

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (unaudited)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC (“the Bank”) and its subsidiaries (together “the Group”) as at 31 March 2017, comprising of the interim consolidated statement of financial position as at 31 March 2017 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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.



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

24 April 2017
Abu Dhabi

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Three months ended 31 March 2017 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		12,183	10,473
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	1,082,338	1,113,430
Income from Islamic sukuk measured at amortised cost		87,290	110,778
Income from investments measured at fair value	6	28,466	24,754
Share of results of associates and joint ventures		3,127	6,002
Fees and commission income, net	7	225,370	216,883
Foreign exchange income (loss)		71,445	(23,592)
Income from investment properties		4,146	8,691
Other income		<u>79</u>	<u>81</u>
		<u>1,514,444</u>	<u>1,468,230</u>
OPERATING EXPENSES			
Employees' costs	8	(349,815)	(363,858)
General and administrative expenses	9	(223,032)	(200,424)
Depreciation		(41,742)	(37,003)
Amortisation of intangibles	24	(13,541)	(13,689)
Provision for impairment, net	10	<u>(164,351)</u>	<u>(216,151)</u>
		<u>(792,481)</u>	<u>(831,125)</u>
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS			
		721,963	637,105
Distribution to depositors and sukuk holders	11	<u>(140,328)</u>	<u>(150,937)</u>
PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX			
		581,635	486,168
Zakat and tax		<u>(4,164)</u>	<u>(4,151)</u>
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX			
		<u>577,471</u>	<u>482,017</u>
Attributable to:			
Equity holders of the Bank		576,927	481,441
Non-controlling interest		<u>544</u>	<u>576</u>
		<u>577,471</u>	<u>482,017</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	<u><u>0.182</u></u>	<u><u>0.152</u></u>

The attached notes 1 to 40 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2017 (Unaudited)

		<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
	<i>Notes</i>		
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		577,471	482,017
Other comprehensive loss			
<i>Items that will not be reclassified to consolidated income statement</i>			
Net movement in valuation of investments carried at fair value through other comprehensive income	29	(177)	387
<i>Items that may be subsequently reclassified to consolidated income statement</i>			
Exchange differences arising on translation of foreign operations	29	(33,220)	(60,730)
(Loss) gain on hedge of foreign operations	29	(3,667)	6,274
Fair value gain on cash flow hedges	29	<u>2,378</u>	<u>6,648</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<u>(34,686)</u>	<u>(47,421)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>542,785</u>	<u>434,596</u>
Attributable to:			
Equity holders of the Bank		542,241	434,020
Non-controlling interest		<u>544</u>	<u>576</u>
		<u>542,785</u>	<u>434,596</u>

The attached notes 1 to 40 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017 (Unaudited)

		<i>31 March</i>	<i>Audited</i>
		<i>2017</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
ASSETS			
Cash and balances with central banks	13	20,582,147	19,778,339
Balances and wakala deposits with			
Islamic banks and other financial institutions	14	3,087,883	4,246,158
Murabaha and mudaraba with financial institutions	15	1,090,465	1,762,781
Murabaha and other Islamic financing	16	34,293,814	36,346,086
Ijara financing	17	43,041,923	41,864,436
Investment in Islamic sukuk measured at amortised cost	18	10,249,064	9,063,314
Investments measured at fair value	19	1,768,021	1,396,928
Investment in associates and joint ventures	20	755,581	753,541
Investment properties	21	1,205,161	1,207,991
Development properties	22	837,381	837,381
Other assets	23	3,250,659	2,695,667
Property and equipment		1,942,367	1,916,967
Goodwill and intangibles	24	<u>406,595</u>	<u>420,136</u>
TOTAL ASSETS		<u>122,511,061</u>	<u>122,289,725</u>
LIABILITIES			
Due to financial institutions	25	2,404,088	5,154,215
Depositors' accounts	26	101,004,624	98,813,752
Other liabilities	27	<u>3,100,923</u>	<u>2,863,117</u>
Total liabilities		<u>106,509,635</u>	<u>106,831,084</u>
EQUITY			
Share capital	28	3,168,000	3,168,000
Legal reserve		2,102,465	2,102,465
General reserve		1,494,721	1,494,721
Credit risk reserve		400,000	400,000
Retained earnings		3,063,849	2,487,099
Proposed dividend	38	776,782	776,782
Proposed dividend to charity		30,000	30,000
Other reserves	29	(718,277)	(683,768)
Tier 1 sukuk	30	<u>5,672,500</u>	<u>5,672,500</u>
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		15,990,040	15,447,799
Non-controlling interest		<u>11,386</u>	<u>10,842</u>
Total equity		<u>16,001,426</u>	<u>15,458,641</u>
TOTAL LIABILITIES AND EQUITY		<u>122,511,061</u>	<u>122,289,725</u>
CONTINGENT LIABILITIES AND COMMITMENTS	31	<u>12,488,705</u>	<u>12,296,629</u>

Chairman

Vice Chairman &
Acting Chief Executive Officer

The attached notes 1 to 40 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2017 (Unaudited)

