Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2018 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018 (unaudited)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2018, comprising of the interim consolidated statement of financial position as at 30 September 2018 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

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

22 October 2018
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT
Three months and nine months ended 30 September 2018 (Unaudited)

	Notes	*Three months ended 30 September* 2018 AED '000	*Three months ended 30 September* 2017 AED '000	*Nine months ended 30 September* 2018 AED '000	*Nine months ended 30 September* 2017 AED '000
OPERATING INCOME					
Income from murabaha, mudaraba and wakala with financial institutions		**20,371**	15,200	**70,755**	41,624
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**1,119,663**	1,097,573	**3,248,693**	3,221,453
Income from Islamic sukuk measured at amortised cost		**89,334**	95,831	**244,622**	276,037
Income from investments measured at fair value	6	**25,650**	18,466	**82,692**	67,482
Share of results of associates and joint ventures		**8,241**	8,127	**32,176**	21,485
Fees and commission income, net	7	**266,432**	247,991	**744,174**	747,018
Foreign exchange income		**78,535**	65,679	**197,915**	213,947
Income from investment properties		**(506)**	24,173	**4,746**	33,822
Other income		**6,575**	164	**19,230**	10,025
		1,614,295	1,573,204	**4,645,003**	4,632,893
OPERATING EXPENSES					
Employees' costs	8	**(387,025)**	(354,568)	**(1,111,304)**	(1,054,056)
General and administrative expenses	9	**(196,830)**	(200,645)	**(591,007)**	(645,840)
Depreciation		**(64,965)**	(40,396)	**(167,495)**	(123,869)
Amortisation of intangibles	24	**(13,800)**	(13,800)	**(40,951)**	(40,992)
Provision for impairment, net	10	**(171,749)**	(242,677)	**(486,971)**	(623,446)
		(834,369)	(852,086)	**(2,397,728)**	(2,488,203)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		**779,926**	721,118	**2,247,275**	2,144,690
Distribution to depositors	11	**(188,953)**	(150,898)	**(490,865)**	(428,489)
PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX		**590,973**	570,220	**1,756,410**	1,716,201
Zakat and tax		**(1,505)**	(6,337)	**(3,899)**	(23,245)
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		**589,468**	563,883	**1,752,511**	1,692,956
Attributable to:					
Equity holders of the Bank		**589,336**	563,625	**1,752,038**	1,691,864
Non-controlling interest		**132**	258	**473**	1,092
		589,468	563,883	**1,752,511**	1,692,956
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	**0.186**	0.178	**0.503**	0.485

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Three months and nine months ended 30 September 2018 (Unaudited)

		Three months ended 30 September		*Nine months ended 30 September*	
		2018	*2017*	***2018***	*2017*
	Notes	***AED '000***	*AED '000*	***AED '000***	*AED '000*
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		**589,468**	563,883	**1,752,511**	1,692,956
Other comprehensive loss					
Items that will not be reclassified to consolidated income statement					
Net movement on valuation of investments carried at fair value through other comprehensive income	29	**(7,276)**	(186)	**(8,969)**	(363)
Directors' remuneration paid	34	**-**	-	**(4,900)**	(4,900)
Items that may be subsequently reclassified to consolidated income statement					
Net movement in valuation of investment in Islamic sukuk carried at fair value through other comprehensive income	29	**(2,936)**	-	**(36,245)**	-
Exchange differences arising on translation of foreign operations	29	**(702)**	9,480	**(78,976)**	(12,822)
Gain (loss) on hedge of foreign operations	29	**4,288**	(11,178)	**12,657**	(29,581)
Fair value gain (loss) on cash flow hedge	29	**2,679**	(185)	**(275)**	1,656
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(3,947)**	(2,069)	**(116,708)**	(46,010)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**585,521**	561,814	**1,635,803**	1,646,946
Attributable to:					
Equity holders of the Bank		**585,389**	561,556	**1,635,330**	1,645,854
Non-controlling interest		**132**	258	**473**	1,092
		585,521	561,814	**1,635,803**	1,646,946

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018 (Unaudited)

	Notes	*30 September 2018 AED '000*	*Audited 31 December 2017 AED '000*
ASSETS			
Cash and balances with central banks	13	**17,034,753**	21,467,205
Balances and wakala deposits with Islamic banks and other financial institutions	14	**4,076,630**	2,765,903
Murabaha and mudaraba with financial institutions	15	**2,535,324**	2,125,249
Murabaha and other Islamic financing	16	**33,910,196**	33,249,315
Ijara financing	17	**44,519,779**	43,280,319
Investment in Islamic sukuk measured at amortised cost	18	**10,196,511**	10,052,028
Investments measured at fair value	19	**2,904,401**	1,526,490
Investment in associates and joint ventures	20	**1,012,083**	988,788
Investment properties	21	**1,092,231**	1,093,383
Development properties	22	**837,381**	837,381
Other assets	23	**3,681,823**	3,463,518
Property and equipment		**2,164,262**	2,062,677
Goodwill and intangibles	24	**324,392**	365,343
TOTAL ASSETS		**124,289,766**	123,277,599
LIABILITIES			
Due to financial institutions	25	**2,353,676**	3,688,558
Depositors' accounts	26	**98,502,841**	100,003,619
Other liabilities	27	**3,571,572**	3,012,258
Tier 1 sukuk – Listed (first issue)	30	**3,672,500**	-
Total liabilities		**108,100,589**	106,704,435
EQUITY			
Share capital	28	**3,168,000**	3,168,000
Legal reserve		**2,102,465**	2,102,465
General reserve		**1,716,447**	1,716,447
Credit risk reserve		**400,000**	400,000
Retained earnings		**4,870,367**	3,301,713
Proposed dividend	37	-	914,530
Proposed dividend to charity		-	29,230
Other reserves	29	**(833,011)**	(743,182)
Tier 1 sukuk	30	**4,754,375**	5,672,500
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		**16,178,643**	16,561,703
Non-controlling interest		**10,534**	11,461
Total equity		**16,189,177**	16,573,164
TOTAL LIABILITIES AND EQUITY		**124,289,766**	123,277,599
CONTINGENT LIABILITIES AND COMMITMENTS	31	**11,254,832**	12,635,809

Vice Chairman &
Acting Chief Executive Officer

Director

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2018 (Unaudited)

