Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2012 (UNAUDITED)

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30 September 2012 (Unaudited)

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ERNST & YOUNG

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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 2012, comprising of the interim consolidated statement of financial position as at 30 September 2012 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young

Signed by:
Richard Mitchell
Partner
Ernst & Young
Registration No. 446

16 October 2012
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT

Three months and nine months ended 30 September 2012 (Unaudited)

	Notes	*Three months ended 30 September* **2012** **AED '000**	*2011* *AED '000*	*Nine months ended 30 September* **2012** **AED '000**	*2011* *AED '000*
OPERATING INCOME					
Income from murabaha, mudaraba and wakala with financial institutions		**26,251**	24,128	**79,459**	90,022
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**899,305**	866,541	**2,721,664**	2,675,204
Investment income (loss)	6	**91,776**	(1,598)	**153,996**	77,719
Share of results of associates		**3,453**	3,530	**7,759**	11,549
Fees and commission income, net	7	**90,534**	118,915	**301,318**	335,359
Foreign exchange income		**11,654**	8,812	**36,218**	22,211
Income from investment properties		**4,456**	2,934	**11,457**	4,403
Income from development properties		**-**	-	**1,140**	7,615
Other income (loss)		**752**	(375)	**1,330**	3,137
		1,128,181	1,022,887	**3,314,341**	3,227,219
OPERATING EXPENSES					
Employees' costs	8	**(231,473)**	(221,228)	**(679,003)**	(661,071)
General and administrative expenses	9	**(131,057)**	(109,192)	**(384,004)**	(329,194)
Depreciation		**(30,973)**	(24,238)	**(85,405)**	(66,382)
Provision for impairment, net	10	**(202,070)**	(150,814)	**(574,749)**	(546,148)
		(595,573)	(505,472)	**(1,723,161)**	(1,602,795)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS		**532,608**	517,415	**1,591,180**	1,624,424
Distribution to depositors and sukuk holders	11	**(204,095)**	(198,318)	**(632,726)**	(685,525)
PROFIT FOR THE PERIOD		**328,513**	319,097	**958,454**	938,899
Attributable to:					
Equity holders of the Bank		**328,181**	319,071	**957,628**	938,771
Non-controlling interest		**332**	26	**826**	128
		328,513	319,097	**958,454**	938,899
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	**0.126**	0.122	**0.367**	0.359

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 2012 (Unaudited)

	Notes	***Three months ended 30 September*** ***2012*** ***AED '000***	*2011* *AED '000*	***Nine months ended 30 September*** ***2012*** ***AED '000***	*2011* *AED '000*
PROFIT FOR THE PERIOD		**328,513**	319,097	**958,454**	938,899
Other comprehensive income (loss)					
Net gain (loss) on valuation of investments carried at fair value through other comprehensive income	29	**66,051**	(12,963)	**70,090**	(35,012)
Directors' remuneration paid		**-**	-	**(4,200)**	(4,200)
Exchange differences arising on translation of foreign operations	29	**2,840**	(3,810)	**887**	2,452
(Loss) gain on hedge of foreign operations	29	**(2,840)**	3,810	**(887)**	(2,452)
Exchange difference recycled on disposal of investment in associate	19	**(1,915)**	-	**(1,915)**	-
Fair value gain (loss) on cash flow hedge	29	**1,040**	(697)	**(3,776)**	1,196
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**65,176**	(13,660)	**60,199**	(38,016)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**393,689**	305,437	**1,018,653**	900,883
Attributable to:					
Equity holders of the Bank		**393,357**	305,411	**1,017,827**	900,755
Non-controlling interest		**332**	26	**826**	128
		393,689	305,437	**1,018,653**	900,883

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2012 (Unaudited)

	Notes	*30 September 2012 AED '000*	*Audited 31 December 2011 AED '000*
ASSETS			
Cash and balances with central banks	13	**12,188,739**	11,207,145
Balances and wakala deposits with Islamic banks and other financial institutions	14	**3,168,878**	2,515,371
Murabaha and mudaraba with financial institutions	15	**5,961,637**	5,216,501
Murabaha and other Islamic financing	16	**23,445,977**	23,365,559
Ijara financing	17	**27,411,118**	25,465,782
Investments	18	**4,168,377**	1,652,605
Investment in associates	19	**845,531**	851,503
Investment properties	20	**308,984**	155,240
Development properties	21	**837,381**	966,747
Other assets	22	**2,056,968**	1,964,650
Property and equipment		**1,146,789**	973,963
TOTAL ASSETS		**81,540,379**	74,335,066
LIABILITIES			
Due to financial institutions	23	**2,569,844**	1,931,426
Depositors' accounts	24	**61,188,483**	55,171,783
Other liabilities	25	**1,984,883**	1,862,757
Tier 2 wakala capital	26	**2,207,408**	2,207,408
Sukuk financing instruments	27	**4,590,625**	4,590,625
Total liabilities		**72,541,243**	65,763,999
EQUITY			
Share capital	28	**2,364,706**	2,364,706
Legal reserve		**1,755,894**	1,755,894
General reserve		**585,921**	585,921
Retained earnings		**2,203,550**	1,311,406
Proposed dividends	37	-	577,546
Proposed dividends to charity		-	1,028
Other reserves	29	**37,640**	(28,043)
Tier 1 sukuk	30	**2,000,000**	2,000,000
Equity attributable to the equity holders of the Bank		**8,947,711**	8,568,458
Non-controlling interest		**51,425**	2,609
Total equity		**8,999,136**	8,571,067
TOTAL LIABILITIES AND EQUITY		**81,540,379**	74,335,066
CONTINGENT LIABILITIES AND COMMITMENTS	31	**13,206,175**	14,378,921

Vice Chairman

Chief Executive Officer

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 2012 (Unaudited)

