

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2016 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (unaudited)

<i>Contents</i>	<i>Page</i>
Review report of interim condensed consolidated financial statements	1
Interim consolidated income statement	2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of financial position	4
Interim consolidated statement of changes in equity	5
Interim consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 43

**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 June 2016, comprising of the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the six-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

14 July 2016
Abu Dhabi

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Three months and six months ended 30 June 2016 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
OPERATING INCOME					
Income from murabaha, mudaraba and wakala with financial institutions		8,284	1,606	18,757	8,722
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	1,124,053	1,062,127	2,237,483	2,153,975
Income from Islamic sukuk measured at amortised cost		70,405	61,529	181,183	116,281
Income from investments measured at fair value	6	36,707	23,883	70,981	38,471
Share of results of associates and joint ventures		7,446	5,757	13,448	9,234
Fees and commission income, net	7	204,338	200,146	411,701	422,680
Foreign exchange income		43,695	37,643	20,103	19,179
Income from investment properties		9,119	5,318	17,810	10,730
Other income		918	860	1,729	1,625
		<u>1,504,965</u>	<u>1,398,869</u>	<u>2,973,195</u>	<u>2,780,897</u>
OPERATING EXPENSES					
Employees' costs	8	(357,034)	(338,353)	(720,892)	(687,827)
General and administrative expenses	9	(202,012)	(187,113)	(402,436)	(357,603)
Depreciation		(37,200)	(36,148)	(74,203)	(72,400)
Amortisation of intangibles	24	(13,689)	(13,689)	(27,378)	(27,378)
Provision for impairment, net	10	(233,989)	(175,137)	(450,140)	(377,741)
		<u>(843,924)</u>	<u>(750,440)</u>	<u>(1,675,049)</u>	<u>(1,522,949)</u>
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS					
		661,041	648,429	1,298,146	1,257,948
Distribution to depositors and sukuk holders	11	(149,991)	(144,912)	(300,928)	(302,618)
PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX					
		511,050	503,517	997,218	955,330
Zakat and tax		(3,533)	(920)	(7,684)	(1,924)
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX					
		<u>507,517</u>	<u>502,597</u>	<u>989,534</u>	<u>953,406</u>
Attributable to:					
Equity holders of the Bank		507,296	501,652	988,737	951,885
Non-controlling interest		221	945	797	1,521
		<u>507,517</u>	<u>502,597</u>	<u>989,534</u>	<u>953,406</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	<u>0.113</u>	<u>0.115</u>	<u>0.265</u>	<u>0.263</u>

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

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months and six months ended 30 June 2016 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		507,517	502,597	989,534	953,406
Other comprehensive income (loss)					
<i>Items that will not be reclassified to consolidated income statement</i>					
Net gain on valuation of investments carried at fair value through other comprehensive income		6	207	393	207
Directors' remuneration paid	35	(4,200)	(4,900)	(4,200)	(4,900)
<i>Items that may be subsequently reclassified to consolidated income statement</i>					
Exchange differences arising on translation of foreign operations	30	(17,863)	12,200	(78,593)	(35,367)
Gain (loss) on hedge of foreign operations	30	23,426	(14,463)	29,700	710
Fair value gain (loss) on cash flow hedge	30	1,728	(286)	8,376	1,651
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		<u>3,097</u>	<u>(7,242)</u>	<u>(44,324)</u>	<u>(37,699)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>510,614</u>	<u>495,355</u>	<u>945,210</u>	<u>915,707</u>
Attributable to:					
Equity holders of the Bank		510,393	494,406	944,413	914,182
Non-controlling interest		<u>221</u>	<u>949</u>	<u>797</u>	<u>1,525</u>
		<u>510,614</u>	<u>495,355</u>	<u>945,210</u>	<u>915,707</u>

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

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 (Unaudited)

		<i>30 June</i>	<i>Audited</i>
		<i>2016</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
ASSETS			
Cash and balances with central banks	13	18,807,642	18,629,361
Balances and wakala deposits with			
Islamic banks and other financial institutions	14	3,486,643	3,124,314
Murabaha and mudaraba with financial institutions	15	2,446,528	1,617,562
Murabaha and other Islamic financing	16	38,576,638	38,400,777
Ijara financing	17	41,108,217	40,002,454
Investment in Islamic sukuk measured at amortised cost	18	7,676,257	7,282,409
Investments measured at fair value	19	1,373,117	1,453,559
Investment in associates and joint ventures	20	766,735	799,356
Investment properties	21	1,220,027	246,121
Development properties	22	837,381	837,381
Other assets	23	2,925,028	3,767,424
Property and equipment		1,834,993	1,742,052
Goodwill and intangibles	24	447,514	474,892
TOTAL ASSETS		<u>121,506,720</u>	<u>118,377,662</u>
LIABILITIES			
Due to financial institutions	25	3,918,982	3,105,610
Depositors' accounts	26	97,375,288	94,927,160
Other liabilities	27	3,295,530	3,433,411
Sukuk financing instruments	28	1,836,250	1,836,250
Total liabilities		<u>106,426,050</u>	<u>103,302,431</u>
EQUITY			
Share capital	29	3,168,000	3,168,000
Legal reserve		2,102,465	2,102,465
General reserve		1,293,820	1,293,820
Credit risk reserve		400,000	400,000
Retained earnings		2,693,221	1,858,899
Proposed dividend	39	-	769,022
Proposed dividend to charity		-	20,000
Other reserves	30	(259,681)	(219,557)
Tier 1 sukuk	31	5,672,500	5,672,034
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		<u>15,070,325</u>	<u>15,064,683</u>
Non-controlling interest		10,345	10,548
Total equity		<u>15,080,670</u>	<u>15,075,231</u>
TOTAL LIABILITIES AND EQUITY		<u>121,506,720</u>	<u>118,377,662</u>
CONTINGENT LIABILITIES AND COMMITMENTS	32	<u>12,851,425</u>	<u>14,088,296</u>



Director



Chief Executive Officer

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

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016 (Unaudited)