		Attributable to the equity and Tier 1 sukuk holders of the Bank											
	Notes	*Share capital AED '000*	*Legal reserve AED '000*	*General reserve AED '000*	*Credit risk reserve AED '000*	*Retained earnings AED '000*	*Proposed dividend AED '000*	*Proposed dividend to charity AED '000*	*Other reserves AED '000*	*Tier 1 sukuk AED '000*	*Total AED '000*	*Non-controlling interest AED '000*	*Total equity AED '000*
Balance at 1 January 2018 - audited		3,168,000	2,102,465	1,716,447	400,000	3,301,713	914,530	29,230	(743,182)	5,672,500	16,561,703	11,461	16,573,164
Transition adjustment on adoption of IFRS 9 (note 4)	4	-	-	-	-	(588)	-	-	21,979	-	21,391	-	21,391
Balance at 1 January 2018 - adjusted		3,168,000	2,102,465	1,716,447	400,000	3,301,125	914,530	29,230	(721,203)	5,672,500	16,583,094	11,461	16,594,555
Profit for the period		-	-	-	-	1,752,038	-	-	-	-	1,752,038	473	1,752,511
Other comprehensive loss		-		-	-	(4,900)	-	-	(111,808)	-	(116,708)	-	(116,708)
Tier 1 sukuk – Listed (second issue) issued	30	-	-	-	-	-	-	-	-	2,754,375	2,754,375	-	2,754,375
Tier 1 sukuk – Listed (second issue) issuance cost	30	-	-	-	-	(19,373)	-	-	-	-	(19,373)	-	(19,373)
Tier 1 sukuk – Listed (first issue) reclassify to liabilities	30	-	-	-	-	-	-	-	-	(3,672,500)	(3,672,500)	-	(3,672,500)
Profit paid on Tier 1 sukuk – Listed (first issue)	30	-	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	30	-	-	-	-	(41,444)	-	-	-	-	(41,444)	-	(41,444)
Dividends paid	37	-	-	-	-		(914,530)	-	-	-	(914,530)	(1,400)	(915,930)
Dividends paid to charity		-	-	-	-	-	-	(29,230)	-	-	(29,230)	-	(29,230)
Balance at 30 September 2018 - unaudited		**3,168,000**	**2,102,465**	**1,716,447**	**400,000**	**4,870,367**	**-**	**-**	**(833,011)**	**4,754,375**	**16,178,643**	**10,534**	**16,189,177**
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		-	-	-	-	1,691,864	-	-	-	-	1,691,864	1,092	1,692,956
Other comprehensive loss		-	-	-	-	(4,900)	-	-	(41,110)	-	(46,010)	-	(46,010)
Loss on disposal of investments carried at fair value through other comprehensive income	29	-	-	-	-	(177)	-	-	177	-	-	-	-
Profit paid on Tier 1 sukuk – Listed (first issue)	30	-	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	30	-	-	-	-	(38,795)	-	-	-	-	(38,795)	-	(38,795)
Dividends paid	37	-	-	-	-	-	(776,782)	-	-	-	(776,782)	(750)	(777,532)
Dividends paid to charity		-	-	-	-	-	-	(30,000)	-	-	(30,000)	-	(30,000)
Balance at 30 September 2017 - unaudited		3,168,000	2,102,465	1,494,721	400,000	4,018,012	-	-	(724,701)	5,672,500	16,130,997	11,184	16,142,181

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2018 (Unaudited)

	Notes	***Nine months ended 30 September 2018 AED '000***	*Nine months ended 30 September 2017 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**1,752,511**	1,692,956
Adjustments for:			
Depreciation on investment properties	21	**6,103**	7,503
Depreciation on property and equipment		**161,392**	116,366
Amortisation of intangibles	24	**40,951**	40,992
Share of results of associates and joint ventures		**(32,176)**	(21,485)
Dividend income	6	**(639)**	(460)
Realised loss (gain) on sale of investments carried at fair value through profit or loss	6	**19,576**	(19,584)
Unrealised loss (gain) on investments carried at fair value through profit or loss	6	**8,785**	(3,354)
Realised gain on islamic sukuk carried at fair value through other comprehensive income	6	**(8,748)**	-
Provision for impairment, net	10	**486,971**	623,446
Loss on sales return of investment properties		**3,083**	-
Gain on sale of investment properties		**-**	(23,553)
Operating profit before changes in operating assets and liabilities		**2,437,809**	2,412,827
Increase in balances with central banks		**(982,522)**	(918,744)
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		**(498,042)**	1,298,793
Increase in murabaha and mudaraba with financial institutions		**(467,897)**	(40,011)
(Increase) decrease in murabaha and other Islamic financing		**(985,124)**	1,400,165
Increase in ijara financing		**(1,423,132)**	(598,978)
Purchase of investments carried at fair value through profit or loss		**(6,814,144)**	(8,630,725)
Proceeds from sale of investments carried at fair value through profit or loss		**6,253,899**	8,019,189
Increase in other assets		**(218,218)**	(690,149)
Increase in due to financial institutions		**70,679**	19,418
(Decrease) increase in depositors' accounts		**(1,498,417)**	272,866
Increase in other liabilities		**465,646**	195,829
Cash (used in) from operations		**(3,659,463)**	2,740,480
Directors' remuneration paid		**(4,900)**	(4,900)
Net cash (used in) from operating activities		**(3,664,363)**	2,735,580
INVESTING ACTIVITIES			
Dividend received	6	**639**	460
Net movement in investments carried at fair value through other comprehensive income		**1,008,925**	(14,460)
Net movement in investments carried at amortised cost		**(2,016,628)**	(1,672,187)
Net movement in associates and joint ventures		**5,148**	6,667
Proceeds from sale of investment properties		**-**	7,400
Purchase of property and equipment		**(262,977)**	(212,445)
Net cash used in investing activities		**(1,264,893)**	(1,884,565)
FINANCING ACTIVITIES			
Tier 1 sukuk – Listed (second issue) issued	30	**2,754,375**	-
Tier 1 sukuk – Listed (second issue) issuance cost	30	**(19,373)**	-
Profit paid on Tier 1 sukuk – Listed (first issue)	30	**(117,079)**	(117,079)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	30	**(41,444)**	(38,795)
Dividends paid		**(917,302)**	(781,272)
Net cash from (used in) financing activities		**1,659,177**	(937,146)
DECREASE IN CASH AND CASH EQUIVALENTS		**(3,270,079)**	(86,131)
Cash and cash equivalents at 1 January		**10,888,469**	6,945,518
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	33	**7,618,390**	6,859,387

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		**3,518,692**	3,627,202
Profit paid to depositors and sukuk holders		**518,801**	333,205

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

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 81 branches in UAE (2017: 81 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 22 October 2018.