	<i>Attributable to the equity and Tier 1 sukuk holders of the Bank</i>											
	<i>Share capital AED '000</i>	<i>Legal reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Credit risk reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Proposed dividend AED '000</i>	<i>Proposed dividend to charity AED '000</i>	<i>Other reserves AED '000</i>	<i>Tier 1 sukuk AED '000</i>	<i>Total AED '000</i>	<i>Non-controlling interest AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2017 - audited	3,168,000	2,102,465	1,494,721	400,000	2,487,099	776,782	30,000	(683,768)	5,672,500	15,447,799	10,842	15,458,641
Profit for the period	-	-	-	-	576,927	-	-	-	-	576,927	544	577,471
Other comprehensive loss	-	-	-	-	-	-	-	(34,686)	-	(34,686)	-	(34,686)
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	(177)	-	-	177	-	-	-	-
Balance at 31 March 2017 - unaudited	<u>3,168,000</u>	<u>2,102,465</u>	<u>1,494,721</u>	<u>400,000</u>	<u>3,063,849</u>	<u>776,782</u>	<u>30,000</u>	<u>(718,277)</u>	<u>5,672,500</u>	<u>15,990,040</u>	<u>11,386</u>	<u>16,001,426</u>
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	-	-	-	-	481,441	-	-	-	-	481,441	576	482,017
Other comprehensive loss	-	-	-	-	-	-	-	(47,421)	-	(47,421)	-	(47,421)
Movement in Tier 1 sukuk - Listed	-	-	-	-	-	-	-	-	466	466	-	466
Balance at 31 March 2016 - unaudited	<u>3,168,000</u>	<u>2,102,465</u>	<u>1,293,820</u>	<u>400,000</u>	<u>2,340,340</u>	<u>769,022</u>	<u>20,000</u>	<u>(266,978)</u>	<u>5,672,500</u>	<u>15,499,169</u>	<u>11,124</u>	<u>15,510,293</u>

The attached notes 1 to 40 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2017 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period		577,471	482,017
Adjustments for:			
Depreciation on investment properties	21	2,830	2,962
Depreciation on property and equipment		38,912	34,041
Amortisation of intangibles	24	13,541	13,689
Share of results of associates and joint ventures		(3,127)	(6,002)
Realised gains on sale of investments carried at fair value through profit or loss	6	(8,159)	(3,154)
Unrealised gain on investments carried at fair value through profit or loss	6	(7,226)	(10,481)
Provision for impairment, net	10	164,351	216,151
Gain on sale on investment properties		<u>-</u>	<u>(4,857)</u>
Operating profit before changes in operating assets and liabilities		778,593	724,366
Increase in balances with central banks		(2,556,093)	(506,113)
Increase in balances and wakala deposits with Islamic banks and other financial institutions		(266,619)	(1,230,063)
(Increase) decrease in murabaha and mudaraba with financial institutions		(401,154)	4,293
Decrease in murabaha and other Islamic financing		1,919,010	285,634
Increase in ijara financing		(1,202,238)	(409,066)
Purchase of investments carried at fair value through profit or loss		(3,228,344)	(2,839,526)
Proceeds from sale of investments carried at fair value through profit or loss		2,887,894	1,908,389
Increase in other assets		(554,992)	(233,704)
(Decrease) increase in due to financial institutions		(60,616)	11,794
Increase in depositors' accounts		2,189,411	1,065,174
Increase (decrease) in other liabilities		<u>207,870</u>	<u>(90,062)</u>
Net cash used in operating activities		<u>(287,278)</u>	<u>(1,308,884)</u>
INVESTING ACTIVITIES			
Net movement in investments carried at fair value through other comprehensive income		(15,435)	378
Net movement in investments carried at amortised cost		(1,192,088)	(86,369)
Proceeds from sale of investment properties		-	13,291
Purchase of property and equipment		<u>(64,312)</u>	<u>(43,431)</u>
Net cash used in investing activities		<u>(1,271,835)</u>	<u>(116,131)</u>
FINANCING ACTIVITIES			
Proceeds of own Tier 1 sukuk – Listed		-	466
Dividends paid		<u>(2,025)</u>	<u>(965)</u>
Net cash used in financing activities		<u>(2,025)</u>	<u>(499)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(1,561,138)	(1,425,514)
Cash and cash equivalents at 1 January		<u>6,945,518</u>	<u>9,484,193</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	33	<u>5,384,380</u>	<u>8,058,679</u>
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		<u>1,217,787</u>	<u>1,219,711</u>
Profit paid to depositors and sukuk holders		<u>88,794</u>	<u>113,776</u>

The attached notes 1 to 40 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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 82 branches in UAE (2016: 86 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 24 April 2017.

2 DEFINITIONS

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

Murabaha

A sale contract, in which the Group sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price 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

31 March 2017 (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

31 March 2017 (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	
			2017	2016
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 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (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 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016.

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:

IAS 7: Statement of Cash Flows (Amendment) was issued with the intention to improve disclosers of financing activities and help users to better understand reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their liabilities as a result of financing activities such as changes from cash flows and non-cash items. The amendment does not impact the consolidated financial statements of the Group.

IAS 12: Income Taxes (Amendment) clarifies the accounting treatment of deferred tax assets of Sukuk measured at fair value for accounting, but measured at cost for tax purposes. The amendment does not impact the consolidated financial statements of the Group.