<i>Attributable to the equity and Tier 1 sukuk holders of the Bank</i>												
	<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Credit risk reserve</i>	<i>Retained earnings</i>	<i>Proposed dividend</i>	<i>Proposed dividend to charity</i>	<i>Other reserves</i>	<i>Tier 1 sukuk</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</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>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2016 - audited	3,168,000	2,102,465	1,293,820	400,000	1,858,899	769,022	20,000	(219,557)	5,672,034	15,064,683	10,548	15,075,231
Profit for the period	-	-	-	-	988,737	-	-	-	-	988,737	797	989,534
Other comprehensive loss	-	-	-	-	(4,200)	-	-	(40,124)	-	(44,324)	-	(44,324)
Profit paid on Tier 1 sukuk - Listed	31	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	31	-	-	-	(33,136)	-	-	-	-	(33,136)	-	(33,136)
Movement in Tier 1 sukuk		-	-	-	-	-	-	-	466	466	-	466
Dividends paid	39	-	-	-	-	(769,022)	-	-	-	(769,022)	(1,000)	(770,022)
Dividends paid to charity		-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Balance at 30 June 2016 - unaudited	<u>3,168,000</u>	<u>2,102,465</u>	<u>1,293,820</u>	<u>400,000</u>	<u>2,693,221</u>	<u>-</u>	<u>-</u>	<u>(259,681)</u>	<u>5,672,500</u>	<u>15,070,325</u>	<u>10,345</u>	<u>15,080,670</u>
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	-	-	-	-	951,885	-	-	-	-	951,885	1,521	953,406
Other comprehensive (loss) income	-	-	-	-	(4,900)	-	-	(32,821)	-	(37,721)	22	(37,699)
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	(25,131)	-	-	25,149	-	18	(18)	-
Profit paid on Tier 1 sukuk - Listed	31	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	31	-	-	-	(32,009)	-	-	-	-	(32,009)	-	(32,009)
Movement in Tier 1 sukuk		-	-	-	-	-	-	-	(11,113)	(11,113)	-	(11,113)
Dividends paid	39	-	-	-	-	(700,200)	-	-	-	(700,200)	-	(700,200)
Dividends paid to charity		-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Balance at 30 June 2015 - unaudited	<u>3,000,000</u>	<u>1,766,465</u>	<u>1,098,560</u>	<u>400,000</u>	<u>2,017,547</u>	<u>-</u>	<u>-</u>	<u>(202,316)</u>	<u>5,631,996</u>	<u>13,712,252</u>	<u>9,721</u>	<u>13,721,973</u>

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

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2016 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June 2016 AED '000</i>	<i>Six months ended 30 June 2015 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period		989,534	953,406
Adjustments for:			
Depreciation on investment properties	21	6,152	6,733
Depreciation on property and equipment		68,051	65,667
Amortisation of intangibles	24	27,378	27,378
Share of results of associates and joint ventures		(13,448)	(9,234)
Dividend income	6	(344)	(4,043)
Realised gains on sale of investments carried at fair value through profit or loss	6	(19,880)	(14,085)
Unrealised (gain) loss on investments carried at fair value through profit or loss	6	(6,010)	7,673
Provision for impairment, net	10	450,140	377,741
Gain on sale on investment properties		(9,548)	-
Operating profit before changes in operating assets and liabilities		1,492,025	1,411,236
Increase in balances with central banks		(948,290)	(743,011)
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		(898,315)	354,658
(Increase) decrease in murabaha and mudaraba with financial institutions		(1,929)	88,463
Increase in murabaha and other Islamic financing		(528,509)	(1,805,163)
Increase in ijara financing		(1,203,255)	(104,994)
Purchase of investments carried at fair value through profit or loss		(5,254,393)	(3,221,748)
Proceeds from sale of investments carried at fair value through profit or loss		5,360,470	2,586,228
Increase in other assets		(152,089)	(275,991)
Increase (decrease) in due to financial institutions		129,651	(395,429)
Increase in depositors' accounts		2,447,559	4,312,373
(Decrease) increase in other liabilities		(137,842)	361,731
Cash from operations		305,083	2,568,353
Directors' remuneration paid	35	(4,200)	(4,900)
Net cash from operating activities		300,883	2,563,453
INVESTING ACTIVITIES			
Dividend received	6	344	4,043
Net movement in investments carried at fair value through other comprehensive income		648	8,721
Net movement in investments carried at amortised cost		(393,848)	(1,457,599)
Additions in investment in associates and joint ventures		(17,395)	-
Dividend received from an associate		6,667	6,667
Proceeds from sale of investment properties		23,975	-
Purchase of property and equipment		(160,992)	(112,208)
Net cash used in investing activities		(540,601)	(1,550,376)
FINANCING ACTIVITIES			
Profit paid on Tier 1 sukuk – Listed	31	(117,079)	(117,079)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	31	(33,136)	(32,009)
Proceeds (repurchase) of own Tier 1 sukuk - Listed		466	(11,113)
Repurchase of own sukuk – second issue		-	(1,873)
Dividends paid		(773,212)	(714,208)
Net cash used in financing activities		(922,961)	(876,282)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,162,679)	136,795
Cash and cash equivalents at 1 January		9,484,193	9,790,273
CASH AND CASH EQUIVALENTS AT 30 JUNE	34	8,321,514	9,927,068
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		2,425,737	2,573,468
Profit paid to depositors and sukuk holders		250,794	335,967

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

30 June 2016 (Unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi Islamic Bank PJSC (“the Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

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 (2015: 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 14 July 2016.

2 DEFINITIONS

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

Murabaha

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

Istisna’a

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

Ijara

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

Qard Hasan

A non-profit bearing loan that enables the borrower to use the borrowed 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 June 2016 (Unaudited)

2 DEFINITIONS continued

Musharaka

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

Mudaraba

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

Wakalah

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

Sukuk

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

3 BASIS OF PREPARATION

3.1 (a) Statement of compliance

The 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, held as property and equipment, 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 June 2016 (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	
			2016	2015
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 these entities and they are considered to be a subsidiary by virtue of control.

