

# **Abu Dhabi Islamic Bank PJSC**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015 (UNAUDITED)**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (unaudited)

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS TO THE BOARD OF DIRECTORS OF ABU DHABI ISLAMIC BANK PJSC**

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC (“the Bank”) and its subsidiaries (together “the Group”) as at 30 September 2015, comprising of the interim consolidated statement of financial position as at 30 September 2015 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of review*

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

*Conclusion*

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

*Ernst & Young*  
Signed by  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No. 811

1 November 2015  
Abu Dhabi

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED INCOME STATEMENT

Three months and nine months ended 30 September 2015 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 AED '000	2014 AED '000	2015 AED '000	2014 AED '000
<b>OPERATING INCOME</b>					
Income from murabaha, mudaraba and wakala with financial institutions		8,463	7,119	17,185	26,320
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	1,088,479	1,069,098	3,242,454	2,998,022
Income from Islamic sukuk measured at amortised cost		65,590	46,938	181,871	136,927
Income from investments measured at fair value	6	9,534	16,781	48,005	60,800
Share of results of associates and joint ventures		3,660	355	12,894	5,814
Fees and commission income, net	7	218,358	173,268	641,038	517,512
Foreign exchange income		24,654	10,849	43,833	34,522
Income from investment properties		17,185	1,723	27,915	9,814
Other income (loss)		10,858	(859)	12,483	1,020
		<u>1,446,781</u>	<u>1,325,272</u>	<u>4,227,678</u>	<u>3,790,751</u>
<b>OPERATING EXPENSES</b>					
Employees' costs	8	(348,900)	(307,665)	(1,036,727)	(872,932)
General and administrative expenses	9	(189,335)	(162,755)	(548,862)	(430,230)
Depreciation		(36,095)	(32,263)	(108,495)	(98,873)
Amortisation of intangibles	24	(13,689)	(4,563)	(41,067)	(4,563)
Provision for impairment, net	10	(192,958)	(186,806)	(570,699)	(579,112)
		<u>(780,977)</u>	<u>(694,052)</u>	<u>(2,305,850)</u>	<u>(1,985,710)</u>
<b>PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS</b>					
		665,804	631,220	1,921,828	1,805,041
Distribution to depositors and sukuk holders	11	(162,592)	(154,432)	(465,210)	(463,951)
<b>PROFIT FOR THE PERIOD</b>					
		<u>503,212</u>	<u>476,788</u>	<u>1,456,618</u>	<u>1,341,090</u>
Attributable to:					
Equity holders of the Bank		502,701	475,906	1,454,586	1,337,946
Non-controlling interest		511	882	2,032	3,144
		<u>503,212</u>	<u>476,788</u>	<u>1,456,618</u>	<u>1,341,090</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)					
	12	<u>0.164</u>	<u>0.156</u>	<u>0.427</u>	<u>0.380</u>

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

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months and nine months ended 30 September 2015 (Unaudited)

	Notes	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
		<i>2015</i> <i>AED '000</i>	<i>2014</i> <i>AED '000</i>	<i>2015</i> <i>AED '000</i>	<i>2014</i> <i>AED '000</i>
<b>PROFIT FOR THE PERIOD</b>		<b>503,212</b>	476,788	<b>1,456,618</b>	1,341,090
<b>Other comprehensive income (loss)</b>					
<i>Items that will not be reclassified to consolidated income statement</i>					
Net gain (loss) on valuation of investments carried at fair value through other comprehensive income		<b>125</b>	(5,980)	<b>332</b>	1,908
Directors' remuneration paid	36	-	-	<b>(4,900)</b>	(4,900)
<i>Items that may be subsequently reclassified to consolidated income statement</i>					
Exchange differences arising on translation of foreign operations	31	<b>(23,384)</b>	(15,568)	<b>(58,751)</b>	(25,076)
Gain on hedge of foreign operations	31	<b>11,407</b>	13,303	<b>12,117</b>	8,093
Fair value (loss) gain on cash flow hedge	31	<b>(3,845)</b>	10,726	<b>(2,194)</b>	13,659
<b>OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(15,697)</b>	2,481	<b>(53,396)</b>	(6,316)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>487,515</u></b>	<u>479,269</u>	<b><u>1,403,222</u></b>	<u>1,334,774</u>
Attributable to:					
Equity holders of the Bank		<b>487,004</b>	478,387	<b>1,401,186</b>	1,331,630
Non-controlling interest		<b><u>511</u></b>	<u>882</u>	<b><u>2,036</u></b>	<u>3,144</u>
		<b><u>487,515</u></b>	<u>479,269</u>	<b><u>1,403,222</u></b>	<u>1,334,774</u>


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

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015 (Unaudited)

		<i>30 September</i>	<i>Audited</i>
		<i>2015</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>2014</i>
			<i>AED '000</i>
<b>ASSETS</b>			
Cash and balances with central banks	13	17,362,821	18,757,580
Balances and wakala deposits with Islamic banks and other financial institutions	14	4,054,028	4,103,625
Murabaha and mudaraba with financial institutions	15	2,001,319	2,166,553
Murabaha and other Islamic financing	16	36,913,481	34,202,627
Ijara financing	17	40,330,831	38,803,654
Investment in Islamic sukuk measured at amortised cost	18	7,045,427	5,421,527
Investments measured at fair value	19	1,460,503	1,007,475
Investment in associates and joint ventures	20	773,166	807,395
Investment properties	21	275,818	299,318
Development properties	22	837,381	837,381
Other assets	23	3,704,765	3,400,488
Property and equipment		1,670,491	1,566,532
Goodwill and intangibles	24	<u>488,581</u>	<u>529,648</u>
<b>TOTAL ASSETS</b>		<b><u>116,918,612</u></b>	<b><u>111,903,803</u></b>
<b>LIABILITIES</b>			
Due to financial institutions	25	4,589,118	5,475,734
Depositors' accounts	26	89,434,329	84,776,408
Other liabilities	27	3,590,164	3,374,369
Sukuk financing instruments	28	<u>4,590,625</u>	<u>4,590,625</u>
<b>Total liabilities</b>		<b><u>102,204,236</u></b>	<b><u>98,217,136</u></b>
<b>EQUITY</b>			
Share capital	29	3,168,000	3,000,000
Legal reserve	30	2,102,465	1,766,465
General reserve		1,098,560	1,098,560
Credit risk reserve		400,000	400,000
Retained earnings		2,517,159	1,244,781
Proposed dividend	40	-	700,200
Proposed dividend to charity		-	20,000
Other reserves	31	(218,013)	(194,644)
Tier 1 sukuk	32	<u>5,635,973</u>	<u>5,643,109</u>
<b>Equity attributable to the equity holders and Tier 1 sukuk holders of the Bank</b>		<b>14,704,144</b>	<b>13,678,471</b>
Non-controlling interest		<u>10,232</u>	<u>8,196</u>
<b>Total equity</b>		<b><u>14,714,376</u></b>	<b><u>13,686,667</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>116,918,612</u></b>	<b><u>111,903,803</u></b>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	33	<b><u>14,239,447</u></b>	<b><u>13,473,763</u></b>

  
Chairman

  
Chief Executive Officer

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

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2015 (Unaudited)