Annual Improvements 2014-2016 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2017. The improvements did not impact the consolidated financial statements of the Group. They include:

IFRS 12 Disclosure of Interest in Other Entities (Amendment) clarifies that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendment does not impact the consolidated financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments

Recognition and Measurement

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

- Customer financing;
- Balances and wakala deposits Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; 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

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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 31 March 2017 AED ‘000</i>	<i>Three months ended 31 March 2016 AED ‘000</i>
Vehicle murabaha	79,725	87,320
Goods murabaha	61,310	108,058
Share murabaha	282,489	286,550
Commodities murabaha – Al Khair	100,980	86,307
Islamic covered cards (murabaha)	88,562	92,055
Other murabaha	<u>7,488</u>	<u>11,849</u>
Total murabaha	620,554	672,139
Mudaraba	12,013	12,116
Ijara	447,906	426,861
Istisna’a	<u>1,865</u>	<u>2,314</u>
	<u>1,082,338</u>	<u>1,113,430</u>

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6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Income from Islamic sukuk measured at fair value through profit or loss	11,698	10,693
Realised gain on sale of investments carried at fair value through profit or loss	8,159	3,154
Unrealised gain on investments carried at fair value through profit or loss	7,226	10,481
Income from other investment assets	<u>1,383</u>	<u>426</u>
	<u>28,466</u>	<u>24,754</u>

7 FEES AND COMMISSION INCOME, NET

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Fees and commission income		
Fees and commission income on cards	150,950	130,513
Trade related fees and commission	26,848	27,612
Accounts services fees	12,047	11,377
Projects and property management fees	17,004	18,783
Risk participation and arrangement fees	43,495	40,528
Brokerage fees and commission	10,624	12,607
Other fees and commissions	<u>100,939</u>	<u>82,053</u>
Total fees and commission income	<u>361,907</u>	<u>323,473</u>
Fees and commission expenses		
Card related fees and commission expenses	(92,921)	(89,809)
Other fees and commission expenses	<u>(43,616)</u>	<u>(16,781)</u>
Total fees and commission expenses	<u>(136,537)</u>	<u>(106,590)</u>
Fees and commission income, net	<u>225,370</u>	<u>216,883</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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8 EMPLOYEES' COSTS

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Salaries and wages	317,423	331,340
End of service benefits	15,570	18,107
Other staff expenses	<u>16,822</u>	<u>14,411</u>
	<u>349,815</u>	<u>363,858</u>

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Legal and professional expenses	41,352	40,360
Premises expenses	66,621	58,402
Marketing and advertising expenses	21,976	26,713
Communication expenses	15,703	18,714
Technology related expenses	34,077	25,264
Other operating expenses	<u>43,303</u>	<u>30,971</u>
	<u>223,032</u>	<u>200,424</u>

10 PROVISION FOR IMPAIRMENT, NET

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Murabaha and other Islamic financing	16 127,804	(50,986)
Ijara financing	17 24,751	257,879
Direct write-off	5,458	9,258
Investment measured at amortised cost	18 <u>6,338</u>	-
	<u>164,351</u>	<u>216,151</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	<i>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Saving accounts	40,939	36,940
Investment accounts	99,389	96,644
Sukuk holders	<u>-</u>	<u>17,353</u>
	<u>140,328</u>	<u>150,937</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>Three months ended 31 March 2017</i>	<i>Three months ended 31 March 2016</i>
Profit for the period attributable to equity holders (AED '000)	<u>576,927</u>	<u>481,441</u>
Weighted average number of ordinary shares in issue (000's)	<u>3,168,000</u>	<u>3,168,000</u>
Basic and diluted earnings per share (AED)	<u>0.182</u>	<u>0.152</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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

13 CASH AND BALANCES WITH CENTRAL BANKS

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Cash on hand	1,989,211	1,745,906
Balances with central banks:		
- Current accounts	964,525	860,295
- Statutory reserve	11,225,627	11,071,193
- Islamic certificate of deposits	<u>6,402,784</u>	<u>6,100,945</u>
	<u>20,582,147</u>	<u>19,778,339</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>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
UAE	19,274,743	18,613,626
Rest of the Middle East	1,212,297	1,077,353
Europe	631	656
Others	<u>94,476</u>	<u>86,704</u>
	<u>20,582,147</u>	<u>19,778,339</u>

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Current accounts	226,771	277,485
Wakala deposits	<u>2,861,112</u>	<u>3,968,673</u>
	<u>3,087,883</u>	<u>4,246,158</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

31 March 2017 (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>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
UAE	1,719,648	2,132,487
Rest of the Middle East	138,549	784,535
Europe	103,227	113,844
Others	<u>1,126,459</u>	<u>1,215,292</u>
	<u>3,087,883</u>	<u>4,246,158</u>

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Murabaha	1,153,553	1,570,407
Mudaraba	<u>1,841</u>	<u>257,303</u>
	1,155,394	1,827,710
Less: provision for impairment	<u>(64,929)</u>	<u>(64,929)</u>
	<u>1,090,465</u>	<u>1,762,781</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>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
At the beginning of the period	64,929	194,740
Reversal for the period	-	(23,330)
Written-off during the period	<u>-</u>	<u>(106,481)</u>
At the end of the period	<u>64,929</u>	<u>64,929</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (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>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
UAE	925,534	1,561,341
Rest of the Middle East	209,736	228,153
Europe	18,283	9,066
Others	<u>1,841</u>	<u>29,150</u>
	<u>1,155,394</u>	<u>1,827,710</u>