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.

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.

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* ***2018***	*2017*
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* (under liquidation)	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	-	-
ADIB Alternatives Ltd*	Special purpose vehicle	Cayman Island	-	-

*The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

These 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 2017, except the following estimates and judgements which are applicable from 1 January 2018.

3 BASIS OF PREPARATION continued

3.2 Significant judgements and estimates continued

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed consolidated interim financial statements of the period ended 30 September 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the period ended 30 September 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Key Considerations: Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk: The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

(i) The Group have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition as well as PD thresholds.

(ii) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

(iii) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

3 BASIS OF PREPARATION continued

3.2 Significant judgements and estimates continued

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios: The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default: The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life: When measuring ECL, the Group considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance: The Group have established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our financial statements.

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 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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:

4 SIGNIFICANT ACCOUNTING POLICIES continued

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 2017.

During the period, the Group has applied, for the first time, certain standards and amendments that require restatement of previous financial statements. The nature and the impact of each new standard or amendment are described below:

IFRS 9 Financial Instruments: In July 2014, the IASB issued IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 addresses all aspects of financial instruments including classification and measurement, impairment and hedge accounting.

(a) Classification and measurement: The standard requires the Group to consider two criteria when determining the measurement basis for sukuk instruments (e.g. financing, sukuk) held as financial assets:

(i) its business model for managing those financial assets; and
(ii) cash flow characteristics of the assets.

Based on these criteria, sukuk instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

Equity instruments are measured at fair value through profit or loss. However, the Group may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss.

In addition, the Group may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. This designation is also available to existing financial assets.

For financial liabilities, there were no changes to classification and measurement.

Effective 1 January 2011, the Group early adopted IFRS 9 'Financial Instruments' in line with the provisions of IFRS 9.

(b) Impairment: The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and sukuk measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD).

4 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Impairment: continued
Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) measures. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3: Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

(c) Hedging: IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. IFRS 9 does not cover guidance on macro hedge accounting as IASB is working on it as a separate project. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Group, however, has elected to adopt the new hedge accounting provisions of IFRS 9.

(d) Transition impact: In line with the IFRS 9 transition provisions, the Group has elected to record an adjustment to its opening 1 January 2018 retained earnings to reflect the application of the new requirements of Impairment, Classification and Measurement at the adoption date without restating comparative information.

For classification and measurement, the combined application of the contractual cash flow characteristics and business model tests as at January 1, 2018 is expected to result in certain differences in the classification of financial assets when compared to our current classification under IAS 39.

The impact of the adoption on the opening retained earnings and cumulative changes in fair value reserve classified in equity at the beginning of the current year (1 January 2018) is as follows:

	Retained earnings AED '000	***Cumulative Changes in fair value reserve AED '000***
Fair value movement of investments is Islamic sukuk carried at amortised cost transferred to investment at FVTOCI	**-**	**21,979**
Shortfall of provision on re-measurement under IFRS 9	**(588)**	**-**
	(588)	**21,979**

4 SIGNIFICANT ACCOUNTING POLICIES continued

(d) Transition impact: continued

The following table reconciles the closing balance of financial assets under IFRS 9 to the opening balance of financial assets on 1 January 2018.

	As at 31 December 2017 (IFRS 9) AED '000	*Re-classification of financial assets and liabilities AED '000*	*Re-measurement of impairment AED '000*	***As at 1 January 2018 (IFRS 9) AED '000***
Cash and Balances with Central Banks	21,467,205	-	-	**21,467,205**
Balances and wakala deposits with banks and financial institutions	2,765,903	-	(28,811)	**2,737,092**
Murabaha and Mudaraba with financial institutions	2,125,249	-	(28)	**2,125,221**
Murabaha and other Islamic financing	33,249,315	-	(210,804)	**33,038,511**
Ijara financing	43,280,319	-	258,406	**43,538,725**
Investment in Islamic sukuk measured at amortised cost	10,052,028	(1,871,896)	(9,759)	**8,170,373**
Investment measured at fair value	1,526,490	1,893,875	-	**3,420,365**
Other assets	3,463,518	-	(9,592)	**3,453,926**
	117,930,027	21,979	(588)	**117,951,418**

(e) Financial instruments: disclosures (IFRS 7): The Group has amended the disclosures for the current period to include more extensive qualitative and quantitative disclosure relating to IFRS 9 such as new classification categories, three stage impairment model, new hedge accounting requirements and transition provisions.

IFRS 15: Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Group has assessed that the impact of IFRS 15 is not material on the condensed consolidated financial statements of the Group as at the reporting date.

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.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued
Recognition and Measurement continued
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 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued
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.

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.

For Islamic sukuk measured at FVTOCI, any 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. When the Islamic sukuk measured at FVTOCI, is derecognised, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is reclassified from equity to consolidated income statement.

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

	Three months ended 30 September		***Nine months ended 30 September***	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Vehicle murabaha	**66,066**	76,081	**204,926**	232,451
Goods murabaha	**39,885**	56,487	**135,985**	172,454
Share murabaha	**258,194**	272,993	**771,046**	832,990
Commodities murabaha – Al Khair	**103,260**	103,192	**298,963**	306,492
Islamic covered cards (murabaha)	**83,511**	84,718	**248,374**	256,789
Other murabaha	**37,432**	12,110	**80,881**	31,285
Total murabaha	**588,348**	605,581	**1,740,175**	1,832,461
Mudaraba	**593**	702	**2,657**	15,285
Ijara	**529,002**	489,484	**1,500,737**	1,368,096
Istisna'a	**1,720**	1,806	**5,124**	5,611
	1,119,663	1,097,573	**3,248,693**	3,221,453