		Attributable to the equity holders of the Bank										
	Notes	*Share capital AED '000*	*Legal reserve AED '000*	*General reserve AED '000*	*Retained earnings AED '000*	*Proposed dividends AED '000*	*Proposed dividends to charity AED '000*	*Other reserves AED '000*	*Tier 1 sukuk AED '000*	*Total AED '000*	*Non-controlling interest AED '000*	*Total equity AED '000*
Balance at 1 January 2012 - audited		2,364,706	1,755,894	585,921	1,311,406	577,546	1,028	(28,043)	2,000,000	8,568,458	2,609	8,571,067
Total comprehensive income		-	-	-	953,428	-	-	64,399	-	1,017,827	826	1,018,653
Loss on disposal of investments carried at fair value through other comprehensive income	29	-	-	-	(1,284)	-	-	1,284	-	-	-	-
Profit paid on Tier 1 sukuk	30	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Dividends paid	37	-	-	-	-	(577,546)	-	-	-	(577,546)	-	(577,546)
Dividends paid to charity		-	-	-	-	-	(1,028)	-	-	(1,028)	-	(1,028)
Non-controlling interest arising on a business combination	38	-	-	-	-	-	-	-	-	-	47,990	47,990
Balance at 30 September 2012 - unaudited		**2,364,706**	**1,755,894**	**585,921**	**2,203,550**	-	-	**37,640**	**2,000,000**	**8,947,711**	**51,425**	**8,999,136**
Balance at 1 January 2011 - audited		2,364,706	1,754,899	443,182	984,069	511,783	6,816	42,122	2,000,000	8,107,577	3,075	8,110,652
Transition adjustment on adoption of IFRS 9		-	-	-	38,248	-	-	(5,746)	-	32,502	-	32,502
Balance at 1 January 2011 - adjusted		2,364,706	1,754,899	443,182	1,022,317	511,783	6,816	36,376	2,000,000	8,140,079	3,075	8,143,154
Total comprehensive income (loss)		-	-	-	934,571	-	-	(33,816)	-	900,755	128	900,883
Profit paid on tier 1 sukuk	30	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Dividends paid	37	-	-	-	-	(511,783)	-	-	-	(511,783)	(588)	(512,371)
Dividends paid to charity		-	-	-	-	-	(6,816)	-	-	(6,816)	-	(6,816)
Balance at 30 September 2011 - unaudited		**2,364,706**	**1,754,899**	**443,182**	**1,896,888**	-	-	**2,560**	**2,000,000**	**8,462,235**	**2,615**	**8,464,850**

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 2012 (Unaudited)

	Notes	*Nine months ended 30 September 2012 AED '000*	*Nine months ended 30 September 2011 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**958,454**	938,899
Adjustments for:			
Depreciation on investment properties	20	**6,346**	3,956
Depreciation on property and equipment		**79,059**	62,426
Share of results of associates		**(7,759)**	(11,549)
Dividend income	6	**(4,180)**	(19)
Realised gain on sale of investments carried at fair value through profit and loss	6	**(16,307)**	(48,968)
Unrealised (gain) loss on investments carried at fair value through profit and loss	6	**(15,224)**	14,097
Gain on disposal of property and equipment		**-**	(47)
Provision for impairment, net	10	**574,749**	546,148
Gain on disposal of investment in associate	6	**(44,328)**	-
(Gain) loss on sale of investment properties		**(1,720)**	73
Gain on sale of development properties		**(1,140)**	(9,365)
Operating profit before changes in operating assets and liabilities		**1,527,950**	1,495,651
Proceeds from encashment (purchase) of certificate of deposits		**1,405,121**	(2,054,914)
Decrease in balances and wakala deposits with Islamic banks and other financial institutions		**141,153**	248,317
Decrease in murabaha and mudaraba with financial institutions		**300,590**	3,002,070
Increase in murabaha and other Islamic financing		**(137,249)**	(357,420)
Increase in ijara financing		**(2,297,255)**	(595,739)
Purchase of investments carried at fair value through profit and loss		**(2,629,375)**	(1,942,789)
Proceeds from sale of investments carried at fair value through profit and loss		**2,421,478**	1,306,947
Increase in other assets		**(252,208)**	(429,890)
Decrease in due to financial institutions		**(389,224)**	(390,467)
Increase (decrease) in depositors' accounts		**6,017,125**	(2,121,847)
Increase (decrease) in other liabilities		**96,317**	(17,233)
Cash from (used in) operations		**6,204,423**	(1,857,314)
Directors' remuneration paid		**(4,200)**	(4,200)
Net cash from (used in) operating activities		**6,200,223**	(1,861,514)
INVESTING ACTIVITIES			
Dividend received	6	**4,180**	19
Purchase of investments carried at fair value through other comprehensive income		**(53,586)**	(78,045)
Proceeds from sale of investments carried at fair value through other comprehensive income		**10,551**	410,849
Purchase of investments carried at amortised cost		**(2,249,698)**	-
Dividend received from an associate		**4,497**	1,710
Proceeds from disposal of investment in associate	19	**51,535**	-
Proceeds from sale of investment properties		**10,033**	248
Additions to development properties	21	**(4,246)**	(16,446)
Proceeds from sale of development properties		**3,649**	22,246
Additions to property and equipment		**(251,631)**	(157,809)
Proceeds from disposal of property and equipment		**-**	66
Net cash (used in) from investing activities		**(2,474,716)**	182,838
FINANCING ACTIVITIES			
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	30	**(60,000)**	(60,000)
Dividends paid		**(561,007)**	(465,642)
Proceeds from sukuk repurchased (second issue)		**-**	244,589
Net cash used in financing activities		**(621,007)**	(281,053)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,104,500**	(1,959,729)
Cash and cash equivalents at 1 January		**11,392,464**	15,955,903
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	32	**14,496,964**	13,996,174

Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, Islamic sukuk and customer deposits are as follows:

Profit received	**2,620,696**	2,552,959
Profit paid to depositors and sukuk holders	**499,754**	672,017

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 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, 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 73 branches in UAE and 1 overseas branch in Iraq and subsidiaries in the UAE, Kingdom of Saudi Arabia and the United Kingdom. The interim condensed consolidated financial statements combine the activities of the Bank's head office, its branches, subsidiaries and its associates.

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 issued by the Board of Directors on 16 October 2012.

2 DEFINITIONS

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

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

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

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

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

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

2 DEFINITIONS continued

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 included in 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.

