 13)	9,134,750	10,531,047
Impairment allowance on letters of credit, guarantees and other commitments (Note 11)	1,442,904	349,752
Others	2,779,256	1,630,410
Total other liabilities	17,276,802	15,296,568

19. Share capital

	Authorised AED'000	Issued and fully paid As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Ordinary shares of AED 1 each	10,000,000	6,957,379	5,198,231

As stated in Note 1, the Bank issued 1,759,148,145 shares pursuant to the merger and acquisition as follows:

	UNB AED'000	AHB AED'000	Total AED'000
Ordinary share capital issued	1,641,501	117,647	1,759,148
Share premium	14,576,530	882,353	15,458,883
Purchase consideration (Note 36)	16,218,031	1,000,000	17,218,031

As at September 30, 2019, Abu Dhabi Investment Council held 60.20% (December 31, 2018 – 62.523%) of the Bank's issued and fully paid up share capital.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

20. Other reserves (unaudited)

Reserves movement for the nine month period ended September 30, 2019:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2019	(41,758)	2,797,799	2,797,799	2,000,000	150,000	(86,249)	(148,778)	(609,542)	6,859,271	-	6,859,271
Exchange difference arising on translation of foreign operations	-	-	-	-	-	22,046	-	-	22,046	894	22,940
Net fair value changes on cash flow hedges	-	-	-	-	-	-	178,554	-	178,554	-	178,554
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	11,679	-	11,679	-	11,679
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	750,823	750,823	760	751,583
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	32,846	32,846	-	32,846
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(28,883)	(28,883)	-	(28,883)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(23,852)	(23,852)	-	(23,852)
Total other comprehensive income for the period	-	-	-	-	-	22,046	190,233	730,934	943,213	1,654	944,867
Shares – vested portion	9,721	-	-	-	-	-	-	-	9,721	-	9,721
As at September 30, 2019	(32,037)	2,797,799	2,797,799	2,000,000	150,000	(64,203)	41,455	121,392	7,812,205	1,654	7,813,859

(*) includes allowance for impairment

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

20. Other reserves (unaudited) (continued)

Reserves movement for the nine month period ended September 30, 2018:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Total AED'000
As at January 1, 2018 (as previously reported)	(64,914)	2,797,799	2,797,799	2,000,000	150,000	(65,195)	(190,370)	59,808	7,484,927
Effect of change in accounting policy for IFRS 9	-	-	-	-	-	-	-	149,349	149,349
As at January 1, 2018 (restated)	(64,914)	2,797,799	2,797,799	2,000,000	150,000	(65,195)	(190,370)	209,157	7,634,276
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(29,624)	-	-	(29,624)
Net fair value changes on cash flow hedges	-	-	-	-	-	-	(81,042)	-	(81,042)
Net fair value changes on cash flow hedges reclassified to condensed consolidated interim income statement	-	-	-	-	-	-	94,271	-	94,271
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(328,929)	(328,929)
Amounts reclassified to condensed consolidated interim income statement for debt instruments designated at FVTOCI (*)	-	-	-	-	-	-	-	(3,804)	(3,804)
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(79,395)	(79,395)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(1,282)	(1,282)
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(29,624)	13,229	(413,410)	(429,805)
Shares – vested portion	19,342	-	-	-	-	-	-	-	19,342
As at September 30, 2018	(45,572)	2,797,799	2,797,799	2,000,000	150,000	(94,819)	(177,141)	(204,253)	7,223,813

(*) includes allowance for impairment

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

21. Capital notes

In February 2009, the Department of Finance, Government of Abu Dhabi subscribed to ADCB's Tier I regulatory capital notes with a principal amount of AED 4,000,000 thousand (the "Notes").

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date. Redemption is only at the option of the Bank. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bore interest at the rate of 6% per annum payable semi-annually until February 2014, and bear a floating interest rate of 6 month Eibor plus 2.3% per annum thereafter. However, the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

Pursuant to merger, the Bank assumed erstwhile UNB's Tier I regulatory capital notes with a principal amount of AED 2,000,000 thousand. The terms and conditions applicable to these notes are similar to the Notes issued by ADCB.

Further, AHB's Tier I regulatory capital note amounting to AED 1,836,500 thousand assumed on the date of acquisition, were settled in June 2019.