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Income from Islamic sukuk measured at fair value through profit or loss	**20,538**	13,995	**66,190**	39,938
Income from Islamic sukuk measured at fair value through other comprehensive income	**8,398**	-	**35,329**	-
Realised (loss) gain on sale of investments carried at fair value through profit or loss	**(14,347)**	5,942	**(19,576)**	19,584
Unrealised gain (loss) on investments carried at fair value through profit or loss	**10,071**	(1,231)	**(8,785)**	3,354
Realised gain on sale of Islamic sukuk carried at fair value through other comprehensive income	**703**	-	**8,748**	-
Income (loss) from other investment assets	**238**	(414)	**147**	4,146
Dividend income	**49**	174	**639**	460
	25,650	18,466	**82,692**	67,482

7 FEES AND COMMISSION INCOME, NET

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Fees and commission income				
Fees and commission income on cards	**216,388**	190,402	**576,513**	511,505
Trade related fees and commission	**26,410**	29,120	**80,027**	84,281
Takaful related fees	**31,823**	32,194	**96,388**	90,815
Accounts services fees	**15,351**	15,208	**51,376**	45,463
Projects and property management fees	**14,766**	14,167	**45,085**	47,119
Risk participation and arrangement fees	**35,142**	28,123	**98,465**	120,283
Brokerage fees and commission	**1,920**	4,271	**7,991**	19,777
Other fees and commissions	**83,513**	79,659	**227,291**	238,706
Total fees and commission income	**425,313**	393,144	**1,183,136**	1,157,949
Fees and commission expenses				
Card related fees and commission expenses	**(140,968)**	(127,166)	**(382,091)**	(333,429)
Other fees and commission expenses	**(17,913)**	(17,987)	**(56,871)**	(77,502)
Total fees and commission expenses	**(158,881)**	(145,153)	**(438,962)**	(410,931)
Fees and commission income, net	**266,432**	247,991	**744,174**	747,018

8 EMPLOYEES' COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Salaries and wages	**350,161**	316,369	**1,004,984**	955,500
End of service benefits	**20,425**	19,181	**50,880**	50,236
Other staff expenses	**16,439**	19,018	**55,440**	48,320
	387,025	354,568	**1,111,304**	1,054,056

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Legal and professional expenses	**31,929**	40,689	**68,961**	117,214
Premises expenses	**57,473**	63,493	**196,955**	197,487
Marketing and advertising expenses	**21,951**	22,555	**58,477**	71,038
Communication expenses	**23,380**	17,353	**63,309**	48,623
Technology related expenses	**31,319**	26,262	**91,236**	94,741
Other operating expenses	**30,778**	30,293	**112,069**	116,737
	196,830	200,645	**591,007**	645,840

10 PROVISION FOR IMPAIRMENT, NET

		Three months ended 30 September		Nine months ended 30 September	
		2018	*2017*	***2018***	*2017*
		AED '000	*AED '000*	***AED '000***	*AED '000*
Murabaha and other Islamic financing	16	**61,125**	198,955	**290,578**	547,254
Ijara financing	17	**102,473**	30,004	**183,672**	55,952
Direct write-off, net (recoveries)		**10,876**	(1,848)	**33,665**	(1,664)
Others		**(2,725)**	15,566	**(20,944)**	21,904
		171,749	242,677	**486,971**	623,446

11 DISTRIBUTION TO DEPOSITORS

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	AED '000	AED '000	**AED '000**	AED '000
Saving accounts	**51,248**	47,181	**140,137**	129,706
Investment accounts	**137,705**	103,717	**350,728**	298,783
	188,953	150,898	**490,865**	428,489

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:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	**2018**	2017
Profit for the period attributable to equity holders (AED '000)		**589,336**	563,625	**1,752,038**	1,691,864
Less: profit attributable to Tier 1 sukuk - Listed (first issue) (AED '000)	30	**-**	-	**(117,079)**	(117,079)
Less: profit attributable to Tier 1 sukuk – Government of Abu Dhabi (AED '000)	30	**-**	-	**(41,444)**	(38,795)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		**589,336**	563,625	**1,593,515**	1,535,990
Weighted average number of ordinary shares in issue (000's)		**3,168,000**	3,168,000	**3,168,000**	3,168,000
Basic and diluted earnings per share (AED)		**0.186**	0.178	**0.503**	0.485

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.

13 CASH AND BALANCES WITH CENTRAL BANKS

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Cash on hand	**1,750,687**	1,993,397
Balances with central banks:		
- Current accounts	**1,263,245**	1,694,913
- Statutory reserve	**11,852,526**	11,475,757
- Islamic certificate of deposits	**2,168,295**	6,303,138
	17,034,753	21,467,205

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 and Central Bank of Iraq are the buyers and the Bank is the seller.

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
UAE	**15,908,350**	19,944,008
Rest of the Middle East	**1,035,434**	1,300,979
Europe	**1,162**	1,063
Others	**89,807**	221,155
	17,034,753	21,467,205

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Current accounts	**463,433**	831,167
Wakala deposits	**3,626,473**	1,934,736
	4,089,906	2,765,903
Less: provision for impairment	**(13,276)**	-
	4,076,630	2,765,903

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.

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:

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
UAE	**1,942,827**	684,125
Rest of the Middle East	**635,872**	274,483
Europe	**146,060**	163,146
Others	**1,365,147**	1,644,149
	4,089,906	2,765,903

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Murabaha	**2,515,401**	2,125,249
Mudaraba	**19,957**	-
	2,535,358	2,125,249
Less: provision for impairment	**(34)**	-
	2,535,324	2,125,249

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

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
UAE	**2,348,504**	1,957,846
Rest of the Middle East	**166,897**	167,403
Others	**19,957**	-
	2,535,358	2,125,249

16 MURABAHA AND OTHER ISLAMIC FINANCING

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Vehicle murabaha	**6,010,048**	6,437,197
Goods murabaha	**5,055,336**	5,473,305
Share murabaha	**17,136,472**	17,359,249
Commodities murabaha – Al Khair	**8,569,106**	7,965,182
Islamic covered cards (murabaha)	**16,421,617**	16,558,534
Other murabaha	**2,781,418**	1,643,377
Total murabaha	**55,973,997**	55,436,844
Mudaraba	**38,937**	46,681
Istisna'a	**121,686**	130,322
Other financing receivables	**325,084**	281,810
Total murabaha and other Islamic financing	**56,459,704**	55,895,657
Less: deferred income on murabaha	**(20,381,192)**	(20,750,205)
	36,078,512	35,145,452
Less: provision for impairment	**(2,168,316)**	(1,896,137)
	33,910,196	33,249,315
Total of impaired Murabaha and other Islamic financing	**2,278,256**	2,036,283