16 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Vehicle murabaha	6,289,466	6,544,017
Goods murabaha	6,058,033	6,788,344
Share murabaha	17,593,644	18,369,604
Commodities murabaha – Al Khair	8,319,249	8,277,850
Islamic covered cards (murabaha)	16,285,872	16,540,838
Other murabaha	<u>1,865,811</u>	<u>2,032,171</u>
Total murabaha	56,412,075	58,552,824
Mudaraba	621,607	1,128,518
Istisna'a	135,510	136,097
Other financing receivables	<u>309,032</u>	<u>245,146</u>
Total murabaha and other Islamic financing	57,478,224	60,062,585
Less: deferred income on murabaha	<u>(21,465,484)</u>	<u>(21,894,730)</u>
	36,012,740	38,167,855
Less: provision for impairment	<u>(1,718,926)</u>	<u>(1,821,769)</u>
	<u>34,293,814</u>	<u>36,346,086</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	31 March 2017			Audited 31 December 2016		
	<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	853,154	968,615	1,821,769	693,670	1,167,180	1,860,850
Charge (reversals) for the period (note 10)	152,767	(24,963)	127,804	954,201	(198,565)	755,636
Other adjustments	-	(124,900)	(124,900)	-	-	-
Written off during the period	(105,747)	-	(105,747)	(794,717)	-	(794,717)
At the end of the period	<u>900,174</u>	<u>818,752</u>	<u>1,718,926</u>	<u>853,154</u>	<u>968,615</u>	<u>1,821,769</u>

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

	31 March	Audited 31 December
	2017	2016
	AED '000	AED '000
Industry sector:		
Public sector	703,098	674,674
Corporates	4,517,188	6,275,968
Financial institutions	165,941	162,150
Individuals	29,595,645	29,868,184
Small and medium enterprises	<u>1,030,868</u>	<u>1,186,879</u>
	<u>36,012,740</u>	<u>38,167,855</u>
Geographic region:		
UAE	34,506,630	36,641,855
Rest of the Middle East	970,664	950,297
Europe	204,038	201,865
Others	<u>331,408</u>	<u>373,838</u>
	<u>36,012,740</u>	<u>38,167,855</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17 IJARA FINANCING

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	8,659,624	8,952,793
Due in the second to fifth year	25,262,184	22,046,466
Due after five years	<u>26,428,675</u>	<u>26,041,455</u>
Total ijara financing	60,350,483	57,040,714
Less: deferred income	<u>(15,948,418)</u>	<u>(13,839,384)</u>
Net present value of minimum lease payments receivable	44,402,065	43,201,330
Less: provision for impairment	<u>(1,360,142)</u>	<u>(1,336,894)</u>
	<u>43,041,923</u>	<u>41,864,436</u>

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

	<i>31 March 2017</i>			<i>Audited 31 December 2016</i>		
	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>
At the beginning of the period	409,186	927,708	1,336,894	287,041	847,248	1,134,289
Charge (reversals) for the period (note 10)	34,375	(9,624)	24,751	132,474	80,460	212,934
Written off during the period	<u>(1,503)</u>	<u>-</u>	<u>(1,503)</u>	<u>(10,329)</u>	<u>-</u>	<u>(10,329)</u>
At the end of the period	<u>442,058</u>	<u>918,084</u>	<u>1,360,142</u>	<u>409,186</u>	<u>927,708</u>	<u>1,336,894</u>

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Industry sector:		
Government	377,001	-
Public sector	4,786,935	4,930,758
Corporates	19,710,753	19,224,881
Individuals	19,050,549	18,462,404
Small and medium enterprises	234,671	280,753
Non-profit organisations	<u>242,156</u>	<u>302,534</u>
	<u>44,402,065</u>	<u>43,201,330</u>

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31 March 2017 (Unaudited)

17 IJARA FINANCING continued

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Geographic region:		
UAE	42,187,560	41,098,110
Rest of the Middle East	1,203,913	1,066,435
Europe	324,578	321,811
Others	<u>686,014</u>	<u>714,974</u>
	<u>44,402,065</u>	<u>43,201,330</u>

18 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Sukuk	<u>10,249,064</u>	<u>9,063,314</u>

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
At the beginning of the period	98,277	98,277
Charge for the period (note 10)	<u>6,338</u>	<u>-</u>
At the end of the period	<u>104,615</u>	<u>98,277</u>

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

UAE	7,622,284	6,685,617
Rest of the Middle East	1,379,992	1,295,254
Europe	92,901	92,284
Others	<u>1,258,502</u>	<u>1,088,436</u>
	<u>10,353,679</u>	<u>9,161,591</u>

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19 INVESTMENTS MEASURED AT FAIR VALUE

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	1,880	244
Sukuk	<u>1,617,429</u>	<u>1,263,230</u>
	<u>1,619,309</u>	<u>1,263,474</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	<u>756</u>	<u>756</u>
Unquoted investments		
Funds	54,910	52,088
Private equities	<u>93,046</u>	<u>80,610</u>
	<u>147,956</u>	<u>132,698</u>
	<u>148,712</u>	<u>133,454</u>
	<u>1,768,021</u>	<u>1,396,928</u>
The distribution of the gross investments by geographic region was as follows:		
UAE	1,088,605	909,689
Rest of the Middle East	104,717	84,038
Europe	161	159
Others	<u>574,538</u>	<u>403,042</u>
	<u>1,768,021</u>	<u>1,396,928</u>

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Investment in associates and joint ventures	<u>755,581</u>	<u>753,541</u>

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20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

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

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<i>2017</i> %	<i>2016</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

21 INVESTMENT PROPERTIES

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

	<i>31 March</i> <i>2017</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED '000</i>
Cost:		
Gross balance at the beginning of the period	1,291,643	316,237
Transfer from other assets	-	994,485
Disposals	<u>-</u>	<u>(19,079)</u>
Gross balance at the end of the period	1,291,643	1,291,643
Less: provision for impairment	<u>(28,188)</u>	<u>(28,188)</u>
Net balance at the end of the period	<u>1,263,455</u>	<u>1,263,455</u>
Accumulated depreciation:		
Balance at the beginning of the period	55,464	46,791
Charge for the period	2,830	11,749
Relating to disposals	<u>-</u>	<u>(3,076)</u>
Balance at the end of the period	<u>58,294</u>	<u>55,464</u>
Net book value at the end of the period	<u>1,205,161</u>	<u>1,207,991</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 4,146 thousand (31 March 2016: AED 3,834 thousand) for the three months period ended 31 March 2017.