<i>Attributable to the equity holders and Tier 1 sukuk holders of the Bank</i>												
Notes	Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit risk reserve AED '000	Retained earnings AED '000	Proposed dividends AED '000	Proposed dividends to charity AED '000	Other reserves AED '000	Tier 1 sukuk AED '000	Total AED '000	Non-controlling interest AED '000	Total equity AED '000
Balance at 1 January 2015 - audited	3,000,000	1,766,465	1,098,560	400,000	1,244,781	700,200	20,000	(194,644)	5,643,109	13,678,471	8,196	13,686,667
Profit for the period	-	-	-	-	1,454,586	-	-	-	-	1,454,586	2,032	1,456,618
Other comprehensive (loss) income	-	-	-	-	(4,900)	-	-	(48,518)	-	(53,418)	22	(53,396)
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	(25,131)	-	-	25,149	-	18	(18)	-
Right shares issued	29	168,000	-	-	-	-	-	-	-	168,000	-	168,000
Premium on right shares issued	30	-	336,000	-	-	-	-	-	-	336,000	-	336,000
Right shares issuance cost	29	-	-	-	(3,089)	-	-	-	-	(3,089)	-	(3,089)
Profit paid on Tier 1 sukuk	32	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	32	-	-	-	(32,009)	-	-	-	-	(32,009)	-	(32,009)
Movement in Tier 1 sukuk	-	-	-	-	-	-	-	-	(7,136)	(7,136)	-	(7,136)
Dividends paid	40	-	-	-	-	(700,200)	-	-	-	(700,200)	-	(700,200)
Dividends paid to charity	-	-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Balance at 30 September 2015 - unaudited	<b><u>3,168,000</u></b>	<b><u>2,102,465</u></b>	<b><u>1,098,560</u></b>	<b><u>400,000</u></b>	<b><u>2,517,159</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(218,013)</u></b>	<b><u>5,635,973</u></b>	<b><u>14,704,144</u></b>	<b><u>10,232</u></b>	<b><u>14,714,376</u></b>
Balance at 1 January 2014 - audited	2,364,706	1,759,597	911,695	400,000	744,466	1,360,417	20,000	(168,668)	5,625,492	13,017,705	56,187	13,073,892
Profit for the period	-	-	-	-	1,337,946	-	-	-	-	1,337,946	3,144	1,341,090
Other comprehensive loss	-	-	-	-	(4,900)	-	-	(1,416)	-	(6,316)	-	(6,316)
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	(368)	-	-	368	-	-	-	-
Profit paid on Tier 1 sukuk	32	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	32	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Movement in Tier 1 sukuk	-	-	-	-	-	-	-	-	4,187	4,187	-	4,187
Bonus shares issued	40	635,294	-	-	-	(635,294)	-	-	-	-	-	-
Dividends paid	40	-	-	-	-	(725,123)	-	-	-	(725,123)	-	(725,123)
Dividends paid to charity	-	-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(51,806)	(51,806)
Balance at 30 September 2014 - unaudited	<b><u>3,000,000</u></b>	<b><u>1,759,597</u></b>	<b><u>911,695</u></b>	<b><u>400,000</u></b>	<b><u>1,900,065</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(169,716)</u></b>	<b><u>5,629,679</u></b>	<b><u>13,431,320</u></b>	<b><u>7,525</u></b>	<b><u>13,438,845</u></b>

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

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2015 (Unaudited)

	<i>Notes</i>	<i>Nine months ended 30 September 2015 AED '000</i>	<i>Nine months ended 30 September 2014 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>1,456,618</b>	1,341,090
Adjustments for:			
Depreciation on investment properties	21	9,874	9,288
Depreciation on property and equipment		<b>98,621</b>	89,585
Amortisation of intangibles	24	<b>41,067</b>	4,563
Share of results of associates and joint ventures		<b>(12,894)</b>	(5,814)
Dividend income	6	<b>(4,038)</b>	(5,786)
Realised gains on sale of investments carried at fair value through profit or loss	6	<b>(11,916)</b>	(22,168)
Unrealised loss on investments carried at fair value through profit or loss	6	<b>8,656</b>	2,126
Provision for impairment, net	10	<b>570,699</b>	579,112
Gain on sale of investment properties		<b>(10,267)</b>	-
Operating profit before changes in operating assets and liabilities		<b>2,146,420</b>	1,991,996
(Increase) decrease in balances with central banks		<b>(1,844,007)</b>	4,045,748
Decrease (increase) in balances and wakala deposits with			
Islamic banks and other financial institutions		<b>212,887</b>	(619,229)
Decrease (increase) in murabaha and mudaraba with financial institutions		<b>199,397</b>	(219,411)
Increase in murabaha and other Islamic financing		<b>(3,171,640)</b>	(4,921,754)
Increase in ijara financing		<b>(1,632,963)</b>	(3,587,410)
Purchase of investments carried at fair value through profit or loss		<b>(3,970,043)</b>	(3,644,563)
Proceeds from sale of investments carried at fair value through profit or loss		<b>3,511,441</b>	3,187,503
Increase in other assets		<b>(326,284)</b>	(699,250)
Decrease in due to financial institutions		<b>(395,429)</b>	(81,900)
Increase in depositors' accounts		<b>4,662,241</b>	6,102,056
Increase (decrease) in other liabilities		<b>225,224</b>	(131,027)
Cash (used in) from operations		<b>(382,756)</b>	1,422,759
Directors' remuneration paid	36	<b>(4,900)</b>	(4,900)
Net cash (used in) from operating activities		<b>(387,656)</b>	1,417,859
<b>INVESTING ACTIVITIES</b>			
Dividend received	6	<b>4,038</b>	5,786
Proceeds from sale of investments carried at fair value through other comprehensive income		<b>9,166</b>	34,226
Purchase of investments carried at amortised cost		<b>(1,849,077)</b>	(491,891)
Redemption proceeds from investments carried at amortised cost		<b>225,177</b>	65,263
Additions in investment in associates and joint ventures		-	(23,340)
Dividend received from an associate		<b>6,667</b>	6,343
Additions in investment properties		-	(18,481)
Sale proceeds from sale of investment properties		<b>27,524</b>	-
Purchase of property and equipment		<b>(202,580)</b>	(160,056)
Consideration paid for acquisition of business		-	(1,347,033)
Net cash used in investing activities		<b>(1,779,085)</b>	(1,929,183)
<b>FINANCING ACTIVITIES</b>			
Right shares issued	29 & 30	<b>504,000</b>	-
Issuance cost of right shares	29	<b>(3,089)</b>	-
Profit paid on Tier 1 sukuk	32	<b>(117,079)</b>	(117,079)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	32	<b>(32,009)</b>	(60,000)
Repurchase of own Tier 1 sukuk		<b>(7,136)</b>	4,187
Dividends paid		<b>(722,295)</b>	(697,194)
Net cash used in financing activities		<b>(377,608)</b>	(870,086)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,544,349)</b>	(1,381,410)
Cash and cash equivalents at 1 January		<b>9,790,273</b>	9,467,096
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	35	<b>7,245,924</b>	8,085,686
Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, Islamic sukuk and customer deposits are as follows:			
Profit received		<b>3,618,136</b>	3,205,584
Profit paid to depositors and sukuk holders		<b>404,219</b>	327,629

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



30 September 2015 (Unaudited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi Islamic Bank PJSC (“the Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997.

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

In addition to its main office in Abu Dhabi, the Bank operates through its 88 branches in UAE (2014: 88 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The interim condensed consolidated financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

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

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 1 November 2015.

### 2 DEFINITIONS

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

#### **Murabaha**

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

#### **Istisna’a**

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

#### **Ijara**

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

#### **Qard Hasan**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**2 DEFINITIONS** continued

**Musharaka**

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

**Mudaraba**

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

**Wakalah**

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

**Sukuk**

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

**3 BASIS OF PREPARATION**

**3.1 (a) Statement of compliance**

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

**3.1 (b) Accounting convention**

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**3 BASIS OF PREPARATION** continued

**3.1 (c) Basis of consolidation**

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

	Activity	Country of incorporation	Percentage of holding	
			2015	2014
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
MPM Properties LLC	Real estate services	United Arab Emirates	100%	100%
ADIB Invest 1	Equity brokerage services	BVI	100%	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	100%	100%
ADIB (UK) Limited	Islamic banking	United Kingdom	100%	100%
ADIB Holdings (Jersey) Ltd*	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-

\*The Bank does not have any direct holding in ADIB Holdings (Jersey) Ltd, ADIB Sukuk Company Ltd, ADIB Sukuk Company II Ltd, ADIB Capital Invest 1 Ltd or ADIB Capital Invest 2 Ltd and each are considered to be a subsidiary by virtue of control.

Under IFRS 10, the only basis for consolidation is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Group controls the investee on the basis of de facto circumstances. The management has assessed the impact of new standard and concluded that it has no effect on the Group's financial position, performance or its disclosures.

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

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

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

**3.2 Significant judgements and estimates**

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

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014. In addition, results for the nine months ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

During the period, the Group has applied, for the first time, certain standards and amendments that require restatement of previous financial statements. However, they do not impact the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

##### **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

##### **Annual Improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

##### **IFRS 2 Share-based Payment**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

These amendments do not impact the Group.

##### **IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This amendment does not impact the Group's accounting policy.

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment does not impact the consolidated financial statements of the Group.

**IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The amendment does not impact the consolidated financial statements of the Group.

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

**Annual Improvements 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

**IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The amendment is not relevant for the Group and its subsidiaries.

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

**IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial Instruments**

***Recognition and Measurement***

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

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

The Group's customer financing comprise the following:

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

Effective 1 January 2011, the Group early adopted IFRS 9 'Financial Instruments' (which included classification and measurement module of IFRS 9 in issue as of 1 January 2011) in line with the transitional provisions of IFRS 9.