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

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 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

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 2015. In addition, results for the six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

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:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests (Amendment) IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment)

clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

4 SIGNIFICANT ACCOUNTING POLICIES continued

IAS 16 and IAS 41: Property, plant and equipment and Agriculture-Bearer Plants (Amendment) change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

IAS 27: Equity Method in Separate Financial Statements (Amendment) will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

1 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2 - IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

3 - IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Annual Improvements 2012-2014 Cycle continued

4 - IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

-) The materiality requirements in IAS 1;
-) That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
-) That entities have flexibility as to the order in which they present the notes to financial statements; and
-) That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Amendments)

address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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 classification and measurement principles of IFRS 9 'Financial Instruments' in issue at that time 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.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued

Measurement continued

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. Financial assets measured at FVTOCI are not required to be tested for impairment.

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

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

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

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

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED ‘000</i>	<i>AED ‘000</i>	<i>AED ‘000</i>	<i>AED ‘000</i>
Vehicle murabaha	84,812	90,900	172,132	182,125
Goods murabaha	99,208	130,842	207,266	247,489
Share murabaha	255,594	245,737	512,220	502,335
Commodities murabaha – Al Khair	92,291	63,288	178,598	129,652
Islamic covered cards (murabaha)	89,062	95,379	181,117	194,574
Other murabaha	47,339	22,824	89,112	49,483
Total murabaha	668,306	648,970	1,340,445	1,305,658
Mudaraba	10,593	12,340	22,709	25,098
Ijara	443,019	398,363	869,880	819,190
Istisna’a	2,135	2,454	4,449	4,029
	1,124,053	<u>1,062,127</u>	2,237,483	<u>2,153,975</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2016 (Unaudited)

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</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	12,337	9,762	23,030	14,898
Income from other investment assets	11,771	8,180	21,717	13,118
Dividend income	344	2,878	344	4,043
Realised gain on sale of investments carried at fair value through profit or loss	16,726	9,999	19,880	14,085
Unrealised (loss) gain on investments carried at fair value through profit or loss	<u>(4,471)</u>	<u>(6,936)</u>	<u>6,010</u>	<u>(7,673)</u>
	<u>36,707</u>	<u>23,883</u>	<u>70,981</u>	<u>38,471</u>

7 FEES AND COMMISSION INCOME, NET

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Fees and commission income				
Fees and commission income on cards	143,164	133,086	273,677	252,936
Trade related fees and commission	31,859	38,463	59,471	74,368
Accounts services fees	11,450	11,118	22,827	21,849
Projects and property management fees	17,279	12,488	36,062	27,193
Risk participation and arrangement fees	37,061	29,555	77,589	88,301
Brokerage fees and commission	5,373	20,108	17,980	33,023
Other fees and commissions	<u>71,380</u>	<u>58,316</u>	<u>143,913</u>	<u>107,390</u>
Total fees and commission income	<u>317,566</u>	<u>303,134</u>	<u>631,519</u>	<u>605,060</u>
Fees and commission expenses				
Card related fees and commission expenses	(97,855)	(89,275)	(187,664)	(155,085)
Other fees and commission expenses	<u>(15,373)</u>	<u>(13,713)</u>	<u>(32,154)</u>	<u>(27,295)</u>
Total fees and commission expenses	<u>(113,228)</u>	<u>(102,988)</u>	<u>(219,818)</u>	<u>(182,380)</u>
Fees and commission income, net	<u>204,338</u>	<u>200,146</u>	<u>411,701</u>	<u>422,680</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

8 EMPLOYEES' COSTS

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Salaries and wages	320,632	315,197	651,972	633,127
End of service benefits	18,287	17,285	36,394	34,299
Other staff expenses	18,115	5,871	32,526	20,401
	<u>357,034</u>	<u>338,353</u>	<u>720,892</u>	<u>687,827</u>

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Legal and professional expenses	40,499	37,036	80,859	75,319
Premises expenses	55,096	58,646	113,498	112,273
Marketing and advertising expenses	33,435	31,613	60,148	49,453
Communication expenses	17,567	14,066	36,281	28,272
Technology related expenses	23,949	18,574	49,213	32,986
Other operating expenses	31,466	27,178	62,437	59,300
	<u>202,012</u>	<u>187,113</u>	<u>402,436</u>	<u>357,603</u>

10 PROVISION FOR IMPAIRMENT, NET

		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and other Islamic financing	16	413,516	135,174	362,530	294,169
Ijara financing	17	(160,387)	40,487	97,492	81,737
Recoveries, net of direct write-off		(19,140)	2,925	(9,882)	3,485
Other assets	23	-	(3,449)	-	(1,650)
		<u>233,989</u>	<u>175,137</u>	<u>450,140</u>	<u>377,741</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2016 (Unaudited)

11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Saving accounts	36,555	31,118	73,495	60,218
Investment accounts	96,150	70,785	192,794	156,489
Sukuk holders	17,286	43,009	34,639	85,911
	<u>149,991</u>	<u>144,912</u>	<u>300,928</u>	<u>302,618</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 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, 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>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period attributable to equity holders (AED '000)		507,296	501,652	988,737	951,885
Less: profit attributable to Tier 1 sukuk					
- Listed (AED '000)	31	(117,079)	(117,079)	(117,079)	(117,079)
Less: profit attributable to Tier 1 sukuk – Government of Abu Dhabi (AED '000)	31	<u>(33,136)</u>	<u>(32,009)</u>	<u>(33,136)</u>	<u>(32,009)</u>
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		<u>357,081</u>	<u>352,564</u>	<u>838,522</u>	<u>802,797</u>
Weighted average number of ordinary shares at the beginning of the period in issue (000's)		3,168,000	3,000,000	3,168,000	3,000,000
Effect of right shares issued					
Bonus element (000's)		<u>-</u>	<u>53,247</u>	<u>-</u>	<u>53,247</u>
Weighted average number of ordinary shares at the end of the period in issue (000's)		<u>3,168,000</u>	<u>3,053,247</u>	<u>3,168,000</u>	<u>3,053,247</u>
Basic and diluted earnings per share (AED)		<u>0.113</u>	<u>0.115</u>	<u>0.265</u>	<u>0.263</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 payment of such profit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