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21 INVESTMENT PROPERTIES continued

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Balance at the beginning of the period	28,188	23,325
Charge for the period	-	4,981
Relating to disposal	<u>-</u>	<u>(118)</u>
Balance at the end of the period	<u>28,188</u>	<u>28,188</u>

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

UAE	1,225,135	1,227,965
Rest of the Middle East	<u>8,214</u>	<u>8,214</u>
	<u>1,233,349</u>	<u>1,236,179</u>

22 DEVELOPMENT PROPERTIES

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 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 (2016: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23 OTHER ASSETS

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Advances against purchase of properties	46,289	129,336
Acceptances	279,780	283,804
Assets acquired in satisfaction of claims	299,094	295,193
Trade receivables	357,090	278,580
Prepaid expenses	809,242	736,798
Accrued profit	198,882	128,046
Advance to contractors	22,233	17,000
Advance for investment	183,625	183,625
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	1,045	-
Others	<u>1,086,321</u>	<u>676,227</u>
	3,283,601	2,728,609
Less: provision for impairment	<u>(32,942)</u>	<u>(32,942)</u>
	<u>3,250,659</u>	<u>2,695,667</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 2017 - audited	-	-	7,809	25,133	32,942
Charge for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2017 - unaudited	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>7,809</u></u>	<u><u>25,133</u></u>	<u><u>32,942</u></u>
At 1 January 2016 - audited	255,810	-	10,950	23,883	290,643
Charge for the year	-	16,651	-	1,250	17,901
Written off during the year	<u>(255,810)</u>	<u>(16,651)</u>	<u>(3,141)</u>	<u>-</u>	<u>(275,602)</u>
At 31 December 2016 - audited	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>7,809</u></u>	<u><u>25,133</u></u>	<u><u>32,942</u></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

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24 GOODWILL AND INTANGIBLES

	<i>Other intangible assets</i>			<i>Total</i> AED '000
	<i>Goodwill</i> AED '000	<i>Customer relationships</i> AED '000	<i>Core deposit</i> AED '000	
At 1 January 2017 - audited	109,888	258,397	51,851	420,136
Amortisation during the period	<u>-</u>	<u>(11,284)</u>	<u>(2,257)</u>	<u>(13,541)</u>
At 31 March 2017 - unaudited	<u>109,888</u>	<u>247,113</u>	<u>49,594</u>	<u>406,595</u>
At 1 January 2016 - audited	109,888	303,997	61,007	474,892
Amortisation during the year	<u>-</u>	<u>(45,600)</u>	<u>(9,156)</u>	<u>(54,756)</u>
At 31 December 2016 - audited	<u>109,888</u>	<u>258,397</u>	<u>51,851</u>	<u>420,136</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>31 March</i> <i>2017</i> AED '000	<i>Audited</i> <i>31 December</i> <i>2016</i> AED '000
Current accounts	960,342	1,027,616
Investment deposits	<u>1,272,143</u>	<u>3,758,330</u>
	2,232,485	4,785,946
Current account – Central Bank of UAE	<u>171,603</u>	<u>368,269</u>
	<u>2,404,088</u>	<u>5,154,215</u>

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26 DEPOSITORS' ACCOUNTS

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Current accounts	32,997,677	31,225,114
Investment accounts	67,533,789	67,134,219
Profit equalisation reserve	<u>473,158</u>	<u>454,419</u>
	<u>101,004,624</u>	<u>98,813,752</u>

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

At the beginning of the period	454,419	394,364
Share of profit for the period	<u>18,739</u>	<u>60,055</u>
At the end of the period	<u>473,158</u>	<u>454,419</u>

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Government	6,812,024	6,695,441
Public sector	6,164,579	8,506,133
Corporates	15,757,640	16,248,174
Financial institutions	1,027,533	694,197
Individuals	55,144,095	53,105,753
Small and medium enterprises	13,113,982	10,638,653
Non-profit organisations	<u>2,984,771</u>	<u>2,925,401</u>
	<u>101,004,624</u>	<u>98,813,752</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).

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27 OTHER LIABILITIES

	<i>31 March</i> <i>2017</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED '000</i>
Accounts payable	460,349	406,128
Acceptances	279,780	283,804
Accrued profit for distribution to depositors and sukuk holders	270,528	237,733
Bankers' cheques	498,913	461,617
Provision for staff benefits and other expenses	402,201	364,029
Retentions payable	29,799	28,889
Advances from customers	135,697	187,492
Accrued expenses	333,995	269,299
Unclaimed dividends	112,842	114,867
Deferred income	159,201	164,995
Charity account	6,573	5,873
Donation account	3,902	7,206
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	-	1,645
Others	<u>407,143</u>	<u>329,540</u>
	<u>3,100,923</u>	<u>2,863,117</u>

28 SHARE CAPITAL

	<i>31 March</i> <i>2017</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED '000</i>
<i>Authorised share capital:</i>		
4,000,000 thousand (2016: 4,000,000 thousand) ordinary shares of AED 1 each (2016: AED 1 each)	<u>4,000,000</u>	<u>4,000,000</u>
<i>Issued and fully paid share capital:</i>		
3,168,000 thousand (2016: 3,168,000 thousand) ordinary shares of AED 1 each (2016: AED 1 each)	<u>3,168,000</u>	<u>3,168,000</u>