22. Interest income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Loans and advances to banks	287,424	153,866	791,241	381,199
Loans and advances to customers	2,942,109	2,060,649	7,715,724	5,936,889
Investment securities	577,070	432,846	1,629,226	1,197,639
Total interest income	3,806,603	2,647,361	10,136,191	7,515,727

23. Interest expense (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Deposits from banks	37,726	24,545	82,606	64,952
Deposits from customers	1,291,063	722,396	3,374,279	1,883,702
Euro commercial paper	17,102	24,110	74,563	61,347
Borrowings (*)	444,681	350,434	1,280,131	921,797
Total interest expense	1,790,572	1,121,485	4,811,579	2,931,798

(*) includes AED 8,367 thousand (for the nine month period ended September 30, 2018: AED Nil) for interest expense on lease liabilities

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

24. Net fees and commission income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Fees and commission income				
Card related fees	273,767	230,312	751,642	667,397
Loan processing fees	169,132	104,194	436,319	361,660
Accounts related fees	47,193	16,948	116,846	47,297
Trade finance commission	139,144	69,725	315,177	212,291
Insurance commission	23,492	13,564	54,792	47,390
Asset management and investment services	22,420	16,902	65,192	64,405
Brokerage fees	2,178	1,254	5,196	5,351
Other fees	86,855	58,350	228,321	137,553
Total fees and commission income	764,181	511,249	1,973,485	1,543,344
Fees and commission expense	(236,735)	(182,779)	(628,414)	(506,941)
Net fees and commission income	527,446	328,470	1,345,071	1,036,403

25. Net trading income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Net gains from dealing in derivatives	30,009	14,274	68,438	38,537
Net gains from dealing in foreign currencies	113,008	92,891	286,983	295,436
Net gains from trading securities	35	6,109	793	9,175
Net trading income	143,052	113,274	356,214	343,148

26. Other operating income (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Property management income	38,379	34,012	102,444	98,395
Rental income	24,435	12,180	59,958	37,907
Net gains/(losses) from disposal of investment securities	492	(7,477)	(266)	(8,679)
Gains arising from retirement of hedges	523	5,082	2,886	278
Dividend income	3,836	-	7,494	1,722
Others	11,176	4,934	24,397	11,490
Total other operating income	78,841	48,731	196,913	141,113

27. Operating expenses (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Staff expenses	771,913	481,133	1,920,055	1,393,520
Depreciation	101,370	45,405	256,176	129,932
General administrative expenses	405,832	272,149	1,056,389	820,401
Total operating expenses	1,279,115	798,687	3,232,620	2,343,853

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

28. Impairment allowances (unaudited)

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Charge for the period	641,489	387,658	1,607,863	1,286,885
Recoveries during the period	(69,929)	(40,291)	(165,181)	(169,564)
Total impairment allowances (Note 11)	571,560	347,367	1,442,682	1,117,321

29. Earnings per share (unaudited)
Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	3 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Profit for the period attributable to the equity holders of the Bank	1,412,072	1,151,018	3,741,545	3,483,148
Less: Coupons paid on capital notes (Note 21)	(143,815)	(90,858)	(265,056)	(174,789)
Net adjusted profit for the period attributable to the equity holders of the Bank (a)	1,268,257	1,060,160	3,476,489	3,308,359
	<u>Number of shares in thousand</u>		<u>Number of shares in thousand</u>	
Weighted average number of shares in issue throughout the period	6,957,379	5,198,231	6,184,127	5,198,231
Less: Weighted average number of shares resulting from employees' incentive plan shares	(9,039)	(12,091)	(9,039)	(12,496)
Weighted average number of equity shares in issue during the period for basic earnings per share (b)	6,948,340	5,186,140	6,175,088	5,185,735
Add: Weighted average number of shares resulting from employees' incentive plan shares	9,039	12,091	9,039	12,496
Weighted average number of equity shares in issue during the period for diluted earnings per share (c)	6,957,379	5,198,231	6,184,127	5,198,231
Basic earnings per share (AED) (a)/(b)	0.18	0.20	0.56	0.64
Diluted earnings per share (AED) (a)/(c)	0.18	0.20	0.56	0.64