13 CASH AND BALANCES WITH CENTRAL BANKS

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Cash on hand	1,845,328	1,835,100
Balances with central banks:		
- Current accounts	561,653	192,153
- Statutory reserve	10,800,140	9,851,850
- Islamic certificate of deposits	<u>5,600,521</u>	<u>6,750,258</u>
	<u>18,807,642</u>	<u>18,629,361</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 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
UAE	18,056,057	18,264,069
Rest of the Middle East	624,787	249,940
Europe	1,493	1,438
Others	<u>125,305</u>	<u>113,914</u>
	<u>18,807,642</u>	<u>18,629,361</u>

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

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Current accounts	303,231	227,331
Wakala deposits	<u>3,183,412</u>	<u>2,896,983</u>
	<u>3,486,643</u>	<u>3,124,314</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 June 2016 (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 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
UAE	1,071,011	476,614
Rest of the Middle East	686,780	1,045,333
Europe	77,231	72,093
Others	<u>1,651,621</u>	<u>1,530,274</u>
	<u>3,486,643</u>	<u>3,124,314</u>

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Murabaha	2,464,405	1,596,772
Mudaraba	<u>176,863</u>	<u>215,530</u>
	2,641,268	1,812,302
Less: provision for impairment	<u>(194,740)</u>	<u>(194,740)</u>
	<u>2,446,528</u>	<u>1,617,562</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 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
At the beginning of the period	194,740	163,450
Charge for the period	<u>-</u>	<u>31,290</u>
At the end of the period	<u>194,740</u>	<u>194,740</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

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 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
UAE	2,197,599	1,360,232
Rest of the Middle East	385,399	379,711
Europe	24,600	-
Others	<u>33,670</u>	<u>72,359</u>
	<u>2,641,268</u>	<u>1,812,302</u>

16 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Vehicle murabaha	6,744,310	6,442,157
Goods murabaha	9,097,969	10,250,391
Share murabaha	18,831,948	17,945,857
Commodities murabaha / advance murabaha – Al Khair	8,019,606	6,623,523
Islamic covered cards (murabaha)	16,526,711	16,995,176
Other murabaha	<u>2,160,155</u>	<u>2,379,343</u>
Total murabaha	61,380,699	60,636,447
Mudaraba	1,126,759	1,213,861
Istisna'a	137,931	146,377
Other financing receivables	<u>193,835</u>	<u>338,683</u>
Total murabaha and other Islamic financing	62,839,224	62,335,368
Less: deferred income on murabaha	<u>(22,385,381)</u>	<u>(22,073,741)</u>
	40,453,843	40,261,627
Less: provision for impairment	<u>(1,877,205)</u>	<u>(1,860,850)</u>
	<u>38,576,638</u>	<u>38,400,777</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2016 (Unaudited)

16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	<i>30 June 2016</i>			<i>Audited 31 December 2015</i>		
	<i>Individual impairment</i>	<i>Collective impairment</i>	<i>Total</i>	<i>Individual impairment</i>	<i>Collective impairment</i>	<i>Total</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>
At the beginning of the period	693,670	1,167,180	1,860,850	519,623	882,407	1,402,030
Charge for the period (note 10)	341,742	20,788	362,530	599,227	284,773	884,000
Written off during the period	(346,175)	-	(346,175)	(425,180)	-	(425,180)
At the end of the period	<u>689,237</u>	<u>1,187,968</u>	<u>1,877,205</u>	<u>693,670</u>	<u>1,167,180</u>	<u>1,860,850</u>

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

	<i>30 June 2016</i>	<i>Audited 31 December 2015</i>
	<i>AED '000</i>	<i>AED '000</i>
<i>Industry sector:</i>		
Government	-	77,299
Public sector	615,227	952,592
Corporates	7,508,317	7,586,931
Financial institutions	178,914	405,653
Individuals	30,360,808	28,975,566
Small and medium enterprises	<u>1,790,577</u>	<u>2,263,586</u>
	<u>40,453,843</u>	<u>40,261,627</u>
<i>Geographic region:</i>		
UAE	38,881,818	38,835,151
Rest of the Middle East	895,830	959,989
Europe	241,134	244,830
Others	<u>435,061</u>	<u>221,657</u>
	<u>40,453,843</u>	<u>40,261,627</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (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.

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
The aggregate future lease receivables are as follows:		
Due within one year	8,758,692	9,301,428
Due in the second to fifth year	22,136,329	21,521,419
Due after five years	<u>23,787,743</u>	<u>21,491,474</u>
Total ijara financing	54,682,764	52,314,321
Less: deferred income	<u>(12,349,577)</u>	<u>(11,177,578)</u>
Net present value of minimum lease payments receivable	42,333,187	41,136,743
Less: provision for impairment	<u>(1,224,970)</u>	<u>(1,134,289)</u>
	<u>41,108,217</u>	<u>40,002,454</u>

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

	30 June 2016			<i>Audited</i> 31 December 2015		
	<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	287,041	847,248	1,134,289	558,077	793,236	1,351,313
Charge (reversals) for the period (note 10)	58,424	39,068	97,492	(167,371)	54,012	(113,359)
Written off during the period	<u>(6,811)</u>	<u>-</u>	<u>(6,811)</u>	(103,665)	-	(103,665)
At the end of the period	<u>338,654</u>	<u>886,316</u>	<u>1,224,970</u>	<u>287,041</u>	<u>847,248</u>	<u>1,134,289</u>

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

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
Industry sector:		
Government	374,286	374,591
Public sector	4,869,467	3,792,330
Corporates	18,956,117	19,075,045
Financial institutions	10,743	213,663
Individuals	17,503,289	17,138,079
Small and medium enterprises	300,100	351,856
Non-profit organisations	<u>319,185</u>	<u>191,179</u>
	<u>42,333,187</u>	<u>41,136,743</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