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29 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 2017 - audited	(163,080)	192,700	(711,664)	(1,724)	(683,768)
Net movement in valuation of investment carried at FVTOCI	(177)	-	-	-	(177)
Loss on disposal of investments carried at FVTOCI	177	-	-	-	177
Exchange differences arising on translation of foreign operations, net	-	-	(33,220)	-	(33,220)
Loss on hedge of foreign operations	-	-	(3,667)	-	(3,667)
Fair value gain on cash flow hedges	-	-	-	2,378	2,378
At 31 March 2017 - unaudited	(163,080)	192,700	(748,551)	654	(718,277)
At 1 January 2016 - audited	(154,787)	143,000	(196,113)	(11,657)	(219,557)
Net movement in valuation of investment carried at FVTOCI	387	-	-	-	387
Exchange differences arising on translation of foreign operations, net	-	-	(60,730)	-	(60,730)
Gain on hedge of foreign operations	-	-	6,274	-	6,274
Fair value gain on cash flow hedges	-	-	-	6,648	6,648
At 31 March 2016 - unaudited	(154,400)	143,000	(250,569)	(5,009)	(266,978)

30 TIER 1 SUKUK

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
Tier 1 sukuk – Listed	3,672,500	3,672,500
Tier 1 sukuk – Government of Abu Dhabi	2,000,000	2,000,000
	5,672,500	5,672,500

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. 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.

30 TIER 1 SUKUK continued

Tier 1 sukuk – Listed continued

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.

31 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.

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31 CONTINGENT LIABILITIES AND COMMITMENTS continued

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

	<i>31 March 2017 AED '000</i>	<i>Audited 31 December 2016 AED '000</i>
<i>Contingent liabilities</i>		
Letters of credit	2,144,532	2,025,680
Letters of guarantee	<u>9,757,291</u>	<u>9,747,282</u>
	<u>11,901,823</u>	<u>11,772,962</u>
<i>Commitments</i>		
Undrawn facilities commitments	440,770	386,939
Future capital expenditure	134,750	125,292
Investment and development properties	<u>11,362</u>	<u>11,436</u>
	<u>586,882</u>	<u>523,667</u>
	<u>12,488,705</u>	<u>12,296,629</u>

32 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.

33 CASH AND CASH EQUIVALENTS

	<i>31 March 2017 AED '000</i>	<i>31 March 2016 AED '000</i>
Cash and balances with central banks, short term	6,454,456	8,857,430
Balances and wakala deposits with Islamic banks and other financial institutions, short term	1,042,576	1,267,248
Murabaha and mudaraba with financial institutions, short term	236,436	398,685
Due to financial institutions, short term	<u>(2,349,088)</u>	<u>(2,464,684)</u>
	<u>5,384,380</u>	<u>8,058,679</u>

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34 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. During last year, related party financing were renegotiated based on terms approved by the Board of Directors. 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>
31 March 2017 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>3,590</u>	<u>-</u>	<u>3,590</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>16,516</u>	<u>116</u>	<u>-</u>	<u>21,361</u>	<u>37,993</u>
Fees and commission income, net	<u>-</u>	<u>25</u>	<u>53</u>	<u>487</u>	<u>565</u>
Operating expenses	<u>-</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>108</u>
Distribution to depositors and sukuk holders	<u>-</u>	<u>15</u>	<u>127</u>	<u>69</u>	<u>211</u>
31 March 2016 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>1,863</u>	<u>-</u>	<u>1,863</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>12,260</u>	<u>117</u>	<u>50</u>	<u>21,838</u>	<u>34,265</u>
Fees and commission income, net	<u>-</u>	<u>4</u>	<u>173</u>	<u>848</u>	<u>1,025</u>
Operating expenses	<u>-</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>93</u>
Distribution to depositors and sukuk holders	<u>-</u>	<u>12</u>	<u>110</u>	<u>87</u>	<u>209</u>

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 6% (2016: 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 (2016: 0% to 0.8% per annum).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

34 RELATED PARTY TRANSACTIONS continued

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
31 March 2017 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,088,874	-	1,088,874
Murabaha and mudaraba with financial institutions	-	-	145,031	-	145,031
Murabaha, mudaraba, ijara and other Islamic financing	2,614,116	11,287	-	3,547,106	6,172,509
Other assets	-	-	68,685	185,691	254,376
	<u>2,614,116</u>	<u>11,287</u>	<u>1,302,590</u>	<u>3,732,797</u>	<u>7,660,790</u>
Due to financial institutions	-	-	25,582	-	25,582
Depositors' accounts	58,137	27,364	112,739	90,383	288,623
Other liabilities	-	-	18	2,123	2,141
	<u>58,137</u>	<u>27,364</u>	<u>138,339</u>	<u>92,506</u>	<u>316,346</u>
31 December 2016 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,087,153	-	1,087,153
Murabaha and Mudaraba with financial institutions	-	-	163,765	-	163,765
Murabaha, mudaraba, ijara and other Islamic financing	2,641,162	11,346	-	3,542,427	6,194,935
Other assets	-	-	63,065	185,913	248,978
	<u>2,641,162</u>	<u>11,346</u>	<u>1,313,983</u>	<u>3,728,340</u>	<u>7,694,831</u>
Due to financial institutions	-	-	47,457	-	47,457
Depositors' accounts	125,620	31,890	119,106	137,267	413,883
Other liabilities	-	-	24	2,513	2,537
	<u>125,620</u>	<u>31,890</u>	<u>166,587</u>	<u>139,780</u>	<u>463,877</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>Three months ended 31 March 2017 AED '000</i>	<i>Three months ended 31 March 2016 AED '000</i>
Salaries and other benefits	7,513	7,519
Employees' end of service benefits	909	837
	<u>8,422</u>	<u>8,356</u>

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31 March 2017 (Unaudited)

34 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 2016 amounting to AED 4,900 thousand was approved by the shareholders at the Annual General Assembly held on 2nd April 2017. During 2016, AED 4,200 thousand was paid to Board of Directors pertaining to the year ended 31 December 2015 after the approval by the shareholders in the Annual General Assembly held on 21 April 2016.