3.1.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* ***2012***	*2011*
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%
ADIB Invest 1	Equity brokerage services	BVI	**100%**	100%
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	-	-
Kawader Services Company LLC	Manpower supply	United Arab Emirates	**100%**	100%
Saudi Installment House	Retail finance	Kingdom of Saudi Arabia	**51%**	-
ADIB (UK) Limited	Islamic banking	United Kingdom	**100%**	-

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

3 BASIS OF PREPARATION continued

3.1.c Basis of consolidation continued

A subsidiary is an entity over which the Bank exercises control, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities. 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 interim condensed financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

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

3.2 Standards issued but not yet effective

The following new standards / amendments to standards which were issued and are not yet effective for the period ended 30 September 2012 have not been applied while preparing these interim condensed consolidated financial statements:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income- 1 July 2012

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

IAS 19 Employee Benefits (Amendment) – 1 January 2013

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

IAS 27 Separate Financial Statements (as revised in 2011) – 1 January 2013

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) – 1 January 2013

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

3 BASIS OF PREPARATION continued

3.2 Standards issued but not yet effective continued

IFRS 10 Consolidated Financial Statements – 1 January 2013

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements – 1 January 2013

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Involvement with Other Entities – 1 January 2013

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement – 1 January 2013

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period when they become effective. Management is in the process of assessing the potential impact of the adoption of these standards.

3.3 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 periods. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows in order to estimate the level of impairment provision required for non-performing financing as well as for non-trading investments carried at amortised cost. 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 2011.

4 ACCOUNTING POLICIES

The interim condensed consolidated financial statements do not contain all information and disclosures 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 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except as noted below:

Business combinations
Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree. Acquisition related costs are recognised in consolidated income statement as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal Banks) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4 ACCOUNTING POLICIES continued

Business combinations continued
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Bank obtains control) and the resulting gain or loss, if any, is recognised in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.

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

Goodwill
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Bank’s cash-generating units which are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 ACCOUNTING POLICIES continued

Financial Instruments

(i) Recognition and Measurement
Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:
- Customer financing;
- Balances and wakala deposits Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments; and
- Sharia compliant alternatives of derivatives.

The Group's customer financing comprise the following:
- Murabaha and other Islamic financing; and
- Ijara financing.

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

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

Financing assets are measured at amortised cost only if:

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

If either of the two criteria is not met the financial instrument is classified as 'fair value through profit or loss' ("FVTPL"). Further, even if the asset meets the amortised cost criteria, the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Following the above criteria, the Group measures its financial assets at amortised cost except investment in equity investments and certain sukuk which are designated as FVTPL.

Sharia compliant alternatives of derivates, investment in equity instruments and certain sukuk which do not meet the above criteria are measured at fair value.

Amortised cost (which excludes deferred profit) 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

Investments in equity instruments are classified and measured as FVTPL except if the equity investment is not held for trading or is designated by the Group as 'fair value through other comprehensive income' ("FVTOCI"). If the equity investment is designated at FVTOCI, all gains and losses, except for dividend income are recognised in accordance with IAS 18 Revenue, in other comprehensive income and are not subsequently reclassified to the statement of income.

Profit and dividend income on financial assets classified as FVTPL are recorded in the consolidated income statement.

4 ACCOUNTING POLICIES continued

Financial Instruments continued

(i) ***Recognition and Measurement*** continued

Fair value of investments quoted in an active market is determined by reference to quoted market prices. Investments where there is no active market, fair value is based on the most appropriate of the following:

- expected cash flows of the instrument discounted at current profit rates applicable for items with similar terms and risk characteristics;
- brokers' quote (based on recent market transactions);
- option pricing models;
- net asset value.

Financial liabilities of the Group including depositors' account are measured at amortised cost.

(ii) Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

Customer financing

The recoverable amount of customer financing is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective profit rate. Short-term balances are not discounted. Financing is presented net of impairment allowances. Specific allowances are made against the carrying amount of financing that are identified as being impaired, based on regular reviews of outstanding balances to reduce these financing to their recoverable amounts. Portfolio allowances are maintained to reduce the carrying amount of portfolios of similar financing to their estimated recoverable amounts at the statement of financial position date. Changes in the allowance account are recognized in the consolidated income statement. When a financing is known to be irrecoverable, and all the necessary legal procedures have been completed, the final loss is determined and the financing is written off.

If in a subsequent period the amount of an impairment loss decreases, and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the consolidated income statement.

Where possible, the Bank seeks to restructure financing exposures rather than take possession of collateral and this may involve extending payment arrangements and agreement of new terms and conditions. Once the terms have been renegotiated, the financing exposure is no longer considered past due. Management continuously reviews renegotiated facilities to ensure that all criteria are met and that future payments are likely to occur on schedule. The facilities continue to be subject to individual or collective impairment assessment, calculated using the facilities original effective profit rate.

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

	Three months ended 30 September		***Nine months ended 30 September***	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Vehicle murabaha	**116,367**	130,842	**363,293**	426,922
Goods murabaha	**30,457**	46,440	**136,279**	148,687
Share murabaha	**199,356**	167,710	**580,408**	505,297
Commodities murabaha – Al Khair	**57,359**	61,218	**174,435**	191,482
Other murabaha	**15,935**	8,812	**39,504**	31,568
Total murabaha	**419,474**	415,022	**1,293,919**	1,303,956
Mudaraba	**12,711**	27,799	**91,643**	99,100
Ijara	**412,921**	372,544	**1,174,583**	1,122,582
Islamic covered cards (murabaha)	**50,009**	45,785	**147,533**	132,461
Istisna'a	**4,190**	5,391	**13,986**	17,105
	899,305	866,541	**2,721,664**	2,675,204

6 INVESTMENT INCOME (LOSS)

	Three months ended 30 September		***Nine months ended 30 September***	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Income from Islamic sukuk	**34,809**	13,280	**69,024**	35,122
Income from other investment assets	**2,613**	141	**4,933**	7,707
Dividend income	**2,082**	6	**4,180**	19
Gain from disposal of investment in associate (note 19)	**44,328**	-	**44,328**	-
Realised gain on sale of investments carried at FVTPL	**4,897**	4,771	**16,307**	48,968
Unrealised gain (loss) on investments carried at FVTPL	**3,047**	(19,796)	**15,224**	(14,097)
	91,776	(1,598)	**153,996**	77,719