17 IJARA FINANCING continued

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Geographic region:		
UAE	40,371,222	39,253,812
Rest of the Middle East	1,197,648	1,219,375
Europe	815	752
Others	<u>763,502</u>	<u>662,804</u>
	<u>42,333,187</u>	<u>41,136,743</u>

18 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Sukuk	<u>7,676,257</u>	<u>7,282,409</u>

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

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
At the beginning of the period	98,277	98,277
Charge for the period	<u>-</u>	<u>-</u>
At the end of the period	<u>98,277</u>	<u>98,277</u>

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

UAE	5,271,101	4,995,579
Rest of the Middle East	1,313,626	1,270,127
Europe	100,479	111,510
Others	<u>1,089,328</u>	<u>1,003,470</u>
	<u>7,774,534</u>	<u>7,380,686</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

19 INVESTMENTS MEASURED AT FAIR VALUE

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	-	11,319
Sukuk	<u>1,189,669</u>	<u>1,258,537</u>
	<u>1,189,669</u>	<u>1,269,856</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	<u>846</u>	<u>846</u>
Unquoted investments		
Funds	51,107	51,363
Private equities	<u>131,495</u>	<u>131,494</u>
	<u>182,602</u>	<u>182,857</u>
	<u>183,448</u>	<u>183,703</u>
	<u>1,373,117</u>	<u>1,453,559</u>

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

UAE	873,388	902,263
Rest of the Middle East	111,159	138,347
Europe	164	822
Others	<u>388,406</u>	<u>412,127</u>
	<u>1,373,117</u>	<u>1,453,559</u>

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Cost of investment	979,601	962,206
Share of results	74,136	60,688
Dividend received	(29,328)	(22,661)
Foreign currency translation	<u>(257,674)</u>	<u>(200,877)</u>
	<u>766,735</u>	<u>799,356</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2016 (Unaudited)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

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

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<i>2016</i> %	<i>2015</i> %	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D.D	Bosnia	27	27	Islamic banking
<i>Joint ventures</i>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	49	49	Banking (under conversion to Islamic bank)
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	51	Islamic retail finance
Arab Link Money Transfer PSC	UAE	51	51	Currency exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

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

	<i>30 June 2016</i> <i>AED '000</i>	<i>Audited 31 December 2015</i> <i>AED '000</i>
UAE	203,600	198,167
Rest of the Middle East	65,422	64,033
Europe	69,434	51,511
Others	<u>428,279</u>	<u>485,645</u>
	<u>766,735</u>	<u>799,356</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

21 INVESTMENT PROPERTIES

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

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Cost:		
Balance at the beginning of the period	316,237	365,447
Transfer from other assets	994,485	13,610
Other movements	-	(9,979)
Disposals	<u>(17,207)</u>	<u>(52,841)</u>
Gross balance at the end of the period	1,293,515	316,237
Less: provision for impairment	<u>(23,325)</u>	<u>(23,325)</u>
Net balance at the end of the period	<u>1,270,190</u>	<u>292,912</u>
Accumulated depreciation:		
Balance at the beginning of the period	46,791	40,782
Charge for the period	6,152	12,843
Relating to disposals	<u>(2,780)</u>	<u>(6,834)</u>
Balance at the end of the period	<u>50,163</u>	<u>46,791</u>
Net book value at the end of the period	<u>1,220,027</u>	<u>246,121</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 8,262 thousand (30 June 2015: AED 10,730 thousand) for the six months period ended 30 June 2016.

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

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Balance at the beginning of the period	23,325	25,347
Relating to disposals	<u>-</u>	<u>(2,022)</u>
Balance at the end of the period	<u>23,325</u>	<u>23,325</u>

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

UAE	1,235,138	261,232
Rest of the Middle East	<u>8,214</u>	<u>8,214</u>
	<u>1,243,352</u>	<u>269,446</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

22 DEVELOPMENT PROPERTIES

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Development properties	<u>837,381</u>	<u>837,381</u>

Development properties include land with a carrying value of AED 800,000 thousand (2015: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

23 OTHER ASSETS

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Advances against purchase of properties	120,003	1,330,207
Acceptances	504,162	671,346
Assets acquired in satisfaction of claims	236,478	172,691
Trade receivables	357,264	368,650
Prepaid expenses	784,267	692,351
Accrued profit	125,306	106,489
Advance to contractors	11,165	3,528
Advance for investment	183,625	183,625
Others	<u>637,591</u>	<u>529,180</u>
	2,959,861	4,058,067
Less: provision for impairment	<u>(34,833)</u>	<u>(290,643)</u>
	<u>2,925,028</u>	<u>3,767,424</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 2016 - audited	255,810	-	10,950	23,883	290,643
Written off during the period	<u>(255,810)</u>	-	-	-	<u>(255,810)</u>
At 30 June 2016 - unaudited	<u>-</u>	-	<u>10,950</u>	<u>23,883</u>	<u>34,833</u>
At 1 January 2015 - audited	256,415	6,712	10,950	23,883	297,960
Charge for the year	5,156	(1,650)	-	-	3,506
Written off during the year	<u>(5,761)</u>	<u>(5,062)</u>	-	-	<u>(10,823)</u>
At 31 December 2015 - audited	<u>255,810</u>	-	<u>10,950</u>	<u>23,883</u>	<u>290,643</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

24 GOODWILL AND INTANGIBLES

	<i>Goodwill</i> <i>AED '000</i>	<i>Other intangible assets</i>		<i>Total</i> <i>AED '000</i>
		<i>Customer relationships</i> <i>AED '000</i>	<i>Core deposit</i> <i>AED '000</i>	
At 1 January 2016 - audited	109,888	303,997	61,007	474,892
Amortisation during the period	<u>-</u>	<u>(22,800)</u>	<u>(4,578)</u>	<u>(27,378)</u>
At 30 June 2016 - unaudited	<u>109,888</u>	<u>281,197</u>	<u>56,429</u>	<u>447,514</u>
At 1 January 2015 - audited	109,888	349,597	70,163	529,648
Amortisation during the year	<u>-</u>	<u>(45,600)</u>	<u>(9,156)</u>	<u>(54,756)</u>
At 31 December 2015 - audited	<u>109,888</u>	<u>303,997</u>	<u>61,007</u>	<u>474,892</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 June</i> <i>2016</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>AED '000</i>
Current accounts	984,463	1,404,404
Investment deposits	<u>2,825,155</u>	<u>1,659,598</u>
	3,809,618	3,064,002
Current account – Central Bank of UAE	<u>109,364</u>	<u>41,608</u>
	<u>3,918,982</u>	<u>3,105,610</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