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

	IFRS 9 (ECL) 30 September 2018 AED '000	*Audited 31 December 2017 – IAS 39* Individual impairment AED '000	Collective impairment AED '000	Total AED '000
At the beginning of the period – audited (IAS 39)	**1,896,137**	853,154	968,615	1,821,769
Transition adjustment for IFRS 9	**210,804**	-	-	-
At the beginning of the period – adjusted (IFRS 9)	**2,106,941**	853,154	968,615	1,821,769
Charge for the period (note 10)	**290,578**	652,146	9,226	661,372
Other adjustments	-	-	(124,900)	(124,900)
Written off during the period	**(229,203)**	(462,104)	-	(462,104)
At the end of the period	**2,168,316**	1,043,196	852,941	1,896,137

16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Industry sector:		
Public sector	**565,214**	981,415
Corporates	**3,740,985**	3,855,948
Financial institutions	**641,429**	234,315
Individuals	**30,646,073**	29,399,301
Small and medium enterprises	**484,811**	674,473
	36,078,512	35,145,452
Geographic region:		
UAE	**34,621,375**	33,885,343
Rest of the Middle East	**810,746**	783,768
Europe	**523,879**	210,679
Others	**122,512**	265,662
	36,078,512	35,145,452

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 September 2018 AED '000	*Audited 31 December 2017 AED '000*
The aggregate future lease receivables are as follows:		
Due within one year	**7,339,857**	8,636,632
Due in the second to fifth year	**22,902,318**	21,876,793
Due after five years	**38,997,503**	32,682,754
Total ijara financing	**69,239,678**	63,196,179
Less: deferred income	**(23,476,538)**	(18,591,636)
Net present value of minimum lease payments receivable	**45,763,140**	44,604,543
Less: provision for impairment	**(1,243,361)**	(1,324,224)
	44,519,779	43,280,319
Total of impaired ijara financing	**2,210,586**	1,977,285

17 IJARA FINANCING continued

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

		Audited 31 December2017 – IAS 39		
	IFRS 9 (ECL) 30 September 2018 AED '000	*Individual impairment AED '000*	*Collective impairment AED '000*	*Total AED '000*
At the beginning of the period – audited (IAS 39)	**1,324,224**	409,186	927,708	1,336,894
Transition adjustment for IFRS 9	**(258,406)**	-	-	-
At the beginning of the period – adjusted (IFRS 9)	**1,065,818**	409,186	927,708	1,336,894
Charge (reversal) for the period (note 10)	**183,672**	172,101	(67,535)	104,566
Written off during the period	**(6,129)**	(117,236)	-	(117,236)
At the end of the period	**1,243,361**	464,051	860,173	1,324,224

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Industry sector:		
Government	**753,020**	752,339
Public sector	**4,702,672**	4,480,814
Corporates	**19,314,838**	18,708,191
Individuals	**20,754,926**	20,366,863
Small and medium enterprises	**162,218**	188,355
Non-profit organisations	**75,466**	107,981
	45,763,140	44,604,543
Geographic region:		
UAE	**44,104,376**	42,668,353
Rest of the Middle East	**874,777**	1,025,203
Europe	**384,504**	386,656
Others	**399,483**	524,331
	45,763,140	44,604,543

18 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Sukuk - Quoted	**10,219,321**	10,052,028
Less: provision for impairment	**(22,810)**	-
	10,196,511	10,052,028

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
UAE	**7,239,083**	7,443,468
Rest of the Middle East	**1,585,690**	1,365,455
Europe	**-**	100,372
Others	**1,394,548**	1,155,535
	10,219,321	10,064,830

19 INVESTMENTS MEASURED AT FAIR VALUE

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Investments carried at fair value through profit or loss		
Quoted investments		
Sukuk	**1,909,375**	1,377,491
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	**33,372**	42,307
Sukuk	**852,984**	-
	886,356	42,307
Unquoted investments		
Funds	**50,896**	53,619
Private equities	**60,231**	53,073
	111,127	106,692
	997,483	148,999
	2,906,858	1,526,490
Less: provision for impairment	**(2,457)**	-
	2,904,401	1,526,490

19 INVESTMENTS MEASURED AT FAIR VALUE continued

	30 September 2018 AED '000	Audited 31 December 2017 AED '000
The distribution of the gross investments by geographic region was as follows:		
UAE	**1,834,628**	915,534
Rest of the Middle East	**494,078**	89,221
Europe	**95,258**	170
Others	**482,894**	521,565
	2,906,858	1,526,490

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 September 2018 AED '000	Audited 31 December 2017 AED '000
Investment in associates and joint ventures	**1,012,083**	988,788

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

At the beginning of the period	**15,156**	-
Charge for the period	**-**	15,156
At the end of the period	**15,156**	15,156

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

	Place of incorporation	*Proportion of ownership interest* 2018 %	2017 %	*Principal activity*
Associates				
Abu Dhabi National Takaful PJSC	UAE	**42**	42	Islamic insurance
Bosna Bank International D.D	Bosnia	**27**	27	Islamic banking
The Residential REIT (IC) Limited	UAE	**30**	41	Real estate fund
Joint ventures				
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 (under liquidation)	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:

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Cost:		
Balance at the beginning of the period	**1,161,268**	1,291,643
Sales return	**4,951**	-
Disposals	**-**	(130,375)
Gross balance at the end of the period	**1,166,219**	1,161,268
Less: provision for impairment	**(24,737)**	(24,737)
Net balance at the end of the period	**1,141,482**	1,136,531
Accumulated depreciation:		
Balance at the beginning of the period	**43,148**	55,464
Charge for the period	**6,103**	9,345
Relating to disposals	**-**	(21,661)
Balance at the end of the period	**49,251**	43,148
Net book value at the end of the period	**1,092,231**	1,093,383

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 7,829 thousand (30 September 2017: AED 10,269 thousand) for the nine months period ended 30 September 2018.