7 FEES AND COMMISSION INCOME, NET

	Three months ended 30 September		*Nine months ended 30 September*	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Fees and commission income				
Fees and commission income on cards	**71,138**	58,630	**191,636**	155,763
Trade related fees and commission	**25,455**	19,608	**73,965**	55,235
Accounts services fees	**7,641**	15,317	**28,392**	55,132
Projects and property management fees	**8,652**	11,058	**28,391**	31,660
Risk participation and arrangement fees	**9,605**	32,155	**45,387**	60,370
Brokerage fees and commission	**3,783**	3,410	**14,465**	11,783
Other fees and commissions	**13,886**	15,985	**46,028**	59,056
Total fees and commission income	**140,160**	156,163	**428,264**	428,999
Fees and commission expenses				
Card related fees and commission expenses	**(42,865)**	(30,733)	**(105,579)**	(75,187)
Other fees and commission expenses	**(6,761)**	(6,515)	**(21,367)**	(18,453)
Total fees and commission expenses	**(49,626)**	(37,248)	**(126,946)**	(93,640)
Fees and commission income, net	**90,534**	118,915	**301,318**	335,359

8 EMPLOYEES' COSTS

	Three months ended 30 September		*Nine months ended 30 September*	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Salaries and wages	**209,815**	201,876	**618,711**	600,329
End of service benefits	**15,307**	12,275	**41,347**	38,491
Other staff expenses	**6,351**	7,077	**18,945**	22,251
	231,473	221,228	**679,003**	661,071

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Legal and professional expenses	**16,094**	18,421	**58,866**	61,541
Premises expenses	**41,532**	35,999	**119,272**	100,168
Marketing and advertising expenses	**22,309**	22,263	**69,093**	69,430
Communication expenses	**10,866**	10,613	**31,250**	30,770
Technology related expenses	**15,625**	7,460	**46,217**	18,893
Other operating expenses	**24,631**	14,436	**59,306**	48,392
	131,057	109,192	**384,004**	329,194

10 PROVISION FOR IMPAIRMENT, NET

		Three months ended 30 September		Nine months ended 30 September	
		2012	*2011*	***2012***	*2011*
		AED '000	*AED '000*	***AED '000***	*AED '000*
Murabaha and mudaraba with financial institutions	15	**-**	(17,068)	**-**	(19,854)
Murabaha and other Islamic financing	16	**(50,372)**	144,699	**94,675**	174,925
Ijara financing	17	**201,521**	15,566	**351,919**	288,018
Direct write-off		**199**	-	**675**	-
Investments	18	**3,267**	1,377	**3,267**	1,377
Other assets	22	**47,455**	6,240	**124,213**	101,682
		202,070	150,814	**574,749**	546,148

The above provision for impairment includes AED 124,213 thousand (2011: AED 101,682 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	Three months ended 30 September		Nine months ended 30 September	
	2012	*2011*	***2012***	*2011*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Saving accounts	**29,377**	28,668	**95,415**	81,712
Investment accounts	**106,186**	113,633	**332,286**	435,546
Sukuk holders and Tier 2 wakala capital	**68,532**	56,017	**205,025**	168,267
	204,095	198,318	**632,726**	685,525

12 BASIC AND DILUTED EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary shareholders 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.

		Three months ended 30 September		*Nine months ended 30 September*	
	Note	***2012***	*2011*	***2012***	*2011*
Profit for the period attributable to equity holders (AED '000)		**328,181**	319,071	**957,628**	938,771
Less: profit attributable to Tier 1 sukuk holder (AED '000)	30	**(30,000)**	(30,000)	**(90,000)**	(90,000)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		**298,181**	289,071	**867,628**	848,771
Weighted average number of ordinary shares in issue (000's)		**2,364,706**	2,364,706	**2,364,706**	2,364,706
Basic and diluted earnings per share (AED)		**0.126**	0.122	**0.367**	0.359

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised.

13 CASH AND BALANCES WITH CENTRAL BANKS

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Cash on hand	**988,862**	1,121,403
Balances with central banks:		
- Current accounts	**1,595,575**	1,310,023
- Statutory reserve	**5,043,810**	4,216,019
- Islamic certificate of deposits	**4,560,492**	4,559,700
	12,188,739	11,207,145

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

13 CASH AND BALANCES WITH CENTRAL BANKS continued

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**12,101,585**	11,180,439
Middle East	**30,788**	26,706
Europe	**1,278**	-
Others	**55,088**	-
	12,188,739	11,207,145

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**390,437**	92,766
Wakala deposits	**2,778,441**	2,422,605
	3,168,878	2,515,371

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.

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**1,822,591**	1,504,836
Middle East	**44,952**	5,449
Europe	**56,498**	35,874
Others	**1,244,837**	969,212
	3,168,878	2,515,371

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	30 September 2012 AED ‘000	*Audited 31 December 2011 AED ‘000*
Murabaha	**5,874,696**	5,128,884
Mudaraba	**216,752**	217,428
	6,091,448	5,346,312
Less: provision for impairment	**(129,811)**	(129,811)
	5,961,637	5,216,501

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

At the beginning of the period	**129,811**	190,310
Reversal for the period	**-**	(16,178)
Written off during the period	**-**	(44,321)
At the end of the period	**129,811**	129,811

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

	30 September 2012 AED ‘000	*Audited 31 December 2011 AED ‘000*
UAE	**5,343,230**	4,410,811
Middle East	**228,615**	229,943
Europe	**373,105**	548,322
Others	**146,498**	157,236
	6,091,448	5,346,312

16 MURABAHA AND OTHER ISLAMIC FINANCING

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Vehicle murabaha	**6,682,468**	7,254,813
Goods murabaha	**3,454,568**	3,750,614
Share murabaha	**10,920,226**	9,796,068
Commodities murabaha – Al Khair	**3,570,611**	3,762,154
Other murabaha	**2,295,330**	2,189,802
Total murabaha	**26,923,203**	26,753,451
Mudaraba	**2,096,328**	2,592,419
Islamic covered cards (murabaha)	**4,606,881**	4,156,481
Istisna'a	**185,850**	235,756
Other financing receivables	**113,789**	163,584
Total murabaha and other Islamic financing	**33,926,051**	33,901,691
Less: deferred income on murabaha	**(8,259,507)**	(8,318,993)
	25,666,544	25,582,698
Less: provision for impairment	**(2,220,567)**	(2,217,139)
	23,445,977	23,365,559