26 DEPOSITORS' ACCOUNTS

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
Current accounts	31,522,088	30,140,475
Investment accounts	65,427,293	64,392,321
Profit equalisation reserve	<u>425,907</u>	<u>394,364</u>
	<u>97,375,288</u>	<u>94,927,160</u>

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

At the beginning of the period	394,364	340,159
Share of profit for the period	<u>31,543</u>	<u>54,205</u>
At the end of the period	<u>425,907</u>	<u>394,364</u>

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

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
Government	6,570,127	8,381,971
Public sector	9,545,431	11,819,047
Corporates	13,064,879	12,884,064
Financial institutions	1,674,082	820,125
Individuals	52,446,447	48,524,233
Small and medium enterprises	10,924,895	9,690,842
Non-profit organisations	<u>3,149,427</u>	<u>2,806,878</u>
	<u>97,375,288</u>	<u>94,927,160</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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

27 OTHER LIABILITIES

	<i>30 June</i>	<i>Audited</i>
	<i>2016</i>	<i>31 December</i>
	<i>AED '000</i>	<i>2015</i>
		<i>AED '000</i>
Accounts payable	519,089	485,248
Acceptances	504,162	671,346
Accrued profit for distribution to depositors and sukuk holders	211,286	192,695
Bankers' cheques	555,965	636,831
Provision for staff benefits and other expenses	303,653	380,115
Retentions payable	26,563	28,236
Advances from customers	176,848	167,086
Accrued expenses	271,934	181,747
Unclaimed dividends	116,712	119,902
Deferred income	178,129	197,555
Charity account	7,032	6,530
Donation account	24,275	15,239
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	4,532	18,049
Others	<u>395,350</u>	<u>332,832</u>
	<u>3,295,530</u>	<u>3,433,411</u>

28 SUKUK FINANCING INSTRUMENTS

	<i>30 June</i>	<i>Audited</i>
	<i>2016</i>	<i>31 December</i>
	<i>AED '000</i>	<i>2015</i>
		<i>AED '000</i>
Third issue	<u>1,836,250</u>	<u>1,836,250</u>

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 1,836,250 thousand (USD 500 million) (31 December 2015: AED 1,836,250 thousand (USD 500 million)).

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

29 SHARE CAPITAL

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
<i>Authorised share capital:</i>		
4,000,000 thousand (2015: 4,000,000 thousand) ordinary shares of AED 1 each (2015: AED 1 each)	<u>4,000,000</u>	<u>4,000,000</u>
<i>Issued and fully paid share capital:</i>		
At the beginning of the period		
3,168,000 thousand (2015: 3,000,000 thousand) ordinary shares of AED 1 each (2015: AED 1 each)	3,168,000	3,000,000
Right shares issued: nil (2015: 0.056 share against each share held of AED 1 each)	<u>-</u>	<u>168,000</u>
At the end of the period		
3,168,000 thousand (2015: 3,168,000 thousand) ordinary shares of AED 1 each (2015: AED 1 each)	<u>3,168,000</u>	<u>3,168,000</u>

30 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 2016 - audited	(154,787)	143,000	(196,113)	(11,657)	(219,557)
Net movement in valuation of investment at FVTOCI	393	-	-	-	393
Exchange differences arising on translation of foreign operations, net	-	-	(78,593)	-	(78,593)
Gain on hedge of foreign operations	-	-	29,700	-	29,700
Fair value gain on cash flow hedges	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,376</u>	<u>8,376</u>
At 30 June 2016 - unaudited	<u>(154,394)</u>	<u>143,000</u>	<u>(245,006)</u>	<u>(3,281)</u>	<u>(259,681)</u>
At 1 January 2015 - audited	(172,040)	143,000	(151,040)	(14,564)	(194,644)
Net gain on valuation of investments carried at FVTOCI	203	-	-	-	203
Loss on disposal of investments carried at FVTOCI	25,131	-	-	-	25,131
Exchange differences arising on translation of foreign operations, net	-	-	(35,367)	-	(35,367)
Gain on hedge of foreign operations	-	-	710	-	710
Fair value gain on cash flow hedges	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,651</u>	<u>1,651</u>
At 30 June 2015 - unaudited	<u>(146,706)</u>	<u>143,000</u>	<u>(185,697)</u>	<u>(12,913)</u>	<u>(202,316)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

31 TIER 1 SUKUK

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
Tier 1 sukuk – Listed	3,672,500	3,672,034
Tier 1 sukuk – Government of Abu Dhabi	<u>2,000,000</u>	<u>2,000,000</u>
	<u>5,672,500</u>	<u>5,672,034</u>

Tier 1 sukuk – Listed

On 19 November 2012, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (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 June 2016, sukuk with a face value of nil were repurchased by the Bank (31 December 2015: AED 466 thousand (USD 0.1 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 listed on the London stock exchange and 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 6th 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

32 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

	<i>30 June 2016 AED '000</i>	<i>Audited 31 December 2015 AED '000</i>
<i>Contingent liabilities</i>		
Letters of credit	1,967,073	2,083,463
Letters of guarantee	<u>10,270,626</u>	<u>11,276,968</u>
	<u>12,237,699</u>	<u>13,360,431</u>
<i>Commitments</i>		
Undrawn facilities commitments	475,446	583,032
Future capital expenditure	104,320	70,776
Investment and development properties	<u>33,960</u>	<u>74,057</u>
	<u>613,726</u>	<u>727,865</u>
	<u>12,851,425</u>	<u>14,088,296</u>