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Balance at the beginning of the period	**24,737**	28,188
Charge for the period	-	462
Relating to disposals	**-**	(3,913)
Balance at the end of the period	**24,737**	24,737

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

UAE	**1,108,754**	1,109,906
Rest of the Middle East	**8,214**	8,214
	1,116,968	1,118,120

22 DEVELOPMENT PROPERTIES

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Development properties	**837,381**	837,381

Development properties include land with a carrying value of AED 800,000 thousand (2017: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

23 OTHER ASSETS

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Advances against purchase of properties	**54,582**	53,071
Acceptances	**527,216**	418,157
Assets acquired in satisfaction of claims	**207,825**	186,825
Trade receivables	**249,632**	301,347
Prepaid expenses	**958,004**	698,478
Accrued profit	**219,681**	149,256
Advance to contractors	**44,766**	47,837
Advance for investment	**183,625**	183,625
Others	**1,266,032**	1,459,667
	3,711,363	3,498,263
Less: provision for impairment	**(29,540)**	(34,745)
	3,681,823	3,463,518

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.

24 GOODWILL AND INTANGIBLES

		Other intangible assets		
	Goodwill AED '000	*Customer relationships AED '000*	*Core deposit AED '000*	*Total AED '000*
At 1 January 2017 - audited	109,888	258,397	51,851	420,136
Amortisation during the year	-	(45,640)	(9,153)	(54,793)
At 1 January 2018 - audited	109,888	212,757	42,698	365,343
Amortisation during the period	-	(34,106)	(6,845)	(40,951)
At 30 September 2018 - unaudited	**109,888**	**178,651**	**35,853**	**324,392**

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Current accounts	**1,224,771**	1,538,954
Investment deposits	**1,128,905**	2,149,604
	2,353,676	3,688,558

26 DEPOSITORS' ACCOUNTS

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Current accounts	**32,176,623**	32,738,664
Investment accounts	**65,742,329**	66,743,153
Profit equalisation reserve	**583,889**	521,802
	98,502,841	100,003,619

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

At the beginning of the period	**521,802**	454,419
Share of profit for the period	**62,087**	67,383
At the end of the period	**583,889**	521,802

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Government	**7,176,244**	6,648,994
Public sector	**10,424,244**	8,318,185
Corporates	**10,976,331**	14,965,482
Financial institutions	**1,755,153**	1,449,801
Individuals	**53,454,398**	54,269,920
Small and medium enterprises	**11,908,987**	11,832,026
Non-profit organisations	**2,807,484**	2,519,211
	98,502,841	100,003,619

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).

27 OTHER LIABILITIES

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Accounts payable	**743,869**	432,385
Acceptances	**527,216**	418,157
Accrued profit for distribution to depositors and sukuk holders	**195,462**	285,485
Bankers' cheques	**360,640**	365,415
Provision for staff benefits and other expenses	**356,666**	387,896
Retentions payable	**20,901**	63,483
Advances from customers	**155,108**	136,890
Accrued expenses	**435,630**	205,613
Unclaimed dividends	**109,469**	110,841
Deferred income	**147,158**	163,054
Charity account	**1,840**	4,905
Donation account	**31,927**	13,523
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	**5,198**	4,901
Others	**480,488**	419,710
	3,571,572	3,012,258

28 SHARE CAPITAL

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Authorised share capital:		
4,000,000 thousand (2017: 4,000,000 thousand) ordinary shares of AED 1 each (2017: AED 1 each)	**4,000,000**	4,000,000
Issued and fully paid share capital:		
3,168,000 thousand (2017: 3,168,000 thousand) ordinary shares of AED 1 each (2017: AED 1 each)	**3,168,000**	3,168,000

29 OTHER RESERVES

	Cumulative changes in fair values AED '000	*Land revaluation reserve AED '000*	*Foreign currency translation reserve AED '000*	*Hedging reserve AED '000*	*Total AED '000*
At 1 January 2018 - audited	**(161,269)**	**192,700**	**(769,732)**	**(4,881)**	**(743,182)**
Transition adjustment on adoption of IFRS 9	**21,979**	**-**	**-**	**-**	**21,979**
At 1 January 2018 - revised	**(139,290)**	**192,700**	**(769,732)**	**(4,881)**	**(721,203)**
Net movement in valuation of investment carried at FVTOCI	**(8,969)**	**-**	**-**	**-**	**(8,969)**
Net movement in valuation of investment in Islamic sukuk carried at FVTOCI	**(27,497)**	**-**	**-**	**-**	**(27,497)**
Net fair value changes for investment in Islamic sukuk carried at FVTOCI released to income statement (note 6)	**(8,748)**	**-**	**-**	**-**	**(8,748)**
Exchange differences arising on translation of foreign operations, net	**-**	**-**	**(78,976)**	**-**	**(78,976)**
Gain on hedge of foreign operations	**-**	**-**	**12,657**	**-**	**12,657**
Fair value loss on cash flow hedges	**-**	**-**	**-**	**(275)**	**(275)**
At 30 September 2018 - unaudited	**(184,504)**	**192,700**	**(836,051)**	**(5,156)**	**(833,011)**
At 1 January 2017 - audited	(163,080)	192,700	(711,664)	(1,724)	(683,768)
Net movement in valuation of investment carried at FVTOCI	(363)	-	-	-	(363)
Loss on disposal of investments carried at FVTOCI	177	-	-	-	177
Exchange differences arising on translation of foreign operations, net	-	-	(12,822)	-	(12,822)
Loss on hedge of foreign operations	-	-	(29,581)	-	(29,581)
Fair value gain on cash flow hedges	-	-	-	1,656	1,656
At 30 September 2017 - unaudited	(163,266)	192,700	(754,067)	(68)	(724,701)

30 TIER 1 SUKUK

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Tier 1 sukuk – Listed (first issue)	**-**	3,672,500
Tier 1 sukuk – Listed (second issue)	**2,754,375**	**-**
Tier 1 sukuk – Government of Abu Dhabi	**2,000,000**	2,000,000
	4,754,375	5,672,500

30 TIER 1 SUKUK continued

Tier 1 sukuk – Listed (first issue)
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 at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank 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.

On 12th September 2018, Bank had issued a notice to redeem all the Sukuk on the first call date, i.e. 16 October 2018. The notice was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 19 August 2018. As of 30 September 2018, the sukuk has been re-classified from equity to liabilities.

Tier 1 sukuk – Listed (second issue)
On 20 September 2018, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (second issue) (the "Sukuk") amounting to AED 2,754,375 thousand (USD 750 million). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 19 August 2018. Issuance costs amounting to AED 19,373 thousand were incurred at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the mudaraba. The sukuk is listed on the Irsih stock exchange and is callable by the Bank after period ending on 20 September 2023 (the “First Call Date”) or any profit payment date thereafter subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 7.125% payable during the initial period of five years semi-annually in arrears. After the initial period, and for every 5th year thereafter, resets to a new expected mudaraba profit rate based on the then 5 year US treasury rate plus an expected margin of 4.270%. Profit distributions will be reported in the consolidated statement of changes in equity.