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

30. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Letters of credit	7,545,923	5,322,188
Guarantees	60,569,468	28,673,986
Commitments to extend credit – revocable (*)	20,591,443	11,244,578
Commitments to extend credit – irrevocable	19,657,828	14,528,686
Total commitments on behalf of customers	108,364,662	59,769,438
Commitments for future capital expenditure	813,291	461,668
Commitments to invest in investment securities	57,512	51,995
Total commitments and contingent liabilities	109,235,465	60,283,101

(*) includes AED 7,912,092 thousand (December 31, 2018: AED 6,752,159 thousand) for undrawn credit card limits

31. Operating segments

The Group has four reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM"), is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

The following summary describes the operations in each of the Group's reportable segments:

Consumer banking - comprises of retail, wealth management, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with retail customers and corporate and private accounts of high net worth individuals and funds management activities.

Wholesale banking - comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Islamic financing, infrastructure and asset finance, government and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers.

Investments and treasury - comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertakes the Group's funding and centralised risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.

Property management - comprises of real estate management and engineering service operations of subsidiaries and rental income earned from properties of the Group.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

31. Operating segments (continued)

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The following is an analysis of the Group's revenue and results by operating segments for the nine month period ended September 30, 2019 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	2,229,589	1,623,216	1,439,525	32,282	5,324,612
Net income from Islamic financing	578,411	357,234	264,177	6,171	1,205,993
Total net interest and Islamic financing income	2,808,000	1,980,450	1,703,702	38,453	6,530,605
Non-interest income	786,215	663,963	262,003	186,017	1,898,198
Operating expenses	(1,937,896)	(933,422)	(239,139)	(122,163)	(3,232,620)
Operating profit before impairment allowances	1,656,319	1,710,991	1,726,566	102,307	5,196,183
Impairment allowances	(674,561)	(726,849)	(41,272)	-	(1,442,682)
Operating profit after impairment allowances	981,758	984,142	1,685,294	102,307	3,753,501
Share in profit of associates	7,439	-	-	-	7,439
Profit before taxation	989,197	984,142	1,685,294	102,307	3,760,940
Overseas tax (expense)/income	(6,815)	(5,170)	1,126	-	(10,859)
Loss from discontinued operations	(5,145)	(854)	-	-	(5,999)
Profit for the period	977,237	978,118	1,686,420	102,307	3,744,082
Capital expenditure					172,559

As at September 30, 2019 (unaudited)

Segment assets	114,808,251	165,267,300	124,343,878	2,496,711	406,916,140
Segment liabilities	86,070,209	126,265,402	140,214,063	127,311	352,676,985

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

31. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segments for the nine month period ended September 30, 2018 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	2,002,866	1,424,004	1,109,512	47,547	4,583,929
Net income from Islamic financing	363,647	244,144	219,671	5,212	832,674
Total net interest and Islamic financing income	2,366,513	1,668,148	1,329,183	52,759	5,416,603
Non-interest income	594,849	531,461	242,129	152,225	1,520,664
Operating expenses	(1,462,662)	(625,388)	(164,587)	(91,216)	(2,343,853)
Operating profit before impairment allowances	1,498,700	1,574,221	1,406,725	113,768	4,593,414
Impairment (allowances)/releases	(756,907)	(372,844)	12,430	-	(1,117,321)
Operating profit after impairment allowances	741,793	1,201,377	1,419,155	113,768	3,476,093
Share in profit of associate	7,483	-	-	-	7,483
Profit before taxation	749,276	1,201,377	1,419,155	113,768	3,483,576
Overseas tax expense	-	(428)	-	-	(428)
Profit for the period	749,276	1,200,949	1,419,155	113,768	3,483,148
Capital expenditure					139,605

As at December 31, 2018 (audited)

Segment assets	72,988,378	115,918,590	90,368,977	554,393	279,830,338
Segment liabilities	53,779,990	88,893,849	104,261,700	89,256	247,024,795