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

***Classification***

***Financial assets at amortised cost***

Murahaba and other Islamic financing and Ijara financing i.e. customer financing and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

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

All other financial assets are subsequently measured at fair value.

***Financial assets at fair value through profit or loss ("FVTPL")***

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

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

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

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial Instruments** continued

**Classification** continued

*Financial assets at fair value through other comprehensive income ("FVTOCI")*

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

A financial asset is FVTPL if:

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

**Measurement**

*Financial assets or financial liabilities carried at amortised cost*

Financial assets at amortised cost including customer financing and investment in sukuk are measured at amortised cost, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial Instruments** continued

**Measurement** continued

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

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

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

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity. Where the assets are disposed off, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. As per the requirement of IFRS 9, financial assets measured at FVTOCI are not tested for impairment.

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

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

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

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

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED ‘000</i>	<i>AED ‘000</i>	<i>AED ‘000</i>	<i>AED ‘000</i>
Vehicle murabaha	<b>88,421</b>	91,607	<b>270,546</b>	282,209
Goods murabaha	<b>137,717</b>	118,798	<b>385,206</b>	312,191
Share murabaha	<b>244,755</b>	264,129	<b>747,090</b>	753,211
Commodities murabaha – Al Khair	<b>72,739</b>	57,701	<b>202,391</b>	180,483
Islamic covered cards (murabaha)	<b>91,375</b>	67,267	<b>285,949</b>	194,880
Other murabaha	<b><u>13,547</u></b>	<u>34,099</u>	<b><u>63,030</u></b>	<u>62,882</u>
Total murabaha	<b>648,554</b>	633,601	<b>1,954,212</b>	1,785,856
Mudaraba	<b>11,391</b>	20,668	<b>36,489</b>	73,148
Ijara	<b>426,112</b>	410,325	<b>1,245,302</b>	1,127,688
Istisna’a	<b><u>2,422</u></b>	<u>4,504</u>	<b><u>6,451</u></b>	<u>11,330</u>
	<b><u>1,088,479</u></b>	<u>1,069,098</u>	<b><u>3,242,454</u></b>	<u>2,998,022</u>



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**6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Income from Islamic sukuk measured at fair value through profit or loss	<b>9,770</b>	9,843	<b>24,668</b>	24,052
Income from other investment assets	<b>2,916</b>	3,473	<b>16,039</b>	10,920
Dividend income	-	1,142	<b>4,038</b>	5,786
Realised (loss) gain on sale of investments carried at fair value through profit or loss	<b>(2,169)</b>	7,912	<b>11,916</b>	22,168
Unrealised loss on investments carried at fair value through profit or loss	<b>(983)</b>	<b>(5,589)</b>	<b>(8,656)</b>	<b>(2,126)</b>
	<b><u>9,534</u></b>	<b><u>16,781</u></b>	<b><u>48,005</u></b>	<b><u>60,800</u></b>

**7 FEES AND COMMISSION INCOME, NET**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Fees and commission income</b>				
Fees and commission income on cards	<b>154,219</b>	116,787	<b>407,155</b>	304,440
Trade related fees and commission	<b>38,467</b>	35,207	<b>112,835</b>	96,811
Accounts services fees	<b>10,963</b>	6,596	<b>32,812</b>	25,884
Projects and property management fees	<b>16,157</b>	11,868	<b>43,350</b>	33,185
Risk participation and arrangement fees	<b>57,559</b>	51,295	<b>145,860</b>	124,945
Brokerage fees and commission	<b>11,732</b>	19,498	<b>44,755</b>	69,438
Other fees and commissions	<b>59,528</b>	32,948	<b>166,918</b>	99,050
Total fees and commission income	<b><u>348,625</u></b>	<b><u>274,199</u></b>	<b><u>953,685</u></b>	<b><u>753,753</u></b>
<b>Fees and commission expenses</b>				
Card related fees and commission expenses	<b>(115,956)</b>	(88,491)	<b>(271,041)</b>	(201,073)
Other fees and commission expenses	<b>(14,311)</b>	(12,440)	<b>(41,606)</b>	(35,168)
Total fees and commission expenses	<b><u>(130,267)</u></b>	<b><u>(100,931)</u></b>	<b><u>(312,647)</u></b>	<b><u>(236,241)</u></b>
Fees and commission income, net	<b><u>218,358</u></b>	<b><u>173,268</u></b>	<b><u>641,038</u></b>	<b><u>517,512</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**8 EMPLOYEES' COSTS**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Salaries and wages	<b>312,457</b>	271,804	<b>945,584</b>	781,478
End of service benefits	<b>21,927</b>	17,933	<b>56,226</b>	51,447
Other staff expenses	<b>14,516</b>	17,928	<b>34,917</b>	40,007
	<b><u>348,900</u></b>	<u>307,665</u>	<b><u>1,036,727</u></b>	<u>872,932</u>

**9 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Legal and professional expenses	<b>36,367</b>	24,324	<b>111,686</b>	52,846
Premises expenses	<b>58,594</b>	43,790	<b>170,867</b>	125,689
Marketing and advertising expenses	<b>35,003</b>	31,574	<b>84,456</b>	77,933
Communication expenses	<b>16,107</b>	15,067	<b>44,379</b>	43,119
Technology related expenses	<b>18,718</b>	18,122	<b>51,704</b>	48,628
Other operating expenses	<b>24,546</b>	29,878	<b>85,770</b>	82,015
	<b><u>189,335</u></b>	<u>162,755</u>	<b><u>548,862</u></b>	<u>430,230</u>

**10 PROVISION FOR IMPAIRMENT, NET**

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and mudaraba with financial institutions	15	<b>5,777</b>	-	<b>5,777</b>	-
Murabaha and other Islamic financing	16	<b>160,090</b>	138,084	<b>454,259</b>	314,653
Ijara financing	17	<b>24,049</b>	48,347	<b>105,786</b>	240,436
Direct write-off		<b>3,042</b>	375	<b>6,527</b>	3,739
Investments in Islamic sukuk measured at amortised cost	18	-	-	-	16,969
Other assets	23	-	-	<b>(1,650)</b>	3,315
		<b><u>192,958</u></b>	<u>186,806</u>	<b><u>570,699</u></b>	<u>579,112</u>

The above provision for impairment includes Nil (30 September 2014: AED 3,315 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

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**11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Saving accounts	<b>32,143</b>	36,236	<b>92,361</b>	99,725
Investment accounts	<b>87,308</b>	75,055	<b>243,797</b>	235,174
Sukuk holders	<b>43,141</b>	43,141	<b>129,052</b>	129,052
	<b><u>162,592</u></b>	<u>154,432</u>	<b><u>465,210</u></b>	<u>463,951</u>

**12 BASIC AND DILUTED EARNINGS PER SHARE**

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

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

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

	<i>Notes</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Profit for the period attributable to equity holders (AED '000)		<b>502,701</b>	475,906	<b>1,454,586</b>	1,337,946
Less: profit attributable to Tier 1 sukuk holder (AED '000)	32	-	-	<b>(117,079)</b>	(117,079)
Less: profit attributable to Tier 1 sukuk holder – Government of Abu Dhabi (AED '000)	32	<u>-</u>	<u>-</u>	<b><u>(32,009)</u></b>	<u>(60,000)</u>
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		<b><u>502,701</u></b>	<u>475,906</u>	<b><u>1,305,498</u></b>	<u>1,160,867</u>
Weighted average number of ordinary shares at the beginning of the period in issue (000's)		<b>3,000,000</b>	2,364,706	<b>3,000,000</b>	2,364,706
Effect of Right shares issued (000's)		<b>65,997</b>	53,247	<b>57,497</b>	53,247
Bonus shares issued (000's)	40	<u>-</u>	<u>635,294</u>	<u>-</u>	<u>635,294</u>
Weighted average number of ordinary shares at the end of the period in issue (000's)		<b><u>3,065,997</u></b>	<u>3,053,247</u>	<b><u>3,057,497</u></b>	<u>3,053,247</u>
Basic and diluted earnings per share (AED)		<b><u>0.164</u></b>	<u>0.156</u>	<b><u>0.427</u></b>	<u>0.380</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**13 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Cash on hand	<b>1,770,280</b>	2,231,856
Balances with central banks:		
- Current accounts	<b>341,141</b>	468,300
- Statutory reserve	<b>10,201,321</b>	8,357,314
- Islamic certificate of deposits	<b><u>5,050,079</u></b>	<u>7,700,110</u>
	<b><u>17,362,821</u></b>	<u>18,757,580</u>