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

	30 September 2012			*Audited 31 December 2011*		
	Individual impairment AED '000	***Collective impairment AED '000***	***Total AED '000***	*Individual impairment AED '000*	*Collective impairment AED '000*	*Total AED '000*
At the beginning of the period	**1,829,876**	**387,263**	**2,217,139**	1,608,567	289,023	1,897,590
Charge for the period (note 10)	**86,565**	**8,110**	**94,675**	232,849	98,240	331,089
Written off during the period	**(91,247)**	**-**	**(91,247)**	(11,540)	-	(11,540)
At the end of the period	**1,825,194**	**395,373**	**2,220,567**	1,829,876	387,263	2,217,139

16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	30 September 2012 AED '000	Audited 31 December 2011 AED '000
Industry sector:		
Government	**43,828**	131,803
Public sector	**246,266**	216,847
Corporate	**4,795,967**	5,517,910
Financial institutions	**623,609**	590,049
Individuals	**19,257,641**	18,592,543
Small and medium enterprises	**699,233**	533,546
	25,666,544	25,582,698
Geographic region:		
UAE	**24,415,305**	24,427,314
Middle East	**867,604**	759,202
Europe	**361,502**	363,382
Others	**22,133**	32,800
	25,666,544	25,582,698

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 include a separate undertaking from the Bank to sell the leased assets to the lessee upon the maturity of the lease.

	30 September 2012 AED '000	Audited 31 December 2011 AED '000
The aggregate future lease receivables are as follows:		
Due within one year	**6,851,296**	6,405,365
Due in the second to fifth year	**17,108,128**	17,025,468
Due after five years	**11,462,066**	9,347,515
Total ijara financing	**35,421,490**	32,778,348
Less: deferred income	**(6,921,822)**	(6,519,499)
Net present value of minimum lease payments receivable	**28,499,668**	26,258,849
Less: provision for impairment	**(1,088,550)**	(793,067)
	27,411,118	25,465,782

17 IJARA FINANCING continued

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

	30 September 2012			*Audited 31 December 2011*		
	Individual impairment AED '000	***Collective impairment AED '000***	***Total AED '000***	*Individual impairment AED '000*	*Collective impairment AED '000*	*Total AED '000*
At the beginning of the period	**417,485**	**375,582**	**793,067**	92,779	286,321	379,100
Charge for the period (note 10)	**307,175**	**44,744**	**351,919**	324,706	89,261	413,967
Written off during the period	**(56,436)**	**-**	**(56,436)**	-	-	-
At the end of the period	**668,224**	**420,326**	**1,088,550**	417,485	375,582	793,067

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Industry sector:		
Government	**94,952**	165,087
Public sector	**2,429,401**	2,285,682
Corporate	**11,894,183**	10,327,176
Financial institutions	**787,583**	678,460
Individuals	**12,818,507**	12,394,098
Small and medium enterprises	**475,042**	408,346
	28,499,668	26,258,849
Geographic region:		
UAE	**27,552,342**	25,439,128
Middle East	**13,115**	15,670
Others	**934,211**	804,051
	28,499,668	26,258,849

18 INVESTMENTS

	30 September 2012 AED '000	Audited 31 December 2011 AED '000
Investments carried at fair value through profit or loss		
Equities	**-**	2,625
Sukuk	**1,088,414**	846,361
	1,088,414	848,986
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	**27,891**	16,454
Unquoted investments		
Funds	**107,048**	174,723
Private equities	**258,184**	172,033
	365,232	346,756
	393,123	363,210
Investments carried at amortised cost		
Sukuk	**2,686,840**	440,409
Total investments	**4,168,377**	1,652,605

Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.

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

	30 September 2012 AED '000	Audited 31 December 2011 AED '000
At the beginning of the period - audited	**78,041**	108,391
Transition adjustment upon adoption of IFRS 9	**-**	(31,727)
At the beginning of the period - adjusted	**78,041**	76,664
Charge for the period (note 10)	**3,267**	1,377
At the end of the period	**81,308**	78,041

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

	30 September 2012 AED '000	Audited 31 December 2011 AED '000
UAE	**2,549,008**	1,109,453
Middle East	**1,310,357**	422,111
Europe	**177**	178
Others	**390,143**	198,904
	4,249,685	1,730,646

19 INVESTMENT IN ASSOCIATES

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Cost of investment in associates	**831,063**	861,273
Share of results	**12,751**	12,479
Dividends received	**(4,497)**	(1,710)
Foreign currency translation	**10,498**	12,244
	849,815	884,286
Less: provision for impairment	**(4,284)**	(32,783)
	845,531	851,503

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

Balance at the beginning of the period	**32,783**	32,783
Written off during the period	**(28,499)**	-
Balance at the end of the period	**4,284**	32,783

Details of the Bank's investment in associates at 30 September 2012 is as follows:

Name of associate	*Place of incorporation*	*Proportion of ownership interest and voting power 2012 %*	*2011 %*	*Principal activity*
Abu Dhabi National Takaful PJSC	UAE	**40**	40	Islamic insurance
BBI Leasing and Real Estate D.O.O	Bosnia	**-**	32	Islamic leasing and real estate
Bosna Bank International D.D	Bosnia	**27**	27	Islamic banking
National Bank for Development	Egypt	**49**	49	Banking (under conversion to Islamic bank)

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**129,152**	127,633
Europe	**33,105**	69,095
Others	**687,558**	687,558
	849,815	884,286

19 INVESTMENT IN ASSOCIATES continued

Disposal of investment in associate

In September 2012, the Bank entered into a binding sale and purchase agreement (“Agreement”) for the disposal of its entire equity holding in BBI Leasing and Real Estate D.O.O for a consideration of AED 51,535 thousand. Through this agreement the Bank transferred its risks and rewards with respect to the ownership of BBI Leasing and Real Estate D.O.O to the purchaser and recognized the disposal and gain on disposal in the third quarter of 2012. This investment was treated as an associate until the date the disposal was occurred. The total share of profits from BBI Leasing and Real Estate D.O.O recognized in the interim consolidated income statement during the period ended 30 September 2012 amounted to AED 101 thousand.