35 SEGMENT INFORMATION

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

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

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

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

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

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

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
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35 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>
31 March 2017 - unaudited							
Revenue and results							
Segment revenues, net	835,827	339,272	30,547	135,358	24,423	8,689	1,374,116
Operating expenses excluding provision for impairment, net	<u>(430,601)</u>	<u>(94,819)</u>	<u>(12,724)</u>	<u>(10,187)</u>	<u>(20,380)</u>	<u>(63,583)</u>	<u>(632,294)</u>
Operating profit (margin)	405,226	244,453	17,823	125,171	4,043	(54,894)	741,822
Provision for impairment, net	<u>(145,063)</u>	<u>(7,986)</u>	<u>(938)</u>	-	-	<u>(10,364)</u>	<u>(164,351)</u>
Profit (loss) for the period	<u>260,163</u>	<u>236,467</u>	<u>16,885</u>	<u>125,171</u>	<u>4,043</u>	<u>(65,258)</u>	<u>577,471</u>
Non-controlling interest	-	-	-	-	-	(544)	(544)
Profit (loss) for the period attributable to equity holders of the Bank	<u>260,163</u>	<u>236,467</u>	<u>16,885</u>	<u>125,171</u>	<u>4,043</u>	<u>(65,802)</u>	<u>576,927</u>
Assets							
Segmental assets	<u>55,688,198</u>	<u>34,651,917</u>	<u>2,690,635</u>	<u>19,285,690</u>	<u>2,604,926</u>	<u>7,589,695</u>	<u>122,511,061</u>
Liabilities							
Segmental liabilities	<u>64,355,434</u>	<u>26,373,958</u>	<u>3,021,605</u>	<u>8,644,662</u>	<u>291,041</u>	<u>3,822,935</u>	<u>106,509,635</u>
31 March 2016 - unaudited							
Revenue and results							
Segment revenues, net	811,143	305,185	32,531	182,718	29,773	(44,057)	1,317,293
Operating expenses excluding provision for impairment, net	<u>(425,577)</u>	<u>(94,613)</u>	<u>(13,928)</u>	<u>(11,017)</u>	<u>(21,046)</u>	<u>(52,944)</u>	<u>(619,125)</u>
Operating profit (margin)	385,566	210,572	18,603	171,701	8,727	(97,001)	698,168
Provision for impairment, net	<u>(122,908)</u>	<u>(78,698)</u>	<u>2,450</u>	-	-	<u>(16,995)</u>	<u>(216,151)</u>
Profit (loss) for the period	<u>262,658</u>	<u>131,874</u>	<u>21,053</u>	<u>171,701</u>	<u>8,727</u>	<u>(113,996)</u>	<u>482,017</u>
Non-controlling interest	-	-	-	-	-	(576)	(576)
Profit (loss) for the period attributable to equity holders of the Bank	<u>262,658</u>	<u>131,874</u>	<u>21,053</u>	<u>171,701</u>	<u>8,727</u>	<u>(114,572)</u>	<u>481,441</u>
31 December 2016 - audited							
Assets							
Segmental assets	<u>54,865,153</u>	<u>35,469,626</u>	<u>2,536,021</u>	<u>19,368,458</u>	<u>2,680,915</u>	<u>7,369,552</u>	<u>122,289,725</u>
Liabilities							
Segmental liabilities	<u>60,059,215</u>	<u>27,971,848</u>	<u>2,702,223</u>	<u>12,102,311</u>	<u>349,531</u>	<u>3,645,956</u>	<u>106,831,084</u>

Geographical information

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates 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.

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36 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 31 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> 31 March 2017 AED '000	<i>Audited</i> 31 December 2016 AED '000	<i>Audited</i> 31 March 2017 AED '000	<i>Audited</i> 31 December 2016 AED '000	<i>Audited</i> 31 March 2017 AED '000	<i>Audited</i> 31 December 2016 AED '000	<i>Audited</i> 31 March 2017 AED '000	<i>Audited</i> 31 December 2016 AED '000	<i>Audited</i> 31 March 2017 AED '000	<i>Audited</i> 31 December 2016 AED '000
Individually impaired										
Substandard	-	-	-	-	480,367	691,864	659,439	559,457	-	-
Doubtful	-	-	-	-	634,927	556,356	641,538	671,012	-	12,802
Loss	-	-	64,929	64,929	534,255	483,614	387,604	277,741	104,615	91,813
Gross amount	-	-	64,929	64,929	1,649,549	1,731,834	1,688,581	1,508,210	104,615	104,615
Provision for individual impairment	-	-	(64,929)	(64,929)	(900,174)	(853,154)	(442,058)	(409,186)	(104,615)	(98,277)
	-	-	-	-	749,375	878,680	1,246,523	1,099,024	-	6,338
Past due but not impaired										
Less than 90 days	-	-	-	-	242,994	445,261	364,871	296,228	-	-
More than 90 days	-	-	-	-	128,798	102,073	484,520	353,044	-	-
	-	-	-	-	371,792	547,334	849,391	649,272	-	-
Neither past due nor impaired	3,087,883	4,246,158	1,090,465	1,762,781	33,991,399	35,888,687	41,864,093	41,043,848	10,249,064	9,056,976
Collective allowance for impairment	-	-	-	-	(818,752)	(968,615)	(918,084)	(927,708)	-	-
Carrying amount	3,087,883	4,246,158	1,090,465	1,762,781	34,293,814	36,346,086	43,041,923	41,864,436	10,249,064	9,063,314