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

30 TIER 1 SUKUK continued

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.

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

	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Contingent liabilities		
Letters of credit	**3,508,016**	3,215,199
Letters of guarantee	**6,846,089**	8,572,858
	10,354,105	11,788,057
Commitments		
Undrawn facilities commitments	**735,504**	666,945
Future capital expenditure	**160,827**	174,699
Investment and development properties	**4,396**	6,108
	900,727	847,752
	11,254,832	12,635,809

32 COMPLIANCE RISK REVIEW

In 2014 ADIB became aware of certain financial transactions relating to U.S. dollar payments that potentially breached U.S. sanctions laws in effect at that time. After learning of these potential breaches, ADIB appointed external legal advisers to assist it in reviewing these transactions and reviewing its compliance with U.S. sanctions laws and its compliance processes generally. Following this review, ADIB submitted its findings to relevant regulators in the UAE and the USA in early 2017. This review also assisted ADIB in identifying additional steps to ensure compliance with applicable sanctions laws, and ADIB enhanced its processes accordingly. As at 30 September 2018, the relevant regulators have not responded following receipt of ADIB's findings and, as such, the likely outcome of their review remains unknown.

33 CASH AND CASH EQUIVALENTS

	30 September 2018 AED '000	*30 September 2017 AED '000*
Cash and balances with central banks, short term	**4,576,474**	7,229,876
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**3,374,561**	1,324,938
Murabaha and mudaraba with financial institutions, short term	**1,900,030**	1,065,489
Due to financial institutions, short term	**(2,232,675)**	(2,760,916)
	7,618,390	6,859,387

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. 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:

	Major shareholder AED '000	*Directors AED '000*	*Associates and joint ventures AED '000*	*Others AED '000*	*Total AED '000*
30 September 2018 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	**-**	**-**	**7,463**	**-**	**7,463**
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	**39,352**	**318**	**-**	**60,248**	**99,918**
Fees and commission income, net	**1**	**26**	**1,964**	**2,388**	**4,379**
Operating expenses	**-**	**324**	**-**	**-**	**324**
Distribution to depositors and sukuk holders	**881**	**54**	**583**	**37**	**1,555**
30 September2017 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	10,863	-	10,863
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	44,186	346	-	60,999	105,531
Fees and commission income, net	1	38	122	2,602	2,763
Operating expenses	-	324	-	-	324
Distribution to depositors and sukuk holders	358	56	435	138	987

34 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 6.1% (2017: 0% to 6.0% 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 (2017: 0% to 0.8% per annum).

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

	Major shareholder AED '000	*Directors AED '000*	*Associates and joint ventures AED '000*	*Others AED '000*	*Total AED '000*
30September 2018 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	**-**	**-**	**771,511**	**-**	**771,511**
Murabaha and mudaraba with financial institutions	**-**	**-**	**166,682**	**-**	**166,682**
Murabaha, mudaraba, ijara and other Islamic financing	**2,597,965**	**11,440**	**-**	**3,445,945**	**6,055,350**
Other assets	**-**	**-**	**108,961**	**211,242**	**320,203**
	2,597,965	**11,440**	**1,047,154**	**3,657,187**	**7,313,746**
Due to financial institutions	**-**	**-**	**32,089**	**-**	**32,089**
Depositors' accounts	**67,982**	**20,975**	**115,210**	**55,581**	**259,748**
Other liabilities	**448**	**16**	**12**	**27,618**	**28,094**
	68,430	**20,991**	**147,311**	**83,199**	**319,931**
31 December 2017- audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	918,817	-	918,817
Murabaha and Mudaraba with financial institutions	-	-	167,059	-	167,059
Murabaha, mudaraba, ijara and other Islamic financing	2,611,227	10,060	-	3,476,799	6,098,086
Other assets	-	-	85,933	186,541	272,474
	2,611,227	10,060	1,171,809	3,663,340	7,456,436
Due to financial institutions	-	-	31,019	-	31,019
Depositors' accounts	67,382	24,781	216,824	17,968	326,955
Other liabilities	625	18	29	2,961	3,633
	68,007	24,799	247,872	20,929	361,607

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:

	Nine months ended 30 September 2018 AED '000	*Nine months ended 30 September 2017 AED '000*
Salaries and other benefits	**22,098**	25,902
Employees' end of service benefits	**1,431**	2,145
	23,529	28,047

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.

During 2018, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2017 after the approval by the shareholders in the Annual General Assembly held on 21 March 2018. During 2017, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2016 after the approval by the shareholders in the Annual General Assembly held on 2 April 2017.

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.

35 SEGMENT INFORMATION continued

	Global Retail banking AED '000	*Global Wholesale banking AED '000*	*Private banking AED '000*	*Treasury AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
30 September 2018 - unaudited							
Revenue and results							
Segment revenues, net	**2,616,797**	**750,928**	**106,595**	**355,893**	**61,321**	**262,604**	**4,154,138**
Operating expenses excluding provision for impairment, net	**(1,398,115)**	**(292,536)**	**(46,633)**	**(34,178)**	**(59,256)**	**(83,938)**	**(1,914,656)**
Operating profit	**1,218,682**	**458,392**	**59,962**	**321,715**	**2,065**	**178,666**	**2,239,482**
Provision for impairment, net	**(263,399)**	**(80,765)**	**(2,087)**	**8,455**	**-**	**(149,175)**	**(486,971)**
Profit for the period	**955,283**	**377,627**	**57,875**	**330,170**	**2,065**	**29,491**	**1,752,511**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(473)**	**(473)**
Profit for the period attributable to equity holders of the Bank	**955,283**	**377,627**	**57,875**	**330,170**	**2,065**	**29,018**	**1,752,038**
Assets							
Segmental assets	**58,308,640**	**31,374,758**	**3,566,881**	**21,480,078**	**2,656,665**	**6,902,744**	**124,289,766**
Liabilities							
Segmental liabilities	**63,678,249**	**23,581,900**	**3,483,563**	**9,636,219**	**317,716**	**7,402,942**	**108,100,589**
30 Septembe 2017 - unaudited							
Revenue and results							
Segment revenues, net	2,543,147	920,131	101,384	383,986	90,469	165,287	4,204,404
Operating expenses excluding provision for impairment, net	(1,308,047)	(294,426)	(42,492)	(31,355)	(59,041)	(152,641)	(1,888,002)
Operating profit	1,235,100	625,705	58,892	352,631	31,428	12,646	2,316,402
Provision for impairment, net	(410,616)	(168,452)	408	-	-	(44,786)	(623,446)
Profit (loss) for the period	824,484	457,253	59,300	352,631	31,428	(32,140)	1,692,956
Non-controlling interest	-	-	-	-	-	(1,092)	(1,092)
Profit (loss) for the period attributable to equity holders of the Bank	824,484	457,253	59,300	352,631	31,428	(33,232)	1,691,864
31 December 2017 - audited							
Assets							
Segmental assets	56,883,659	32,278,505	3,031,995	21,051,686	2,632,381	7,399,373	123,277,599
Liabilities							
Segmental liabilities	61,838,840	26,152,414	3,362,854	11,788,985	300,368	3,260,974	106,704,435