The following is an analysis of the Group's revenue and results by operating segment for the three month period ended September 30, 2019 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	832,638	665,353	524,263	(6,223)	2,016,031
Net income from Islamic financing	270,317	124,349	111,411	317	506,394
Total net interest and Islamic financing income	1,102,955	789,702	635,674	(5,906)	2,522,425
Non-interest income	290,404	277,180	111,281	70,474	749,339
Operating expenses	(764,587)	(375,470)	(87,927)	(51,131)	(1,279,115)
Operating profit before impairment allowances	628,772	691,412	659,028	13,437	1,992,649
Impairment allowances	(213,910)	(333,009)	(24,662)	21	(571,560)
Operating profit after impairment allowances	414,862	358,403	634,366	13,458	1,421,089
Share in profit of associates	2,382	-	-	-	2,382
Profit before taxation	417,244	358,403	634,366	13,458	1,423,471
Overseas tax (expense)/income	(5,149)	(2,546)	1,002	-	(6,693)
Loss from discontinued operations	(2,454)	(854)	-	-	(3,308)
Profit for the period	409,641	355,003	635,368	13,458	1,413,470
Capital expenditure					76,414

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

31. Operating segments (continued)

The following is an analysis of the Group's revenue and results by operating segment for the three month period ended September 30, 2018 (unaudited):

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	656,455	476,686	378,465	14,270	1,525,876
Net income from Islamic financing	117,637	86,849	72,038	1,876	278,400
Total net interest and Islamic financing income	774,092	563,535	450,503	16,146	1,804,276
Non-interest income	204,305	153,198	81,682	51,290	490,475
Operating expenses	(496,020)	(214,898)	(57,957)	(29,812)	(798,687)
Operating profit before impairment allowances	482,377	501,835	474,228	37,624	1,496,064
Impairment allowances	(249,404)	(86,846)	(11,117)	-	(347,367)
Operating profit after impairment allowances	232,973	414,989	463,111	37,624	1,148,697
Share in profit of associate	1,806	-	-	-	1,806
Profit before taxation	234,779	414,989	463,111	37,624	1,150,503
Overseas tax income	-	515	-	-	515
Profit for the period	234,779	415,504	463,111	37,624	1,151,018

Capital expenditure

50,450

For the purpose of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments.

Other disclosures

The following is the analysis of the total operating income of each segment between income from external parties and inter-segment.

	External (unaudited)		Inter-segment (unaudited)	
	9 months ended September 30		9 months ended September 30	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Consumer banking	4,708,099	3,872,325	(1,113,884)	(910,963)
Wholesale banking	3,837,926	3,117,372	(1,193,513)	(917,763)
Investments and treasury	(272,953)	(174,777)	2,238,658	1,746,089
Property management	155,731	122,347	68,739	82,637
Total operating income	8,428,803	6,937,267	-	-

	External (unaudited)		Inter-segment (unaudited)	
	3 months ended September 30		3 months ended September 30	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Consumer banking	1,797,996	1,296,960	(404,637)	(318,563)
Wholesale banking	1,479,014	1,049,481	(412,132)	(332,748)
Investments and treasury	(67,533)	(92,326)	814,488	624,511
Property management	62,287	40,636	2,281	26,800
Total operating income	3,271,764	2,294,751	-	-

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31. Operating segments (continued)**Geographical information**

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the UAE branches and subsidiaries. International area represents the operations of the Group that originates from its branches in Kuwait, Qatar, China, Jersey and through its subsidiaries outside UAE. The information regarding the Group's revenue and non-current assets by geographical location are detailed as follows:

	Domestic (unaudited)		International (unaudited)	
	9 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	6,452,032	5,421,222	78,573	(4,619)
Non-interest income	1,864,148	1,516,119	34,050	4,545

	Domestic (unaudited)		International (unaudited)	
	3 months ended September 30		3 months ended September 30	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Income				
Net interest and Islamic financing income	2,471,220	1,808,329	51,205	(4,053)
Non-interest income	726,749	490,055	22,590	420

	Domestic		International	
	As at	As at	As at	As at
	September 30	December 31	September 30	December 31
	2019	2018	2019	2018
	unaudited	audited	unaudited	audited
	AED'000	AED'000	AED'000	AED'000
Non-current assets				
Investment in associates	380,766	205,158	16,344	-
Investment properties	2,533,097	576,671	10,453	-
Property and equipment, net	2,015,742	977,778	188,166	4,827
Goodwill	4,513,754	18,800	-	-

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For the nine month period ended September 30, 2019