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37 CAPITAL ADEQUACY RATIO

The table below summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 31 March 2017 and 31 December 2016 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>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>AED '000</i>	<i>AED '000</i>
<i>Tier 1 capital</i>		
Share capital	3,168,000	3,168,000
Legal reserve	2,085,788	2,085,788
General reserve	1,472,760	1,472,760
Credit risk reserve	400,000	400,000
Retained earnings	3,013,751	2,469,256
Proposed dividends	776,782	776,782
Proposed dividends to charity	30,000	30,000
Foreign currency translation reserve	(715,804)	(711,172)
Tier 1 sukuk	5,672,500	5,672,500
Non-controlling interest	<u>11,386</u>	<u>10,842</u>
	15,915,163	15,374,756
Goodwill and intangibles	(406,595)	(420,136)
Deductions for Tier 1 capital	<u>(377,791)</u>	<u>(376,770)</u>
Total Tier 1	<u>15,130,777</u>	<u>14,577,850</u>
<i>Tier 2 capital</i>		
Cumulative changes in fair value and hedging reserve	(106,437)	(108,815)
Collective impairment provision for financing assets	<u>1,098,330</u>	<u>1,119,311</u>
	991,893	1,010,496
Deductions for Tier 2 capital	<u>(377,790)</u>	<u>(376,771)</u>
Total Tier 2	<u>614,103</u>	<u>633,725</u>
Total capital base	<u>15,744,880</u>	<u>15,211,575</u>
<i>Risk weighted assets</i>		
Credit risk	87,866,385	89,544,880
Market risk	2,218,035	1,802,581
Operational risk	<u>9,259,729</u>	<u>8,402,813</u>
Total risk weighted assets	<u>99,344,149</u>	<u>99,750,274</u>
<i>Capital ratios</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>15.85%</u>	<u>15.25%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>15.23%</u>	<u>14.61%</u>

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38 DIVIDENDS

Cash dividend of 24.52% of the paid up capital relating to year ended 31 December 2016 amounting to AED 776,782 thousand was approved by the shareholders in the Annual General Assembly held on 2nd April 2017.

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

39 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.

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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40 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
31 March 2017 - 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>				
Equities	1,880	-	-	1,880
Sukuk	<u>1,617,429</u>	<u>-</u>	<u>-</u>	<u>1,617,429</u>
	<u>1,619,309</u>	<u>-</u>	<u>-</u>	<u>1,619,309</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>756</u>	<u>-</u>	<u>-</u>	<u>756</u>
<i>Unquoted investments</i>				
Funds	-	-	54,910	54,910
Private equities	<u>-</u>	<u>-</u>	<u>93,046</u>	<u>93,046</u>
	<u>-</u>	<u>-</u>	<u>147,956</u>	<u>147,956</u>
	<u>756</u>	<u>-</u>	<u>147,956</u>	<u>148,712</u>
Shari'a compliant alternatives of swap (note 23)	<u>-</u>	<u>1,045</u>	<u>-</u>	<u>1,045</u>
Assets for which fair values are disclosed:				
Investment properties	<u>-</u>	<u>-</u>	<u>1,595,972</u>	<u>1,595,972</u>
Investment carried at amortised cost- Sukuk	<u>10,191,061</u>	<u>-</u>	<u>282,000</u>	<u>10,473,061</u>
31 December 2016 - audited				
Assets and liabilities measured at fair value:				
Financial assets				
<i>Investments carried at fair value through profit or loss</i>				
Equities	244	-	-	244
Sukuk	<u>1,263,230</u>	<u>-</u>	<u>-</u>	<u>1,263,230</u>
	<u>1,263,474</u>	<u>-</u>	<u>-</u>	<u>1,263,474</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	<u>756</u>	<u>-</u>	<u>-</u>	<u>756</u>
<i>Unquoted investments</i>				
Funds	-	-	52,088	52,088
Private equities	<u>-</u>	<u>-</u>	<u>80,610</u>	<u>80,610</u>
	<u>-</u>	<u>-</u>	<u>132,698</u>	<u>132,698</u>
	<u>756</u>	<u>-</u>	<u>132,698</u>	<u>133,454</u>
Financial liabilities				
Shari'a compliant alternatives of swap (note 27)	<u>-</u>	<u>1,645</u>	<u>-</u>	<u>1,645</u>
Assets for which fair values are disclosed:				
Investment properties	<u>-</u>	<u>-</u>	<u>1,595,972</u>	<u>1,595,972</u>
Investment carried at amortised cost- Sukuk	<u>8,944,315</u>	<u>-</u>	<u>282,000</u>	<u>9,226,315</u>

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

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40 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

	<i>31 March</i> <i>2017</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED '000</i>
At the beginning of the period	132,698	182,857
Net additions (disposals)	15,435	(37,860)
Loss recorded in equity	<u>(177)</u>	<u>(12,299)</u>
At the end of the period	<u>147,956</u>	<u>132,698</u>