33 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

34 CASH AND CASH EQUIVALENTS

	30 June 2016 AED '000	30 June 2015 AED '000
Cash and balances with central banks, short term	8,007,502	9,508,695
Balances and wakala deposits with Islamic banks and other financial institutions, short term	1,819,268	2,103,995
Murabaha and mudaraba with financial institutions, short term	2,255,869	2,246,130
Due to financial institutions, short term	<u>(3,761,125)</u>	<u>(3,931,752)</u>
	<u>8,321,514</u>	<u>9,927,068</u>

35 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>
30 June 2016 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	3,926	-	3,926
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	47,832	238	75	61,739	109,884
Fees and commission income, net	-	23	685	1,720	2,428
Operating expenses	-	185	-	-	185
Distribution to depositors and sukuk holders	-	31	233	156	420
30 June 2015 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	2,135	-	2,135
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	41,328	613	173	55,942	98,056
Income from investments measured at fair value	63	-	-	-	63
Fees and commission income, net	-	9	240	1,713	1,962
Operating expenses	-	216	-	-	216
Distribution to depositors and sukuk holders	-	23	144	166	333

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

35 RELATED PARTY TRANSACTIONS continued

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% (2015: 0% to 6% 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 0.8% per annum (2015: 0% to 0.9% per annum).

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>
30 June 2016 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,441,242	-	1,441,242
Murabaha and mudaraba with financial institutions	-	-	176,901	-	176,901
Murabaha, mudaraba, ijara and other Islamic financing	2,643,313	12,025	10,025	3,531,882	6,197,245
Other assets	-	-	53,168	183,625	236,793
	<u>2,643,313</u>	<u>12,025</u>	<u>1,681,336</u>	<u>3,715,507</u>	<u>8,052,181</u>
Due to financial institutions	-	-	19,899	-	19,899
Depositors' accounts	187,170	27,371	101,041	104,984	420,566
Other liabilities	-	-	36	108	144
	<u>187,170</u>	<u>27,371</u>	<u>120,976</u>	<u>105,092</u>	<u>440,609</u>
31 December 2015 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,354,353	-	1,354,353
Murabaha and Mudaraba with financial institutions	-	-	171,611	-	171,611
Murabaha, mudaraba, ijara and other Islamic financing	2,595,521	30,667	30,052	3,619,764	6,276,004
Other assets	-	-	13,616	183,625	197,241
	<u>2,595,521</u>	<u>30,667</u>	<u>1,569,632</u>	<u>3,803,389</u>	<u>7,999,209</u>
Due to financial institutions	-	-	30,180	-	30,180
Depositors' accounts	50	21,479	98,200	214,906	334,635
Other liabilities	-	63	25	179	267
	<u>50</u>	<u>21,542</u>	<u>128,405</u>	<u>215,085</u>	<u>365,082</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>Six months ended 30 June 2016 AED '000</i>	<i>Six months ended 30 June 2015 AED '000</i>
Salaries and other benefits	16,152	16,716
Employees' end of service benefits	<u>1,762</u>	<u>1,764</u>
	<u>17,914</u>	<u>18,480</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

35 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 2015 amounting to AED 4,200 thousand has been paid after approval by the shareholders at the Annual General Assembly held on 21st April 2016. During 2015, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2014 after the approval by the shareholders in the Annual General Assembly held on 1st April 2015.

36 SEGMENT INFORMATION

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

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

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

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

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

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

Other operations - Other operations comprises mainly of Head Office, subsidiaries, associates and joint ventures other than above categories including unallocated costs.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2016 (Unaudited)

36 SEGMENT INFORMATION continued

	<i>Global Retail banking AED '000</i>	<i>Global Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Treasury AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
30 June 2016 - unaudited							
Revenue and results							
Segment revenues, net	1,612,736	642,435	62,788	310,753	57,670	(14,115)	2,672,267
Operating expenses excluding provision for impairment, net	(857,223)	(190,544)	(28,188)	(21,164)	(41,163)	(94,311)	(1,232,593)
Operating profit (margin)	755,513	451,891	34,600	289,589	16,507	(108,426)	1,439,674
Provision for impairment, net	(309,510)	(172,747)	5,791	-	-	26,326	(450,140)
Profit (loss) for the period	446,003	279,144	40,391	289,589	16,507	(82,100)	989,534
Non-controlling interest	-	-	-	-	-	(797)	(797)
Profit (loss) for the period attributable to equity holders of the Bank	446,003	279,144	40,391	289,589	16,507	(82,897)	988,737
Assets							
Segmental assets	54,938,232	35,545,299	2,772,359	17,201,486	2,701,071	8,348,273	121,506,720
Liabilities							
Segmental liabilities	59,825,905	26,065,897	2,562,082	13,637,537	364,370	3,970,259	106,426,050
30 June 2015 - unaudited							
Revenue and results							
Segment revenues, net	1,491,289	639,632	49,377	202,221	46,613	49,147	2,478,279
Operating expenses excluding provision for impairment, net	(775,027)	(170,051)	(28,542)	(20,411)	(42,994)	(110,107)	(1,147,132)
Operating profit (margin)	716,262	469,581	20,835	181,810	3,619	(60,960)	1,331,147
Provision for impairment, net	(186,487)	(32,793)	203	-	-	(158,664)	(377,741)
Profit (loss) for the period	529,775	436,788	21,038	181,810	3,619	(219,624)	953,406
Non-controlling interest	-	-	-	-	-	(1,521)	(1,521)
Profit (loss) for the period attributable to equity holders of the Bank	529,775	436,788	21,038	181,810	3,619	(221,145)	951,885
31 December 2015 - audited							
Assets							
Segmental assets	52,418,734	35,058,966	3,061,715	16,539,451	2,671,626	8,627,170	118,377,662
Liabilities							
Segmental liabilities	54,655,766	28,770,951	2,492,733	13,473,886	373,318	3,535,777	103,302,431