32. Capital adequacy ratio

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

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 19)	6,957,379	5,198,231
Share premium	17,878,882	2,419,999
Other reserves (Note 20)	7,681,395	7,659,349
Retained earnings	15,317,107	14,010,929
Non-controlling interests	153,492	-
Regulatory deductions and adjustments		
Goodwill (Note 36)	(4,513,754)	(18,800)
Cash flow hedge reserve (Note 20)	18,655	(148,778)
Employee's incentive plan shares, net (Note 20)	(32,037)	(41,758)
Revaluation reserve of investments designated at FVTOCI (Note 20)	54,626	(609,542)
Total CET1 capital	43,515,745	28,469,630
Additional tier 1 (AT1) capital		
Capital notes (Note 21)	6,000,000	4,000,000
Total AT1 capital	6,000,000	4,000,000
Total tier 1 capital	49,515,745	32,469,630
Tier 2 capital		
Eligible general provision	3,717,545	2,359,353
Subordinated notes (Note 17)	1,419,415	1,841,730
Total tier 2 capital	5,136,960	4,201,083
Total regulatory capital	54,652,705	36,670,713
Risk-weighted assets		
Credit risk	297,403,619	188,748,218
Market risk	8,376,169	8,396,389
Operational risk	24,027,523	15,262,739
Total risk-weighted assets	329,807,311	212,407,346
CET1 ratio	13.19%	13.40%
AT1 ratio	1.82%	1.88%
Tier 1 ratio	15.01%	15.28%
Tier 2 ratio	1.56%	1.98%
Capital adequacy ratio	16.57%	17.26%

The Bank is required to maintain minimum capital requirements related to risk-weighted assets as mentioned below:

Transitional arrangement	2019	2018
CET1 including buffers		
- CET1	7.00%	7.00%
- CCB	2.50%	1.88%
- D-SIB buffer	0.50%	0.38%
CET1 including buffers	10.00%	9.25%
Tier 1	11.50%	10.75%
Minimum capital requirement	13.50%	12.75%

Notes to the condensed consolidated interim financial information

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33. Related party transactions

The Group enters into transactions with the parent and its related entities, associates, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities) in the ordinary course of business at commercial interest and commission rates.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the directors, chief executive officer and his direct reports.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Parent and ultimate controlling party

Abu Dhabi Investment Council holds 60.20% (December 31, 2018 - 62.523%) of the Bank's issued and fully paid up share capital (Note 19). Abu Dhabi Investment Council was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the ultimate controlling party is the Government of Abu Dhabi.

For details of related party balances and transactions, refer Note 36 in the consolidated financial statements for the year ended December 31, 2018. The related party balances as at September 30, 2019 and transactions for the nine month period ended September 30, 2019 are similar in nature and magnitude except additional transactions and balances of newly acquired entities.

Related party balances and transactions of the Group included in the condensed consolidated interim statement of financial position and condensed consolidated interim income statement, respectively, are as follows:

	Ultimate controlling party and its related parties AED'000	Directors and their related parties AED'000	Key management personnel AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at September 30, 2019 (unaudited)					
Deposits and balances due from banks	206,653	-	-	-	206,653
Derivative financial instruments - assets	1,281,316	-	-	-	1,281,316
Investment securities	19,361,904	-	-	159,692	19,521,596
Loans and advances to customers	30,334,418	859,523	19,213	200,090	31,413,244
Other assets	339,641	8,950	94	4,000	352,685
Due to banks	624	-	-	-	624
Derivative financial instruments - liabilities	703,659	-	-	-	703,659
Deposits from customers	84,075,224	511,172	31,265	147,285	84,764,946
Other liabilities	498,477	5,703	16,191	3,510	523,881
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	10,325,174	193,916	2,167	29,138	10,550,395
Transactions for the nine month period ended September 30, 2019 (unaudited)					
Interest, Islamic financing income, fees and other income	558,377	35,370	565	9,675	603,987
Interest expense and Islamic profit distribution	1,141,953	3,044	271	1,379	1,146,647
Derivative income	191,226	-	-	-	191,226
Share in profit of associates	-	-	-	7,439	7,439
Coupons paid on capital notes	265,056	-	-	-	265,056

34. Fair value hierarchy

Fair value measurements recognised in the condensed consolidated interim financial information

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as OTC derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities and borrowings.

Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

Valuation techniques using significant unobservable inputs – Level 3

Financial instruments and investment properties are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Financial instruments under this category mainly includes private equity instruments and funds. The carrying values of these investments are adjusted as follows:

- a) Private equity instruments – using the latest available net book value; and
- b) Funds – based on the net asset value provided by the fund manager.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Refer Note 12 in respect of valuation methodology used for investment properties.

Notes to the condensed consolidated interim financial information

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34. Fair value hierarchy (continued)

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated interim financial information does not materially differ from their fair values.

	Notes	Level 1 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at September 30, 2019 (unaudited)						
Assets at fair value						
Derivative financial instruments	8	-	7,825,576	-	7,825,576	7,825,576
Investment securities	9					
- Quoted		65,732,408	2,235,748	-	67,968,156	67,968,156
- Unquoted		-	4,742,927	218,596	4,961,523	4,961,523
Investment properties	12	-	-	2,543,550	2,543,550	2,543,550
Total		65,732,408	14,804,251	2,762,146	83,298,805	83,298,805
Liabilities at fair value						
Derivative financial instruments	8	17	8,145,535	-	8,145,552	8,145,552
Liabilities at amortised cost						
Euro commercial paper	16	-	2,366,447	-	2,366,447	2,354,371
Borrowings	17	18,631,259	31,726,826	-	50,358,085	51,526,584
Total		18,631,276	42,238,808	-	60,870,084	62,026,507
As at December 31, 2018 (audited)						
Assets at fair value						
Trading securities	7	60,134	-	-	60,134	60,134
Derivative financial instruments	8	56	4,447,191	-	4,447,247	4,447,247
Investment securities	9					
- Quoted		43,339,649	1,427,018	-	44,766,667	44,766,667
- Unquoted		-	7,343,724	251,843	7,595,567	7,595,567
Investment properties	12	-	-	576,671	576,671	576,671
Total		43,399,839	13,217,933	828,514	57,446,286	57,446,286
Liabilities at fair value						
Derivative financial instruments	8	275	5,695,636	-	5,695,911	5,695,911
Liabilities at amortised cost						
Euro commercial paper	16	-	3,285,187	-	3,285,187	3,279,302
Borrowings	17	15,427,393	26,186,580	-	41,613,973	43,027,749
Total		15,427,668	35,167,403	-	50,595,071	52,002,962

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

Notes to the condensed consolidated interim financial information

For the nine month period ended September 30, 2019

34. Fair value hierarchy (continued)

Reconciliation showing the movement in fair values of Level 3 investments designated at FVTOCI is as follows:

	As at September 30 2019 unaudited AED'000	As at December 31 2018 audited AED'000
Opening balance	251,843	333,137
Acquired on business combinations	33,602	-
Purchases, net during the period/year	18,119	34,818
Disposals including capital refunds during the period/year	(39,279)	(36,973)
IFRS 9 transition adjustment	-	56,687
Adjustment through other comprehensive income during the period/year	(45,689)	(135,826)
Closing balance	218,596	251,843

Gains of AED 23,852 thousand (for the nine month period ended September 30, 2018 – gains of AED 1,291 thousand) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

35. Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's condensed consolidated interim financial information if disposed unfavourably.

36. Business combinations

Merger with Union National Bank PJSC - On May 1, 2019, Union National Bank PJSC (or "UNB") merged with Abu Dhabi Commercial Bank PJSC in a stock transaction. UNB was a banking institution headquartered in Abu Dhabi with operations in UAE, Egypt, Kuwait, Qatar and China. Under the terms of the agreement, shareholders of UNB received 0.5966 ordinary shares of ADCB for each ordinary share of UNB. ADCB issued 1,641,501,087 ordinary shares that had a total fair value of AED 16,218,031 thousand based on the closing market price of AED 9.88 per share on April 30, 2019. UNB shares were delisted from Abu Dhabi Securities Exchange subsequent to the merger.

Acquisition of Al Hilal Bank PJSC - On May 1, 2019, ADCB and UNB as a merged entity completed its 100% acquisition of Al Hilal Bank PJSC (or "AHB") at a consideration of AED 1,000,000 thousand. AHB is a banking institution headquartered in Abu Dhabi with operations in UAE and Kazakhstan.