The excess of sale consideration over the net carrying value of the investment in associate and net of hedge reserves as on the date of disposal has been included in the ‘Gain on disposal of investment in associate’ in the interim consolidated income statement and is calculated as follows:

	30 September 2012 AED ‘000
Sale consideration	51,535
Less: carrying value of investment in associate	(8,809)
Add:foreign currency translation reserve recycled from other comprehensive income	1,915
	44,641
Less: transaction cost	(313)
Gain on disposal of investment in associate (note 6)	**44,328**

20 INVESTMENT PROPERTIES

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Cost:		
Balance at the beginning of the period	**177,629**	222,495
Transfer from development properties (note 21)	**131,103**	93,439
Transfer from other assets	**37,300**	66,027
Transfer to property and equipment	**-**	(204,011)
Disposals	**(8,581)**	(321)
Gross balance at the end of the period	**337,451**	177,629
Less: provision for impairment	**(14,761)**	(14,761)
Net balance at the end of the period	**322,690**	162,868
Accumulated depreciation:		
Balance at the beginning of the period	**7,628**	12,759
Charge for the period	**6,346**	5,793
Related to disposal	**(268)**	-
Relating to transfer to property and equipment	**-**	(10,924)
Balance at the end of the period	**13,706**	7,628
Net book value at the end of the period	**308,984**	155,240

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 9,737 thousand (2011: AED 3,714 thousand) for the nine months period ended 30 September 2012.

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Balance at the beginning of the period	**14,761**	18,082
Charge for the period	**-**	1,631
Written off during the period	**-**	(4,952)
Balance at the end of the period	**14,761**	14,761

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

UAE	**315,497**	161,753
Middle East	**8,248**	8,248
	323,745	170,001

21 DEVELOPMENT PROPERTIES

The movement in development properties during the period was as follows:

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Balance at the beginning of the period	**966,747**	1,050,445
Additions	**4,246**	16,447
Transfers to investment properties (note 20)	**(131,103)**	(93,439)
Disposals	**(2,509)**	(6,706)
Balance at the end of the period	**837,381**	966,747

Development properties include land with a carrying value of AED 800,000 thousand (31 December 2011: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

22 OTHER ASSETS

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Advances against purchase of properties	**1,373,454**	1,299,280
Trade receivables	**257,339**	277,761
Cheques for collection	**2,583**	2,614
Prepaid expenses	**338,583**	259,880
Income receivable	**44,572**	6,017
Advance to contractors	**777**	1,653
Advance for investments	**183,625**	183,625
Others	**197,839**	177,323
	2,398,772	2,208,153
Less: provision for impairment	**(341,804)**	(243,503)
	2,056,968	1,964,650

22 OTHER ASSETS continued

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

	Advances against purchase of properties AED '000	*Trade receivables AED '000*	*Advance for investments AED '000*	*Others AED '000*	*Total AED '000*
At 1 January 2012 - audited	**192,575**	**30,100**	**-**	**20,828**	**243,503**
Charge for the period (note 10)	**121,158**	**-**	**-**	**3,055**	**124,213**
Written off during the period	**(24,843)**	**(1,069)**	**-**	**-**	**(25,912)**
At 30 September 2012 - unaudited	**288,890**	**29,031**	**-**	**23,883**	**341,804**
At 1 January 2011 - audited	74,031	30,100	106,392	10,414	220,937
Charge (reversal) for the year	184,013	-	(106,392)	10,414	88,035
Written off during the year	(65,469)	-	-	-	(65,469)
At 31 December 2011 - audited	192,575	30,100	-	20,828	243,503

23 DUE TO FINANCIAL INSTITUTIONS

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**211,055**	171,203
Investment deposits	**2,358,789**	1,760,223
	2,569,844	1,931,426

24 DEPOSITORS' ACCOUNTS

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**16,437,397**	14,234,786
Saving accounts	**13,945,684**	11,182,629
Investment accounts	**30,594,012**	29,613,769
Profit equalisation reserve	**211,390**	140,599
	61,188,483	55,171,783

24 DEPOSITORS' ACCOUNTS continued

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

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
At the beginning of the period	**140,599**	64,788
Share of profit for the period	**70,791**	75,811
At the end of the period	**211,390**	140,599

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

Industry sector:		
Government	**9,354,383**	7,555,541
Public sector	**9,015,454**	8,208,031
Corporates	**3,965,998**	5,058,507
Financial institutions	**1,909,263**	2,709,678
Individuals	**29,865,759**	25,473,050
Small and medium enterprises	**7,077,626**	6,166,976
	61,188,483	55,171,783

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

With respect to investment deposits, the Bank is liable only in case of willful 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).

25 OTHER LIABILITIES

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Accounts payable	**286,869**	349,922
Payable for purchase of properties	**23,823**	64,578
Accrued profit for distribution to depositors and sukuk holders	**220,345**	158,164
Bankers' cheques	**263,780**	137,903
Provision for staff benefits and other expenses	**215,872**	258,895
Retentions payable	**202,865**	274,202
Advances from customers	**38,641**	58,803
Accrued legal and professional charges	**3,828**	3,494
Accrued expenses	**131,133**	73,003
Unclaimed dividends	**107,370**	90,831
Deferred income	**78,157**	26,679
Charity account	**3,192**	6,528
Donation account	**723**	344
Negative fair value on Shari'a compliant alternatives of derivative financial instruments	**21,978**	19,578
Others	**386,307**	339,833
	1,984,883	1,862,757

26 TIER 2 WAKALA CAPITAL

In December 2008, the UAE Federal government ("the Government") placed deposits with the Bank for a period of 3 - 5 years. Subsequent to the deposit placements, the Government offered, subject to certain terms and conditions and in accordance with the Central Bank's capital adequacy requirements, to convert the deposits, into capital qualifying as Tier 2 capital. Pursuant to the Extraordinary General Meeting held on 22 March 2009, the shareholders approved, subject to the terms of an instrument to be entered into with the Government, the conversion of these deposits into a Tier 2 capital. On 31 December 2009, a Shari'a compliant wakala agreement was signed by the Bank. In accordance with the terms of that agreement the deposits were converted into Tier 2 qualifying wakala capital.