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

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
UAE	<b>16,952,292</b>	18,483,541
Rest of the Middle East	<b>315,028</b>	179,361
Europe	<b>1,547</b>	828
Others	<b><u>93,954</u></b>	<u>93,850</u>
	<b><u>17,362,821</u></b>	<u>18,757,580</u>

**14 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Current accounts	<b>330,704</b>	363,476
Wakala deposits	<b><u>3,723,324</u></b>	<u>3,740,149</u>
	<b><u>4,054,028</u></b>	<u>4,103,625</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**14 BALANCES AND WAKALA DEPOSITS WITH ISLAMIC BANKS AND OTHER FINANCIAL INSTITUTIONS** continued

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
UAE	<b>1,143,040</b>	1,058,617
Rest of the Middle East	<b>1,150,417</b>	1,176,433
Europe	<b>120,435</b>	120,961
Others	<b><u>1,640,136</u></b>	<u>1,747,614</u>
	<b><u>4,054,028</u></b>	<u>4,103,625</u>

**15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Murabaha	<b>1,956,303</b>	2,158,981
Mudaraba	<b><u>214,243</u></b>	<u>171,022</u>
	<b>2,170,546</b>	2,330,003
Less: provision for impairment	<b><u>(169,227)</u></b>	<u>(163,450)</u>
	<b><u>2,001,319</u></b>	<u>2,166,553</u>

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

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
At the beginning of the period	<b>163,450</b>	129,811
Charge for the period (note 10)	<b><u>5,777</u></b>	<u>33,639</u>
At the end of the period	<b><u>169,227</u></b>	<u>163,450</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS** continued

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
UAE	1,739,042	1,921,425
Rest of the Middle East	360,316	293,062
Others	<u>71,188</u>	<u>115,516</u>
	<u><b>2,170,546</b></u>	<u><b>2,330,003</b></u>

**16 MURABAHA AND OTHER ISLAMIC FINANCING**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Vehicle murabaha	6,447,031	6,324,106
Goods murabaha	9,086,021	7,457,263
Share murabaha	17,104,652	15,702,991
Commodities murabaha / advance murabaha – Al Khair	5,671,582	4,764,135
Islamic covered cards (murabaha)	17,041,337	17,092,463
Other murabaha	<u>2,688,009</u>	<u>2,916,643</u>
Total murabaha	<b>58,038,632</b>	54,257,601
Mudaraba	1,354,632	1,527,907
Istisna'a	150,841	104,964
Other financing receivables	<u>199,251</u>	<u>119,552</u>
Total murabaha and other Islamic financing	<b>59,743,356</b>	56,010,024
Less: deferred income on murabaha	<u>(21,333,898)</u>	<u>(20,405,367)</u>
	<b>38,409,458</b>	35,604,657
Less: provision for impairment	<u>(1,495,977)</u>	<u>(1,402,030)</u>
	<u><b>36,913,481</b></u>	<u><b>34,202,627</b></u>

The above balances include advance under murabaha amounting to Nil (2014: AED 20,141 thousand) paid as part of acquisition of retail banking business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**16 MURABAHA AND OTHER ISLAMIC FINANCING** continued

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

	<i>30 September 2015</i>			<i>Audited 31 December 2014</i>		
	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>
At the beginning of the period	<b>519,623</b>	<b>882,407</b>	<b>1,402,030</b>	1,662,499	455,230	2,117,729
Charge (reversal) for the period (note 10)	<b>371,326</b>	<b>82,933</b>	<b>454,259</b>	(47,209)	427,177	379,968
Written off during the period	<b>(360,312)</b>	-	<b>(360,312)</b>	(1,105,786)	-	(1,105,786)
Other movements	<b>-</b>	<b>-</b>	<b>-</b>	10,119	-	10,119
At the end of the period	<b><u>530,637</u></b>	<b><u>965,340</u></b>	<b><u>1,495,977</u></b>	<u>519,623</u>	<u>882,407</u>	<u>1,402,030</u>

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<b><i>Industry sector:</i></b>		
Government	<b>77,280</b>	6,988
Public sector	<b>364,889</b>	524,228
Corporates	<b>7,279,094</b>	6,901,567
Financial institutions	<b>384,567</b>	380,829
Individuals	<b>27,884,935</b>	25,488,629
Small and medium enterprises	<b><u>2,418,693</u></b>	<u>2,302,416</u>
	<b><u>38,409,458</u></b>	<u>35,604,657</u>
<b><i>Geographic region:</i></b>		
UAE	<b>37,059,852</b>	34,053,254
Rest of the Middle East	<b>944,687</b>	921,067
Europe	<b>259,505</b>	297,382
Others	<b><u>145,414</u></b>	<u>332,954</u>
	<b><u>38,409,458</u></b>	<u>35,604,657</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

### 17 IJARA FINANCING

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	<b>9,545,022</b>	9,529,745
Due in the second to fifth year	<b>21,978,608</b>	21,465,987
Due after five years	<b><u>21,332,375</u></b>	<u>19,375,174</u>
Total ijara financing	<b>52,856,005</b>	50,370,906
Less: deferred income	<b><u>(11,142,083)</u></b>	<u>(10,215,939)</u>
Net present value of minimum lease payments receivable	<b>41,713,922</b>	40,154,967
Less: provision for impairment	<b><u>(1,383,091)</u></b>	<u>(1,351,313)</u>
	<b><u>40,330,831</u></b>	<u>38,803,654</u>

The above balance include advance under ijara amounting to AED Nil thousand (2014: AED 605,271 thousand) paid as part of acquisition of retail banking business.

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

	<i>30 September 2015</i>			<i>Audited 31 December 2014</i>		
	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>
At the beginning of the period	558,077	793,236	1,351,313	774,631	468,619	1,243,250
Charge (reversal) for the period (note 10)	13,413	92,373	105,786	(83,007)	324,617	241,610
Written off during the period	(74,008)	-	(74,008)	(133,907)	-	(133,907)
Other movements	-	-	-	360	-	360
At the end of the period	<b><u>497,482</u></b>	<b><u>885,609</u></b>	<b><u>1,383,091</u></b>	<b><u>558,077</u></b>	<b><u>793,236</u></b>	<b><u>1,351,313</u></b>

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<b>Industry sector:</b>		
Government	-	36,274
Public sector	<b>4,626,307</b>	4,720,539
Corporates	<b>19,568,751</b>	18,585,937
Financial institutions	<b>219,725</b>	139,801
Individuals	<b>16,805,801</b>	16,225,785
Small and medium enterprises	<b>344,944</b>	323,650
Non-profit organisations	<b><u>148,394</u></b>	<u>122,981</u>
	<b><u>41,713,922</u></b>	<u>40,154,967</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

17 IJARA FINANCING continued

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<b>Geographic region:</b>		
UAE	39,743,997	38,659,120
Rest of the Middle East	1,313,473	939,979
Europe	877	1,254
Others	<u>655,575</u>	<u>554,614</u>
	<u><b>41,713,922</b></u>	<u><b>40,154,967</b></u>

18 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Sukuk	<u><b>7,045,427</b></u>	<u><b>5,421,527</b></u>

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
At the beginning of the period	98,277	81,308
Charge for the period (note 10)	<u>-</u>	<u>16,969</u>
At the end of the period	<u><b>98,277</b></u>	<u><b>98,277</b></u>

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

UAE	4,836,295	3,725,228
Rest of the Middle East	1,353,337	1,065,093
Europe	7,383	-
Others	<u>946,689</u>	<u>729,483</u>
	<u><b>7,143,704</b></u>	<u><b>5,519,804</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**19 INVESTMENTS MEASURED AT FAIR VALUE**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Equities – quoted	<b>19,362</b>	-
Sukuk	<b><u>1,247,493</u></b>	<u>804,993</u>
	<b><u>1,266,855</u></b>	<u>804,993</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	<b><u>1,907</u></b>	<u>960</u>
Unquoted investments		
Funds	<b>54,715</b>	61,640
Private equities	<b><u>137,026</u></b>	<u>139,882</u>
	<b><u>191,741</u></b>	<u>201,522</u>
	<b><u>193,648</u></b>	<u>202,482</u>
	<b><u>1,460,503</u></b>	<u>1,007,475</u>
The distribution of the gross investments by geographic region was as follows:		
UAE	<b>820,705</b>	527,333
Rest of the Middle East	<b>255,612</b>	167,245
Europe	<b>164</b>	77,533
Others	<b><u>384,022</u></b>	<u>235,364</u>
	<b><u>1,460,503</u></b>	<u>1,007,475</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