The merger and acquisition resulted in a combined entity with a larger market presence and more diversified loan portfolio, as well as a larger core deposit funding base and economies of scale associated with a larger financial institution.

The merger and acquisition of UNB and AHB constituted a business combination and has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair value on the acquisition date. The determination of estimated fair values required management to make certain estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and may require adjustments, which can be updated for up to a year following the merger and acquisition.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

36. Business combinations (continued)

Purchase consideration and net identifiable assets acquired and liabilities assumed

The purchase consideration (also referred to as “purchase price”) of the merger and the acquisition have been allocated to the assets acquired and liabilities assumed using their preliminary fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of UNB and AHB – based on their respective fair values as of May 1, 2019 – and the resulting goodwill is presented below. The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed.

(in AED 000, except per share amount)	UNB	AHB
Purchase consideration		
Union National Bank PJSC ordinary shares ('000) (i)	2,751,427	
Exchange ratio (ii)	0.5966	
ADCB ordinary shares issued to UNB shareholders ('000) (i)*(ii)	1,641,501	
April 30, 2019 closing price of ADCB ordinary share	AED 9.88	
	16,218,031	
117,647,058 ADCB ordinary shares issued to AHB shareholder at a conversion price of AED 8.50 per share		1,000,000
Total purchase consideration (a)	16,218,031	1,000,000
Assets acquired and liabilities assumed		
Assets		
Cash and balances with central banks	9,260,404	3,359,142
Deposits and balances due from banks	2,254,145	3,175,090
Derivative financial instruments	213,240	5,198
Investment securities	17,135,739	3,299,439
Loans and advances to customers	65,955,865	18,633,537
Investment in associates	100,903	93,886
Investment properties	1,909,969	55,230
Other assets	1,708,969	497,323
Property and equipment	413,735	705,393
Assets held for sale	-	257,899
Total assets (b)	98,952,969	30,082,137
Liabilities		
Due to banks	3,827,597	244,979
Derivative financial instruments	153,121	34,980
Deposits from customers	72,245,927	23,055,240
Borrowings	5,134,313	2,936,769
Other liabilities	3,260,494	1,115,857
Liabilities related to assets held for sale	-	316,930
	84,621,452	27,704,755
Tier I capital notes	2,000,000	1,836,500
Non-controlling interests	149,322	-
Total liabilities (c)	86,770,774	29,541,255
Total identifiable net assets at preliminary fair value (d) = (b) - (c)	12,182,195	540,882
Goodwill arising on business combinations (a) - (d)	4,035,836	459,118

The goodwill is attributable mainly to the synergies expected to be achieved from integration of UNB and AHB into the Group.

The Group is in the process of undertaking comprehensive purchase price allocation which is expected to complete within twelve months from the date of business combinations. This may result in different values being attributed to the assets, liabilities and contingent liabilities acquired, and hence, change in the goodwill.

Notes to the condensed consolidated interim financial information
For the nine month period ended September 30, 2019

36. Business combinations (continued)

Purchase consideration and net identifiable assets acquired and liabilities assumed (continued)

The total goodwill of the Group comprises of below:

	AED'000
As at December 31, 2018 (audited)	18,800
Addition on business combinations:	
UNB	4,035,836
AHB	459,118
As at September 30, 2019 (unaudited)	4,513,754

Unaudited pro-forma condensed combined financial information

From the date of merger, UNB contributed AED 1,450,973 thousand to total operating income and AED 935,985 thousand to profit before tax from continuing operations of the Group.

Similarly, AHB contributed AED 486,398 thousand to total operating income and AED 258,725 thousand to profit before tax from continuing operations of the Group from the date of acquisition.

If the combinations had taken place at the beginning of the year, total operating income from continuing operations would have been AED 9,918,624 thousand and profit before tax from continuing operations for the Group would have been AED 4,235,804 thousand.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if acquisition had occurred on January 1, 2019.

Business combination related costs

The Group incurred integration and transaction costs of AED 165,152 thousand mainly comprising of external legal fees and due diligence costs. These costs have been included in 'operating expenses' in the condensed consolidated interim income statement.