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.

36 CAPITAL ADEQUACY RATIO

The Central Bank of UAE ('CBUAE') issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Tier 1 ('T1') and Total Capital.

The capital adequacy ratio as per Basel III capital regulation is given below:

	Basel III	
	30 September 2018 AED '000	*Audited 31 December 2017 AED '000*
Common Equity Tier 1 (CET 1) Capital		
Share capital	**3,168,000**	3,168,000
Legal reserve	**2,085,788**	2,085,788
General reserve	**1,694,486**	1,694,486
Credit risk reserve	**400,000**	400,000
Retained earnings	**4,818,128**	3,280,191
Foreign currency translation reserve	**(804,220)**	(737,565)
	11,362,182	9,890,900
Regulatory deductions:		
Goodwill and intangibles	**(324,392)**	(292,274)
Cumulative changes in fair value and hedging reserve	**(130,630)**	(87,142)
	10,907,160	9,511,484
Threshold deductions:		
Significant minority investments	**(282,938)**	(220,400)
Total Common Equity Tier 1	**10,624,222**	9,291,084
Additional Tier 1 (AT 1) Capital		
Tier 1 sukuk	**4,754,375**	5,672,500
Regulatory and threshold deductions for additional Tier 1 capital	**-**	(74,977)
Total Additional Tier 1	**4,754,375**	5,597,523
Total Tier 1 capital	**15,378,597**	14,888,607
Tier 2 capital		
Collective impairment provision for financing assets	**1,095,325**	1,092,279
Regulatory and threshold deductions for Tier 2 capital	**-**	(74,977)
Total Tier 2	**1,095,325**	1,017,302
Total capital base	**16,473,922**	15,905,909

36 CAPITAL ADEQUACY RATIO continued

	Basel III	
	30 September 2018 AED'000	*Audited 31 December 2017 AED'000*
Risk weighted assets		
Credit risk	**87,625,989**	87,382,347
Market risk	**2,610,459**	2,211,598
Operational risk	**9,887,839**	9,259,729
Total risk weighted assets	**100,124,287**	98,853,674
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**16.45%**	16.09%
Total Tier 1 regulatory capital expressed as a percentage of total risk weighted assets	**15.36%**	15.06%
Common Equity Tier 1 capital expressed as a percentage of total risk weighted assets	**10.61%**	9.40%

37 DIVIDENDS

During 2018, cash dividend of 28.87% of the paid up capital relating to year ended 31 December 2017 amounting to AED 914,530 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 21 March 2018.

During 2017, cash dividend of 24.52% of the paid up capital relating to year ended 31 December 2016 amounting to AED 776,782 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 2 April 2017.

38 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.

39 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.

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

	Level 1 *AED '000*	*Level 2* *AED '000*	*Level 3* *AED '000*	*Total* *AED '000*
30 September2018 - unaudited				
Assets and liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit or loss				
Quoted investments				
Sukuk	**1,909,375**	**-**	**-**	**1,909,375**
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	**33,372**	**-**	**-**	**33,372**
Sukuk	**852,984**	**-**	**-**	**852,984**
	886,356	**-**	**-**	**886,356**
Unquoted investments				
Funds	**-**	**-**	**50,896**	**50,896**
Private equities	**-**	**-**	**60,231**	**60,231**
	-	**-**	**111,127**	**111,127**
	886,356	**-**	**111,127**	**997,483**
Financial liabilities				
Shari'a compliant alternatives of swap (note 27)	**-**	**5,198**	**-**	**5,198**
Assets for which fair values are disclosed:				
Investment properties	**-**	**-**	**1,339,914**	**1,339,914**
Investment carried at amortised cost- Sukuk	**10,016,334**	**-**	**-**	**10,016,334**

39 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

31 December 2017- audited	*Level 1 AED '000*	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
Assets and liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit or loss				
Sukuk	1,377,491	-	-	1,377,491
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	42,307	-	-	42,307
Unquoted investments				
Funds	-	-	53,619	53,619
Private equities	-	-	53,073	53,073
	-	-	106,692	106,692
	42,307	-	106,692	148,999
Financial liabilities				
Shari'a compliant alternatives of swap (note 27)	-	4,901	-	4,901
Assets for which fair values are disclosed:				
Investment properties	-	-	1,334,262	1,334,262
Investment carried at amortised cost- Sukuk	10,104,476	-	264,000	10,368,476

There were no transfers between level 1, 2 and 3 during the current period (2017: quoted equity investments amounting to AED 41,362 thousand were transferred from level 3 to level 1).

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 September 2018 AED '000	*Audited 31 December 2017 AED '000*
At the beginning of the period	**106,692**	132,698
Transfer to level 1	**-**	(41,362)
Net purchase	**4,435**	13,940
Gain recorded in equity	**-**	1,416
At the end of the period	**111,127**	106,692

40 SUBSEQUENT EVENT

On 19 August 2018, the shareholders in an extra ordinary general meeting have approved right issue of 464,000 thousand shares of AED 1 each representing 14.65% (2017: Nil) of the paid up capital along with the premium of AED 1.16 per share. The total amount of right issue is AED 1,002,240 thousand. The right shares subscription and allocation process was completed subsequent to 30 September 2018.