### 20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	<b>30 September 2015 AED '000</b>	<i>Audited</i> <b>31 December 2014 AED '000</b>
Cost of investment	<b>941,806</b>	931,759
Share of results	<b>53,550</b>	40,656
Dividend received	<b>(22,661)</b>	(15,994)
Foreign currency translation	<b>(199,529)</b>	(149,026)
	<b><u>773,166</u></b>	<b><u>807,395</u></b>

Details of the Bank's investment in associates and joint ventures at 30 September is as follows:

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<i>2015 %</i>	<i>2014 %</i>	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	<b>42</b>	42	Islamic insurance
Bosna Bank International D.D	Bosnia	<b>27</b>	27	Islamic banking
<i>Joint ventures</i>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	<b>49</b>	49	Banking (under conversion to Islamic bank)
Saudi Finance Company CSJC (Formerly Saudi Installment House)	Kingdom of Saudi Arabia	<b>51</b>	51	Islamic Retail Finance
Arab Link Money Transfer PSC	UAE	<b>51</b>	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	<b>51</b>	-	Merchant acquiring

The distribution of the gross investment in associates and joint ventures by geographic region was as follows:

	<b>30 September 2015 AED '000</b>	<i>Audited</i> <b>31 December 2014 AED '000</b>
UAE	<b>173,752</b>	163,223
Rest of the Middle East	<b>62,616</b>	58,022
Europe	<b>51,153</b>	54,322
Others	<b><u>485,645</u></b>	<b><u>531,828</u></b>
	<b><u>773,166</u></b>	<b><u>807,395</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**21 INVESTMENT PROPERTIES**

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Cost:		
Balance at the beginning of the period	<b>365,447</b>	333,731
Additions during the period	-	21,792
Transfer from other assets	<b>13,610</b>	10,822
Other movements	<b>(9,979)</b>	-
Disposals	<b><u>(19,968)</u></b>	<u>(898)</u>
Gross balance at the end of the period	<b>349,110</b>	365,447
Less: provision for impairment	<b><u>(25,347)</u></b>	<u>(25,347)</u>
Net balance at the end of the period	<b><u>323,763</u></b>	<u>340,100</u>
Accumulated depreciation:		
Balance at the beginning of the period	<b>40,782</b>	28,340
Charge for the period	<b>9,874</b>	12,529
Relating to disposals	<b><u>(2,711)</u></b>	<u>(87)</u>
Balance at the end of the period	<b><u>47,945</u></b>	<u>40,782</u>
Net book value at the end of the period	<b><u>275,818</u></b>	<u>299,318</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 17,648 thousand (30 September 2014: AED 9,814 thousand) for the nine months period ended 30 September 2015.

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Balance at the beginning of the period	<b>25,347</b>	24,111
Charge for the period	<b><u>-</u></b>	<u>1,236</u>
Balance at the end of the period	<b><u>25,347</u></b>	<u>25,347</u>

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

UAE	<b>292,951</b>	316,451
Rest of the Middle East	<b><u>8,214</u></b>	<u>8,214</u>
	<b><u>301,165</u></b>	<u>324,665</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**22 DEVELOPMENT PROPERTIES**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Development properties	<u><b>837,381</b></u>	<u><b>837,381</b></u>

Development properties include land with a carrying value of AED 800,000 thousand (2014: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

**23 OTHER ASSETS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Advances against purchase of properties	<b>1,320,015</b>	1,286,956
Acceptances	<b>825,832</b>	874,806
Assets acquired in satisfaction of claims	<b>172,691</b>	207,025
Trade receivables	<b>230,288</b>	285,905
Prepaid expenses	<b>666,095</b>	544,750
Accrued profit	<b>135,361</b>	75,602
Advance for investments	<b>183,625</b>	183,625
Others	<u><b>456,345</b></u>	<u><b>239,779</b></u>
	<b>3,990,252</b>	3,698,448
Less: provision for impairment	<u><b>(285,487)</b></u>	<u><b>(297,960)</b></u>
	<u><b>3,704,765</b></u>	<u><b>3,400,488</b></u>

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

	<i>Advances against purchase of properties AED '000</i>	<i>Assets acquired against satisfaction of claims AED '000</i>	<i>Trade receivables AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
At 1 January 2015 - audited	<b>256,415</b>	<b>6,712</b>	<b>10,950</b>	<b>23,883</b>	<b>297,960</b>
Reversal for the period (note 10)	-	<b>(1,650)</b>	-	-	<b>(1,650)</b>
Written off during the period	<u><b>(5,761)</b></u>	<u><b>(5,062)</b></u>	-	-	<u><b>(10,823)</b></u>
At 30 September 2015 - unaudited	<u><b>250,654</b></u>	<u><b>-</b></u>	<u><b>10,950</b></u>	<u><b>23,883</b></u>	<u><b>285,487</b></u>
At 1 January 2014 - audited	285,866	-	29,826	23,883	339,575
Charge for the year	73,637	6,712	-	-	80,349
Written off during the year	<u><b>(103,088)</b></u>	-	<u><b>(18,876)</b></u>	-	<u><b>(121,964)</b></u>
At 31 December 2014 - audited	<u><b>256,415</b></u>	<u><b>6,712</b></u>	<u><b>10,950</b></u>	<u><b>23,883</b></u>	<u><b>297,960</b></u>

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

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**24 GOODWILL AND INTANGIBLES**

	<i>Other intangible assets</i>			<i>Total AED '000</i>
	<i>Goodwill AED '000</i>	<i>Customer relationship AED '000</i>	<i>Core deposit AED '000</i>	
At 1 January 2015 - audited	<b>109,888</b>	<b>349,597</b>	<b>70,163</b>	<b>529,648</b>
Amortisation during the period	<u>-</u>	<u>(34,200)</u>	<u>(6,867)</u>	<u>(41,067)</u>
At 30 September 2015 - unaudited	<b><u>109,888</u></b>	<b><u>315,397</u></b>	<b><u>63,296</u></b>	<b><u>488,581</u></b>
Amounts recognized on acquisition of business in 2014	109,888	364,797	73,215	547,900
Amortisation during the year 2014	<u>-</u>	<u>(15,200)</u>	<u>(3,052)</u>	<u>(18,252)</u>
At 31 December 2014 - audited	<u>109,888</u>	<u>349,597</u>	<u>70,163</u>	<u>529,648</u>

**Goodwill**

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

**Other intangible assets**

*Customer relationships*

Customer relationship intangible asset represents the value attributable to the business expected to be generated from customers that existed at the acquisition date. In determining the fair value of customer relationships, covered cards customers were considered separately, given their differing risk profiles, relationships and loyalty. The relationships are expected to generate material recurring income in the form of customer revenues, fees and commissions.

*Core deposit*

The value of core deposit intangible asset arises from the fact that the expected profit distribution on these deposits, governed by their contractual terms, are expected to be lower than other wholesale or treasury sukuk instruments' expected profit distributions. The spread between the expected profit distributions on these deposits and sukuk instruments represents the value of the core deposit intangible.