Geographical information

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

37 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 32 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 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</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>
Individually impaired										
Substandard	-	-	-	-	586,828	604,144	603,291	621,604	-	-
Doubtful	-	-	-	-	439,423	208,593	547,730	644,413	12,802	12,802
Loss	-	-	194,740	194,740	375,791	476,450	129,075	132,634	91,813	91,813
Gross amount	-	-	194,740	194,740	1,402,042	1,289,187	1,280,096	1,398,651	104,615	104,615
Provision for individual impairment	-	-	(194,740)	(194,740)	(689,237)	(693,670)	(338,654)	(287,041)	(98,277)	(98,277)
	-	-	-	-	712,805	595,517	941,442	1,111,610	6,338	6,338
Past due but not impaired										
Less than 90 days	-	-	-	-	513,870	480,196	311,698	269,147	-	-
More than 90 days	-	-	-	-	119,755	39,794	494,259	407,426	-	-
	-	-	-	-	633,625	519,990	805,957	676,573	-	-
Neither past due nor impaired	3,486,643	3,124,314	2,446,528	1,617,562	38,418,176	38,452,450	40,247,134	39,061,519	7,669,919	7,276,071
Collective allowance for impairment	-	-	-	-	(1,187,968)	(1,167,180)	(886,316)	(847,248)	-	-
Carrying amount	3,486,643	3,124,314	2,446,528	1,617,562	38,576,638	38,400,777	41,108,217	40,002,454	7,676,257	7,282,409

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

38 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 June 2016 and 31 December 2015 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>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
	<i>AED '000</i>	<i>AED '000</i>
<i>Tier 1 capital</i>		
Share capital	3,168,000	3,168,000
Legal reserve	2,102,465	2,102,465
General reserve	1,293,820	1,293,820
Credit risk reserve	400,000	400,000
Retained earnings	2,693,221	1,858,899
Proposed dividends	-	769,022
Proposed dividends to charity	-	20,000
Foreign currency translation reserve	(245,006)	(196,113)
Tier 1 sukuk	5,672,500	5,672,034
Non-controlling interest	<u>10,345</u>	<u>10,548</u>
	15,095,345	15,098,675
Goodwill and intangibles	(447,514)	(474,892)
Deductions for Tier 1 capital	<u>(383,368)</u>	<u>(399,678)</u>
Total Tier 1	<u>14,264,463</u>	<u>14,224,105</u>
<i>Tier 2 capital</i>		
Cumulative changes in fair value and hedging reserve	(157,675)	(166,444)
Collective impairment provision for financing assets	<u>1,141,727</u>	<u>1,096,403</u>
	984,052	929,959
Deductions for Tier 2 capital	<u>(383,367)</u>	<u>(399,678)</u>
Total Tier 2	<u>600,685</u>	<u>530,281</u>
Total capital base	<u>14,865,148</u>	<u>14,754,386</u>
<i>Risk weighted assets</i>		
Credit risk	91,338,187	87,712,261
Market risk	2,000,511	2,218,921
Operational risk	<u>8,530,428</u>	<u>7,549,954</u>
Total risk weighted assets	<u>101,869,126</u>	<u>97,481,136</u>
<i>Capital ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>14.59%</u>	<u>15.14%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>14.00%</u>	<u>14.59%</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

39 DIVIDENDS

Cash dividend of 24.27% of the paid up capital amounting to AED 769,022 thousand relating to year ended 31 December 2015 has been paid after the approval by the shareholders in the Annual General Assembly held on 21 April 2016.

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

40 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.

41 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.

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

41 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> AED '000	<i>Level 2</i> AED '000	<i>Level 3</i> AED '000	<i>Total</i> AED '000
30 June 2016 - unaudited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
<i>Quoted investments</i>				
Sukuk	<u>1,189,669</u>	-	-	<u>1,189,669</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>846</u>	-	-	<u>846</u>
<i>Unquoted investments</i>				
Funds	-	-	51,107	51,107
Private equities	-	-	131,495	131,495
	<u>-</u>	<u>-</u>	<u>182,602</u>	<u>182,602</u>
	<u>846</u>	<u>-</u>	<u>182,602</u>	<u>183,448</u>
Financial liabilities				
Shari'a compliant alternatives of derivative financial instruments (note 27)	<u>-</u>	<u>4,532</u>	<u>-</u>	<u>4,532</u>
Assets for which fair values are disclosed:				
Investment properties	<u>-</u>	<u>1,752,474</u>	<u>-</u>	<u>1,752,474</u>
Investment carried at amortised cost- Sukuk	<u>7,895,641</u>	<u>-</u>	<u>-</u>	<u>7,895,641</u>
31 December 2015 - audited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
<i>Quoted investments</i>				
Equities	11,319	-	-	11,319
Sukuk	1,258,537	-	-	1,258,537
	<u>1,269,856</u>	<u>-</u>	<u>-</u>	<u>1,269,856</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>846</u>	-	-	<u>846</u>
<i>Unquoted investments</i>				
Funds	-	-	51,363	51,363
Private equities	-	-	131,494	131,494
	<u>-</u>	<u>-</u>	<u>182,857</u>	<u>182,857</u>
	<u>846</u>	<u>-</u>	<u>182,857</u>	<u>183,703</u>
Financial liabilities				
Shari'a compliant alternatives of derivative financial instruments (note 27)	<u>-</u>	<u>18,049</u>	<u>-</u>	<u>18,049</u>
Assets for which fair values are disclosed:				
Investment properties	<u>-</u>	<u>382,955</u>	<u>-</u>	<u>382,955</u>
Investment carried at amortised cost- Sukuk	<u>7,453,656</u>	<u>-</u>	<u>-</u>	<u>7,453,656</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2016 (Unaudited)

41 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:

	30 June 2016 AED '000	<i>Audited</i> 31 December 2015 AED '000
At the beginning of the period	182,857	201,522
Net disposals	(262)	(8,995)
Gain (loss) recorded in equity	<u>7</u>	<u>(9,670)</u>
At the end of the period	<u>182,602</u>	<u>182,857</u>