The wakala capital is an unsecured subordinated obligation of the Bank which has been provided to the Bank for a term of 7 years. However, the Bank may, subject to certain conditions, return the wakala capital to the Government prior to the expiry of the 7 year term. The Tier 2 qualifying wakala capital bears an expected profit rate ranging, over the term that it has been provided, from 4% - 5.25%. The profit rate is payable quarterly in arrears. In limited circumstances and subject to certain conditions, the Government has the ability to convert all or part of the wakala capital into ordinary shares of the Bank at the prevailing market price.

27 SUKUK FINANCING INSTRUMENTS

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Second issue	**2,754,375**	2,754,375
Third issue	**1,836,250**	1,836,250
	4,590,625	4,590,625

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

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

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

The issuer will pay the quarterly distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at an exercise price which equals the value of the Issuer's co-ownership interest in the unpaid rental installments due and payable in respect of the Co-Owned Assets, which may equal the amount of AED 4,590,625 thousand (USD 1,250 million) (31 December 2011: AED 4,590,625 thousand (USD 1,250 million)).

28 SHARE CAPITAL

	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Authorised share capital:		
3,000,000 thousand (2011: 3,000,000 thousand) ordinary shares of AED 1 each (2011: AED 1 each)	**3,000,000**	3,000,000
Issued and fully paid share capital:		
2,364,706 thousand (2011: 2,364,706 thousand) ordinary shares of AED 1 each (2011: AED 1 each)	**2,364,706**	2,364,706

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 2012 - audited	(165,030)	143,000	13,565	(19,578)	(28,043)
Net gain on valuation of investments carried at FVTOCI	70,090	-	-	-	70,090
Loss on disposal of investment carried at fair value through other comprehensive income	1,284	-	-	-	1,284
Exchange differences arising on translation of foreign operations	-	-	(887)	-	(887)
Gain on hedge of foreign operations	-	-	887	-	887
Exchange difference recycled from consolidated income statement on disposal of investment in associate (note 19)	-	-	(1,915)	-	(1,915)
Fair value loss on cash flow hedge	-	-	-	(3,776)	(3,776)
At 30 September 2012 - unaudited	**(93,656)**	**143,000**	**11,650**	**(23,354)**	**37,640**
At 1 January 2011 - audited	(92,040)	129,239	13,565	(8,642)	42,122
Transition adjustment on adoption of IFRS 9	(5,746)	-	-	-	(5,746)
At 1 January 2011 - adjusted	(97,786)	129,239	13,565	(8,642)	36,376
Net loss on valuation of investments carried at FVTOCI	(35,012)	-	-	-	(35,012)
Exchange differences arising on translation of foreign operations	-	-	2,452	-	2,452
Loss on hedge of foreign operations	-	-	(2,452)	-	(2,452)
Fair value gain on cash flow hedge	-	-	-	1,196	1,196
At 30 September 2011 - unaudited	**(132,798)**	**129,239**	**13,565**	**(7,446)**	**2,560**

30 TIER 1 SUKUK

On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk") 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 was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk is callable by the Bank subject to certain conditions. The Sukuk 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 and acceptances, 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, guarantees and acceptances 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 2012 AED ‘000	*Audited 31 December 2011 AED ‘000*
Contingent liabilities		
Letters of credit	**1,716,966**	1,666,121
Letters of guarantee	**8,601,849**	9,003,727
Acceptances	**334,969**	439,322
	10,653,784	11,109,170
Commitments		
Undrawn facilities commitments	**783,658**	1,293,858
Investment securities	**70,700**	70,700
Future capital expenditure	**277,992**	345,750
Investment and development properties	**1,420,041**	1,559,443
	2,552,391	3,269,751
	13,206,175	14,378,921

32 CASH AND CASH EQUIVALENTS

	30 September 2012 AED '000	*30 September 2011 AED '000*
Cash and balances with central banks, short term	**9,034,095**	6,900,875
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**3,031,179**	2,363,186
Murabaha and mudaraba with financial institutions, short term	**5,001,534**	6,014,298
Due to financial institutions, short term	**(2,569,844)**	(1,282,185)
	14,496,964	13,996,174

33 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.

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period have ranged from 0% to 9.0% (2011: 0% to 9.5% 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 2.3% per annum (2011: 0% to 6.0% per annum).

Fees and commissions earned on transactions with related parties during the period was Nil (2011: 1.93% per annum).

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

	Major Shareholder AED '000	*Directors AED '000*	*Associates AED '000*	*Others AED '000*	*Total AED '000*
30 September 2012 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	**-**	**-**	**1,923**	**-**	**1,923**
Income from murabaha, mudaraba, ijara and other Islamic financing	**87,609**	**440**	**-**	**140,065**	**228,114**
Operating expenses	**-**	**216**	**-**	**-**	**216**
Distribution to depositors and sukuk holders	**56**	**32**	**200**	**402**	**690**
30 September 2011 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	2,214	-	2,214
Income from murabaha, mudaraba, ijara and other Islamic financing	81,138	338	-	123,962	205,438
Investment income	5,973	-	-	-	5,973
Fees and commission income, net	-	-	-	19,862	19,862
Operating expenses	-	327	-	-	327
Distribution to depositors and sukuk holders	56	34	430	318	838

33 RELATED PARTY TRANSACTIONS continued

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

	Major Shareholder AED '000	*Directors AED '000*	*Associates AED '000*	*Others AED '000*	*Total AED '000*
30 September 2012 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	**-**	**-**	**985,087**	**-**	**985,087**
Murabaha, mudaraba, ijara and other Islamic financing	**2,355,401**	**10,991**	**-**	**3,236,632**	**5,603,024**
Other assets	**-**	**-**	**1,897**	**183,625**	**185,522**
	2,355,401	**10,991**	**986,984**	**3,420,257**	**6,773,633**
Due to financial institutions	**-**	**-**	**3,308**	**-**	**3,308**
Depositors' accounts	**25,289**	**11,660**	**37,400**	**138,416**	**212,765**
Other liabilities	**4**	**16**	**16**	**265**	**301**
	25,293	**11,676**	**40,724**	**138,681**	**216,374**
Undrawn facilities commitments	**-**	**-**	**-**	**83**	**83**
31 December 2011 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	927,919	-	927,919
Murabaha, mudaraba, ijara and other Islamic financing	2,432,231	11,476	-	2,899,814	5,343,521
Other assets	-	-	3,103	183,625	186,728
	2,432,231	11,476	931,022	3,083,439	6,458,168
Due to financial institutions	-	-	3,192	-	3,192
Depositors' accounts	15,966	7,797	35,236	75,218	134,217
Other liabilities	4	-	46	1,563	1,613
	15,970	7,797	38,474	76,781	139,022
Undrawn facilities commitments	-	-	-	1,517	1,517

Compensation of key management personnel

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

	Nine months ended	
	30 September 2012 AED '000	*30 September 2011 AED '000*
Salaries and other benefits	**21,070**	21,659
Employees' end of service benefits	**2,231**	2,069
	23,301	23,728

Board of Directors remuneration for the year ended 31 December 2011 amounting to AED 4,200 thousand (2010: AED 4,200 thousand) was paid to Board of Directors after the approval by the shareholders at the Annual General Assembly held on 4 April 2012.