**25 DUE TO FINANCIAL INSTITUTIONS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
	Current accounts	<b>808,435</b>
Investment deposits	<b><u>3,780,683</u></b>	<u>4,607,123</u>
	<b><u>4,589,118</u></b>	<u>5,475,734</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**26 DEPOSITORS' ACCOUNTS**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Current accounts	<b>28,853,585</b>	25,595,658
Investment accounts	<b>60,197,327</b>	58,840,591
Profit equalisation reserve	<b><u>383,417</u></b>	<u>340,159</u>
	<b><u>89,434,329</u></b>	<u>84,776,408</u>

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

At the beginning of the period	<b>340,159</b>	276,073
Share of profit for the period	<b><u>43,258</u></b>	<u>64,086</u>
At the end of the period	<b><u>383,417</u></b>	<u>340,159</u>

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

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Government	<b>7,548,870</b>	3,555,308
Public sector	<b>10,015,109</b>	16,570,108
Corporates	<b>12,026,304</b>	11,017,798
Financial institutions	<b>466,312</b>	923,693
Individuals	<b>46,763,800</b>	42,778,421
Small and medium enterprises	<b>9,434,663</b>	7,006,797
Non-profit organisations	<b><u>3,179,271</u></b>	<u>2,924,283</u>
	<b><u>89,434,329</u></b>	<u>84,776,408</u>

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

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

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

### 27 OTHER LIABILITIES

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Accounts payable	580,536	435,958
Acceptances	825,832	874,806
Payable for purchase of properties	-	22,160
Accrued profit for distribution to depositors and sukuk holders	242,614	224,881
Bankers' cheques	481,299	360,568
Provision for staff benefits and other expenses	319,598	375,682
Retentions payable	27,562	39,704
Advances from customers	172,048	156,300
Accrued expenses	212,338	160,797
Unclaimed dividends	122,645	144,740
Deferred income	243,287	211,254
Charity account	5,366	9,274
Donation account	22,572	11,440
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	23,657	17,968
Others	<u>310,810</u>	<u>328,837</u>
	<u><b>3,590,164</b></u>	<u><b>3,374,369</b></u>

### 28 SUKUK FINANCING INSTRUMENTS

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Second issue	2,754,375	2,754,375
Third issue	<u>1,836,250</u>	<u>1,836,250</u>
	<u><b>4,590,625</b></u>	<u><b>4,590,625</b></u>

#### Second issue - USD 750 million

In November 2010, the Bank through a Shari'a compliant sukuk arrangement, raised medium term sukuk amounting to AED 2,754,375 thousand (USD 750 million) as the second issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in November 2015. The sukuk deserved profit is distributed in accordance with fixed profit rate.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**28 SUKUK FINANCING INSTRUMENTS** continued

**Third issue - USD 500 million**

In November 2011, the Bank through a Shari'a compliant sukuk arrangement, raised medium term sukuk amounting to AED 1,836,250 thousand (USD 500 million) as the third issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in November 2016. The sukuk deserved profit is distributed in accordance with fixed profit rate.

**Terms of arrangement**

The terms of the arrangement include transfer of the ownership of certain assets ("the Co-Owned Assets"), including original ijara assets of the Bank, to a sukuk company, ADIB Sukuk Company Ltd - the Issuer, a subsidiary of the Bank, specially formed for the sukuk transaction. The assets are owned by the investors, however the assets are controlled by the Bank and shall continue to be serviced by the Bank as the managing agent.

The issuer will pay the quarterly distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at an exercise price which equals the value of the Issuer's co-ownership interest in the unpaid rental installments due and payable in respect of the Co-Owned Assets, which may equal the amount of AED 4,590,625 thousand (USD 1,250 million) (31 December 2014: AED 4,590,625 thousand (USD 1,250 million)).

**29 SHARE CAPITAL**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
<b>Authorised share capital:</b>		
4,000,000 thousand (2014: 3,000,000 thousand)		
ordinary shares of AED 1 each (2014: AED 1 each)	<b><u>4,000,000</u></b>	<u>3,000,000</u>
<b>Issued and fully paid share capital:</b>		
At the beginning of the period		
3,000,000 thousand (2014: 2,364,706 thousand)		
ordinary shares of AED 1 each (2014: AED 1 each)	<b>3,000,000</b>	2,364,706
Right shares issued: 0.056 share against each share held of AED 1 each (2014: Nil)	<b>168,000</b>	-
Bonus shares issued (note 40)	<u>-</u>	<u>635,294</u>
At the end of the period		
3,168,000 thousand (2014: 3,000,000 thousand)		
ordinary shares of AED 1 each (2014: AED 1 each)	<b><u>3,168,000</u></b>	<u>3,000,000</u>

On 28 June 2015, the shareholders in an extra ordinary general meeting have approved the increase of authorized share capital to AED 4,000,000 thousand. Furthermore, shareholders also approved the right issue of 168,000 thousand shares of AED 1 each along with the premium of AED 2 per share. Subsequently, Bank has issued right shares of 5.6% (2014: Nil) of the paid up capital amounting to AED 168,000 thousand (2014: Nil). Issuance costs amounting to AED 3,089 thousand were incurred.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**30 LEGAL RESERVE**

During 2015, the Bank has transferred the share premium amounting to AED 336,000 thousand (2014: Nil) pertaining to the right share issue of 168,000 to the legal reserve after the shareholders' approval in the extra ordinary general meeting held on 28 June 2015.

**31 OTHER RESERVES**

	<i>Cumulative changes in fair values AED '000</i>	<i>Land revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserve AED '000</i>	<i>Total AED '000</i>
At 1 January 2015 - audited	<b>(172,040)</b>	<b>143,000</b>	<b>(151,040)</b>	<b>(14,564)</b>	<b>(194,644)</b>
Net gain on valuation of investments carried at FVTOCI	<b>328</b>	-	-	-	<b>328</b>
Loss on disposal of investments carried at FVTOCI	<b>25,131</b>	-	-	-	<b>25,131</b>
Exchange differences arising on translation of foreign operations, net	-	-	<b>(58,751)</b>	-	<b>(58,751)</b>
Gain on hedge of foreign operations	-	-	<b>12,117</b>	-	<b>12,117</b>
Fair value loss on cash flow hedges	-	-	-	<b>(2,194)</b>	<b>(2,194)</b>
At 30 September 2015 - unaudited	<b><u>(146,581)</u></b>	<b><u>143,000</u></b>	<b><u>(197,674)</u></b>	<b><u>(16,758)</u></b>	<b><u>(218,013)</u></b>
At 1 January 2014 - audited	(158,060)	143,000	(132,882)	(20,726)	(168,668)
Net gain on valuation of investments carried at FVTOCI	1,908	-	-	-	1,908
Loss on disposal of investments carried at FVTOCI	368	-	-	-	368
Exchange differences arising on translation of foreign operations, net	-	-	(25,076)	-	(25,076)
Gain on hedge of foreign operations	-	-	8,093	-	8,093
Fair value gain on cash flow hedges	-	-	-	13,659	13,659
At 30 September 2014 - unaudited	<b><u>(155,784)</u></b>	<b><u>143,000</u></b>	<b><u>(149,865)</u></b>	<b><u>(7,067)</u></b>	<b><u>(169,716)</u></b>

**32 TIER 1 SUKUK**

	<i>30 September 2015 AED '000</i>	<i>Audited 31 December 2014 AED '000</i>
Tier 1 sukuk	<b>3,635,973</b>	3,643,109
Tier 1 sukuk – Government of Abu Dhabi	<b><u>2,000,000</u></b>	<b><u>2,000,000</u></b>
	<b><u>5,635,973</u></b>	<b><u>5,643,109</u></b>

**32 TIER 1 SUKUK** continued

**Tier 1 sukuk**

On 19 November 2012, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk (the "Sukuk") amounting to AED 3,672,500 thousand (USD 1 billion). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 21 October 2012. As of 30 September 2015, sukuk with a face value of AED 36,527 thousand (USD 9.9 million) were repurchased by the Bank (31 December 2014: AED 29,391 thousand (USD 8.0 million). Issuance costs amounting to AED 37,281 thousand were incurred.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk is callable by the Bank after period ending on 16 October 2018 (the "First Call Date") or any profit payment date thereafter subject to certain conditions. The Sukuk bear an expected Mudaraba profit rate of 6.375% payable during the initial period of six years semi-annually in arrears. After the initial period, and for every 6<sup>th</sup> year thereafter, resets to a new expected Mudaraba profit rate based on the then 6 year LIBOR rate plus an expected margin of 5.393%. Profit distributions will be reported in the consolidated statement of changes in equity.

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

**Tier 1 sukuk – Government of Abu Dhabi**

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

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk-Gov is callable by the Bank subject to certain conditions. The Sukuk-Gov bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity.

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

**33 CONTINGENT LIABILITIES AND COMMITMENTS**

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**33 CONTINGENT LIABILITIES AND COMMITMENTS** continued

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

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

	<i>30 September</i> <i>2015</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>AED '000</i>
<b><i>Contingent liabilities</i></b>		
Letters of credit	2,222,152	2,918,790
Letters of guarantee	<u>11,563,633</u>	<u>9,972,187</u>
	<u>13,785,785</u>	<u>12,890,977</u>
<b><i>Commitments</i></b>		
Undrawn facilities commitments	297,465	357,229
Future capital expenditure	71,949	74,358
Investment and development properties	<u>84,248</u>	<u>151,199</u>
	<u>453,662</u>	<u>582,786</u>
	<u>14,239,447</u>	<u>13,473,763</u>

**34 COMPLIANCE RISK REVIEW**

Given its commitment to best practice governance, in 2014 the Bank appointed external legal counsel to assist in reviewing its compliance with sanctions laws, and its compliance processes generally. The external legal counsel is yet to complete its review, and to the extent that this review assists the Bank in the identification of any additional steps that can be taken to ensure compliance with applicable sanctions laws, the Bank will enhance its processes accordingly. The Bank is continuing its internal review, and it is premature to speculate on any potential impact on the Bank. The Bank will share the outcome of the internal review with the relevant regulator once it is finalized.

**35 CASH AND CASH EQUIVALENTS**

	<i>30 September</i> <i>2015</i> <i>AED '000</i>	<i>30 September</i> <i>2014</i> <i>AED '000</i>
Cash and balances with central banks, short term	7,161,500	8,452,387
Balances and wakala deposits with Islamic banks and other financial institutions, short term	2,858,203	1,994,956
Murabaha and mudaraba with financial institutions, short term	1,806,339	2,000,359
Due to financial institutions, short term	<u>(4,580,118)</u>	<u>(4,362,016)</u>
	<u>7,245,924</u>	<u>8,085,686</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**36 RELATED PARTY TRANSACTIONS**

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising associates, directors, major shareholders, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. All financial assets are performing and free of any provision for impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2015 - unaudited</b>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>3,276</u>	<u>-</u>	<u>3,276</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>64,155</u>	<u>910</u>	<u>300</u>	<u>84,520</u>	<u>149,885</u>
Income from investments measured at fair value	<u>63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
Fees and commission income, net	<u>281</u>	<u>16</u>	<u>266</u>	<u>3,049</u>	<u>3,612</u>
Operating expenses	<u>-</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>324</u>
Distribution to depositors and sukuk holders	<u>-</u>	<u>36</u>	<u>248</u>	<u>252</u>	<u>536</u>
<b>30 September 2014 - unaudited</b>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>1,157</u>	<u>-</u>	<u>1,157</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>53,908</u>	<u>1,137</u>	<u>-</u>	<u>91,996</u>	<u>147,041</u>
Income from investments measured at fair value	<u>782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782</u>
Fees and commissions, net	<u>281</u>	<u>12</u>	<u>382</u>	<u>3,204</u>	<u>3,879</u>
Operating expenses	<u>-</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>324</u>
Distribution to depositors and sukuk holders	<u>-</u>	<u>26</u>	<u>188</u>	<u>132</u>	<u>346</u>

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 6% (2014: 0% to 9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the period have ranged from 0% to 0.9% per annum (2014: 0% to 0.9% per annum).

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

### 36 RELATED PARTY TRANSACTIONS continued

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2015 - unaudited</b>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,538,907	-	1,538,907
Murabaha and mudaraba with financial institutions	-	-	152,129	-	152,129
Murabaha, mudaraba, ijara and other Islamic financing	2,597,095	28,951	50,079	3,381,836	6,057,961
Other assets	-	-	9,132	183,625	192,757
	<u>2,597,095</u>	<u>28,951</u>	<u>1,750,247</u>	<u>3,565,461</u>	<u>7,941,754</u>
Due to financial institutions	-	-	11,672	-	11,672
Depositors' accounts	108	23,365	81,111	188,249	292,833
Other liabilities	-	11	8	140	159
	<u>108</u>	<u>23,376</u>	<u>92,791</u>	<u>188,389</u>	<u>304,664</u>
<b>31 December 2014 - audited</b>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,580,965	-	1,580,965
Murabaha and mudaraba with financial institutions	-	-	78,398	-	78,398
Murabaha, mudaraba, ijara and other Islamic financing	2,523,480	29,072	20,027	3,376,992	5,949,571
Other assets	-	-	11,413	183,625	195,038
	<u>2,523,480</u>	<u>29,072</u>	<u>1,690,803</u>	<u>3,560,617</u>	<u>7,803,972</u>
Due to financial institutions	-	-	14,861	-	14,861
Depositors' accounts	30	18,260	78,478	244,595	341,363
Other liabilities	-	-	25	261	286
	<u>30</u>	<u>18,260</u>	<u>93,364</u>	<u>244,856</u>	<u>356,510</u>

The Bank and its major shareholder jointly own a controlling stake in Abu Dhabi Islamic Bank – Egypt (S.A.E.) ("ADIB-Egypt") and have a formal joint control arrangement for their investment in ADIB-Egypt (note 20).

#### Compensation of key management personnel

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

	<i>Nine months ended 30 September 2015 AED '000</i>	<i>Nine months ended 30 September 2014 AED '000</i>
Salaries and other benefits	24,244	22,733
Employees' end of service benefits	<u>2,284</u>	<u>2,200</u>
	<u>26,528</u>	<u>24,933</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**36 RELATED PARTY TRANSACTIONS** continued

In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. 8 of 1984 (as amended), Directors' remuneration is recognised in the consolidated statement of comprehensive income.

Board of Directors remuneration for the year ended 31 December 2014 amounting to AED 4,900 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 1<sup>st</sup> April 2015. During 2014, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2013 after the approval by the shareholders in the Annual General Assembly held on 26 March 2014.

**37 SEGMENT INFORMATION**

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

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

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

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

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

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

Other operations - Other operations comprises mainly of Head Office, foreign branches and subsidiaries other than above categories including unallocated costs.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2015 (Unaudited)

**37 SEGMENT INFORMATION** continued

	<i>Retail banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
<b>30 September 2015 - unaudited</b>							
<b>Revenue and results</b>							
Segment revenues, net	2,525,411	1,007,073	129,699	30,638	80,844	(11,197)	3,762,468
Operating expenses excluding provision for impairment, net	<u>(1,158,406)</u>	<u>(219,013)</u>	<u>(72,081)</u>	<u>(50,573)</u>	<u>(65,887)</u>	<u>(169,191)</u>	<u>(1,735,151)</u>
Operating profit (margin)	1,367,005	788,060	57,618	(19,935)	14,957	(180,388)	2,027,317
Provision for impairment, net	<u>(356,134)</u>	<u>(198,230)</u>	<u>48,373</u>	-	-	<u>(64,708)</u>	<u>(570,699)</u>
<b>Profit (loss) for the period</b>	<u>1,010,871</u>	<u>589,830</u>	<u>105,991</u>	<u>(19,935)</u>	<u>14,957</u>	<u>(245,096)</u>	<u>1,456,618</u>
Non-controlling interest	-	-	-	(2,032)	-	-	(2,032)
Profit (loss) for the period attributable to equity holders of the Bank	<u>1,010,871</u>	<u>589,830</u>	<u>105,991</u>	<u>(21,967)</u>	<u>14,957</u>	<u>(245,096)</u>	<u>1,454,586</u>
<b>Assets</b>							
Segmental assets	<u>43,652,074</u>	<u>31,532,337</u>	<u>5,343,802</u>	<u>29,405,310</u>	<u>2,694,790</u>	<u>4,290,299</u>	<u>116,918,612</u>
<b>Liabilities</b>							
Segmental liabilities	<u>52,156,502</u>	<u>23,274,370</u>	<u>2,652,013</u>	<u>17,125,849</u>	<u>406,259</u>	<u>6,589,243</u>	<u>102,204,237</u>
	<i>Retail banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
<b>30 September 2014 - unaudited</b>							
<b>Revenue and results</b>							
Segment revenues, net	2,156,516	899,489	135,374	105,653	51,117	(21,349)	3,326,800
Operating expenses excluding provision for impairment, net	<u>(933,395)</u>	<u>(206,360)</u>	<u>(71,825)</u>	<u>(47,786)</u>	<u>(60,762)</u>	<u>(86,470)</u>	<u>(1,406,598)</u>
Operating profit (margin)	1,223,121	693,129	63,549	57,867	(9,645)	(107,819)	1,920,202
Provision for impairment, net	<u>(285,837)</u>	<u>(257,566)</u>	<u>(20,957)</u>	-	<u>(3,315)</u>	<u>(11,437)</u>	<u>(579,112)</u>
<b>Profit (loss) for the period</b>	<u>937,284</u>	<u>435,563</u>	<u>42,592</u>	<u>57,867</u>	<u>(12,960)</u>	<u>(119,256)</u>	<u>1,341,090</u>
Non-controlling interest	-	-	-	(3,144)	-	-	(3,144)
Profit (loss) for the period attributable to equity holders of the Bank	<u>937,284</u>	<u>435,563</u>	<u>42,592</u>	<u>54,723</u>	<u>(12,960)</u>	<u>(119,256)</u>	<u>1,337,946</u>
<b>31 December 2014 - audited</b>							
<b>Assets</b>							
Segmental assets	<u>40,818,218</u>	<u>30,651,912</u>	<u>5,537,088</u>	<u>28,474,494</u>	<u>2,658,585</u>	<u>3,763,506</u>	<u>111,903,803</u>
<b>Liabilities</b>							
Segmental liabilities	<u>45,339,932</u>	<u>28,026,788</u>	<u>2,720,868</u>	<u>16,246,976</u>	<u>372,570</u>	<u>5,510,002</u>	<u>98,217,136</u>

**Geographical information**

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



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38 FINANCIAL RISK MANAGEMENT

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset and impairment losses, if any. The table shows the maximum exposure to credit risk / price risk for murabaha, mudaraba, ijara, other Islamic financing and investments. Details of credit risk arising from contingencies and commitments are disclosed in note 33 to the interim condensed consolidated financial statements.

	<i>Balances and wakala deposits with Islamic banks and other financial institutions</i>		<i>Murabaha and mudaraba with financial institutions</i>		<i>Murabaha and other Islamic financing</i>		<i>Ijara financing</i>		<i>Investment in Islamic sukuk measured at amortised cost</i>	
	<i>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Audited</i>	
	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Individually impaired</b>										
Substandard	-	-	-	-	351,152	107,201	918,775	1,098,368	-	-
Doubtful	-	-	-	67,278	184,104	253,055	928,628	899,563	12,802	12,802
Loss	-	-	194,944	129,811	416,970	396,865	144,100	126,502	91,813	91,813
Gross amount	-	-	194,944	197,089	952,226	757,121	1,991,503	2,124,433	104,615	104,615
Provision for individual impairment	-	-	(169,227)	(163,450)	(530,637)	(519,623)	(497,482)	(558,077)	(98,277)	(98,277)
	-	-	25,717	33,639	421,589	237,498	1,494,021	1,566,356	6,338	6,338
<b>Past due but not impaired</b>										
Less than 90 days	-	-	-	-	293,334	215,983	112,232	209,366	-	-
More than 90 days	-	-	-	-	55,919	14,890	198,265	412,714	-	-
	-	-	-	-	349,253	230,873	310,497	622,080	-	-
<b>Neither past due nor impaired</b>	4,054,028	4,103,625	1,975,602	2,132,914	37,107,979	34,616,663	39,411,922	37,408,454	7,039,089	5,415,189
<b>Collective allowance for impairment</b>	-	-	-	-	(965,340)	(882,407)	(885,609)	(793,236)	-	-
<b>Carrying amount</b>	4,054,028	4,103,625	2,001,319	2,166,553	36,913,481	34,202,627	40,330,831	38,803,654	7,045,427	5,421,527

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**39 CAPITAL ADEQUACY RATIO**

The table below summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 30 September 2015 and 31 December 2014 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	<i>Basel II</i>	
	<i>Audited</i> 30 September 2015 AED '000	<i>Audited</i> 31 December 2014 AED '000
<b>Tier 1 capital</b>		
Share capital	3,168,000	3,000,000
Legal reserve	2,102,465	1,766,465
General reserve	1,098,560	1,098,560
Credit risk reserve	400,000	400,000
Retained earnings	2,517,159	1,244,781
Proposed dividends	-	700,200
Proposed dividends to charity	-	20,000
Foreign currency translation reserve	(197,674)	(151,040)
Tier 1 sukuk	5,635,973	5,643,109
Non-controlling interest	<u>10,232</u>	<u>8,196</u>
	<b>14,734,715</b>	<b>13,730,271</b>
Goodwill and intangibles	(488,581)	(529,648)
Deductions for Tier 1 capital	<u>(386,583)</u>	<u>(403,697)</u>
<b>Total Tier 1</b>	<b><u>13,859,551</u></b>	<b><u>12,796,926</u></b>
<b>Tier 2 capital</b>		
Cumulative changes in fair value and hedging reserve	(163,339)	(186,604)
Collective impairment provision for financing assets	<u>1,101,892</u>	<u>1,040,470</u>
	<b>938,553</b>	<b>853,866</b>
Deductions for Tier 2 capital	<u>(386,583)</u>	<u>(403,698)</u>
<b>Total Tier 2</b>	<b><u>551,970</u></b>	<b><u>450,168</u></b>
<b>Total capital base</b>	<b><u>14,411,521</u></b>	<b><u>13,247,094</u></b>
<b>Risk weighted assets</b>		
Credit risk	88,151,332	83,237,585
Market risk	2,356,259	2,170,413
Operational risk	<u>7,549,954</u>	<u>6,826,723</u>
<b>Total risk weighted assets</b>	<b><u>98,057,545</u></b>	<b><u>92,234,721</u></b>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>14.70%</u>	<u>14.36%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>14.13%</u>	<u>13.87%</u>

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**40 DIVIDENDS**

Cash dividend of 23.34% of the paid up capital relating to year ended 31 December 2014 amounting to AED 700,200 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 1 April 2015.

Cash dividend of 30.66% of the paid up capital amounting to AED 725,123 thousand and bonus share dividend of 26.87% of the paid up capital amounting to AED 635,294 thousand relating to the year ended 31 December 2013 was paid to the shareholders after the approval by the shareholders in the Annual General Assembly held on 26 March 2014.

**41 SEASONALITY OF RESULTS**

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

**42 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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**42 FAIR VALUE OF FINANCIAL INSTRUMENTS** continued

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

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

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>30 September 2015 - unaudited</b>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
Equities - quoted	19,362	-	-	19,362
Sukuk	<u>1,247,493</u>	<u>-</u>	<u>-</u>	<u>1,247,493</u>
	<u>1,266,855</u>	<u>-</u>	<u>-</u>	<u>1,266,855</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>1,907</u>	<u>-</u>	<u>-</u>	<u>1,907</u>
<i>Unquoted investments</i>				
Funds	-	-	54,715	54,715
Private equities	<u>-</u>	<u>-</u>	<u>137,026</u>	<u>137,026</u>
	<u>-</u>	<u>-</u>	<u>191,741</u>	<u>191,741</u>
	<u>1,907</u>	<u>-</u>	<u>191,741</u>	<u>193,648</u>
<b>Financial liabilities</b>				
Shari'a compliant alternatives of swap (note 27)	<u>-</u>	<u>23,657</u>	<u>-</u>	<u>23,657</u>
<b>Assets for which fair values are disclosed:</b>				
Investment properties	<u>-</u>	<u>419,053</u>	<u>-</u>	<u>419,053</u>
Investment carried at amortised cost- Sukuk	<u>7,304,250</u>	<u>-</u>	<u>-</u>	<u>7,304,250</u>
<b>31 December 2014 - audited</b>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
Equities	-	-	-	-
Sukuk	804,993	-	-	804,993
	<u>804,993</u>	<u>-</u>	<u>-</u>	<u>804,993</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
<i>Unquoted investments</i>				
Funds	-	-	61,640	61,640
Private equities	<u>-</u>	<u>-</u>	<u>139,882</u>	<u>139,882</u>
	<u>-</u>	<u>-</u>	<u>201,522</u>	<u>201,522</u>
	<u>960</u>	<u>-</u>	<u>201,522</u>	<u>202,482</u>
<b>Financial liabilities</b>				
Shari'a compliant alternatives of swap (note 27)	<u>-</u>	<u>17,968</u>	<u>-</u>	<u>17,968</u>
<b>Assets for which fair values are disclosed:</b>				
Investment properties	<u>-</u>	<u>446,210</u>	<u>-</u>	<u>446,210</u>
Investment carried at amortised cost- Sukuk	<u>5,569,155</u>	<u>-</u>	<u>-</u>	<u>5,569,155</u>

There were no transfers between level 1, 2 and 3 during the current period and in the prior year.

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**42 FAIR VALUE OF FINANCIAL INSTRUMENTS** continued

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

	<i>30 September</i> <i>2015</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2014</i> <i>AED '000</i>
At the beginning of the period	<b>201,522</b>	228,297
Net disposals	<b>(8,979)</b>	(18,813)
Loss recorded in equity	<b><u>(802)</u></b>	<u>(7,962)</u>
At the end of the period	<b><u>191,741</u></b>	<u>201,522</u>