34 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Business segments information for the period ended 30 September 2012 were as follows:

	Retail banking AED '000	*Wholesale banking AED '000*	*Private banking AED '000*	*Capital markets AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
Revenue and results							
Segment revenues, net	**1,682,271**	**735,800**	**170,283**	**60,976**	**(32,256)**	**64,541**	**2,681,615**
Operating expenses excluding provision for impairment, net	**(758,663)**	**(154,099)**	**(69,495)**	**(45,845)**	**(56,389)**	**(63,921)**	**(1,148,412)**
Operating profit (margin)	**923,608**	**581,701**	**100,788**	**15,131**	**(88,645)**	**620**	**1,533,203**
Provision for impairment, net	**(149,852)**	**(191,106)**	**(109,057)**	**-**	**(124,213)**	**(521)**	**(574,749)**
Profit (loss) for the period	**773,756**	**390,595**	**(8,269)**	**15,131**	**(212,858)**	**99**	**958,454**
Non-controlling interest	**-**	**-**	**-**	**(260)**	**-**	**(566)**	**(826)**
Profit (loss) for the period attributable to equity holders of the Bank	**773,756**	**390,595**	**(8,269)**	**14,871**	**(212,858)**	**(467)**	**957,628**
Assets							
Segmental assets	**26,855,202**	**19,954,489**	**6,138,714**	**24,563,225**	**2,597,707**	**1,431,042**	**81,540,379**
Liabilities							
Segmental liabilities	**30,109,500**	**16,627,382**	**6,889,887**	**18,203,338**	**296,792**	**414,344**	**72,541,243**

34 SEGMENT INFORMATION continued

Business segments information for the period ended 30 September 2011 were as follows:

	Retail banking AED '000	*Wholesale banking AED '000*	*Private banking AED '000*	*Capital markets AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
Revenue and results							
Revenue and results							
Segment revenues, net	1,648,392	640,347	130,355	111,957	7,029	3,614	2,541,694
Operating expenses excluding provision for impairment, net	(709,120)	(142,133)	(62,378)	(47,382)	(56,652)	(38,982)	(1,056,647)
Operating profit (margin)	939,272	498,214	67,977	64,575	(49,623)	(35,368)	1,485,047
Provision for impairment, net	(134,172)	(100,360)	(209,934)	-	(101,682)	-	(546,148)
Profit (loss) for the period	805,100	397,854	(141,957)	64,575	(151,305)	(35,368)	938,899
Non-controlling interest	-	-	-	(128)	-	-	(128)
Profit (loss) for the period attributable to equity holders of the Bank	805,100	397,854	(141,957)	64,447	(151,305)	(35,368)	938,771
Assets							
Segmental assets	25,592,482	18,475,775	6,042,088	19,350,764	2,900,931	1,800,781	74,162,821
Liabilities							
Segmental liabilities	24,956,139	16,959,850	7,071,597	15,936,706	409,664	364,015	65,697,971

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 branch in Iraq 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 given.

35 FINANCIAL RISK MANAGEMENT

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset and impairment losses, if any. The table shows the maximum exposure to credit risk / price risk for murabaha, mudaraba, ijara, other Islamic financing and investments. Details of credit risk arising from contingencies and commitments are disclosed in note 31 to the interim condensed consolidated financial statements.

	Balances and wakala deposits with Islamic banks and other financial institutions		***Murabaha and mudaraba with financial institutions***		***Murabaha and other Islamic financing***		***Ijara financing***		***Investments***	
	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*	***30 September 2012 AED '000***	*Audited 31 December 2011 AED '000*	***30 September 2012 AED '000***	*Audited 31 December 2011 AED '000*	***30 September 2012 AED '000***	*Audited 31 December 2011 AED '000*	***30 September 2012 AED '000***	*Audited 31 December 2011 AED '000*
Individually impaired										
Substandard	**-**	-	**-**	-	**504,319**	642,672	**814,728**	697,991	**12,802**	12,802
Doubtful	**-**	-	**-**	-	**925,869**	1,271,088	**457,097**	579,247	**91,813**	91,813
Loss	**-**	-	**129,811**	129,811	**1,179,236**	1,080,220	**251,085**	237,341	**-**	-
Gross amount	**-**	-	**129,811**	129,811	**2,609,424**	2,993,980	**1,522,910**	1,514,579	**104,615**	104,615
Provision for individual impairment	**-**	-	**(129,811)**	(129,811)	**(1,825,194)**	(1,829,876)	**(668,224)**	(417,485)	**(81,308)**	(78,041)
	-	-	**-**	-	**784,230**	1,164,104	**854,686**	1,097,094	**23,307**	26,574
Past due but not impaired										
Gross amount	**-**	-	**-**	-	**204,483**	220,498	**1,401,833**	1,438,185	**-**	-
Neither past due nor impaired	**3,168,878**	2,515,371	**5,961,637**	5,216,501	**22,852,637**	22,368,220	**25,574,925**	23,306,085	**4,145,070**	1,626,031
Collective allowance for impairment	**-**	-	**-**	-	**(395,373)**	(387,263)	**(420,326)**	(375,582)	**-**	-
Carrying amount	**3,168,878**	2,515,371	**5,961,637**	5,216,501	**23,445,977**	23,365,559	**27,411,118**	25,465,782	**4,168,377**	1,652,605

36 CAPITAL ADEQUACY RATIO

The table below shows summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 30 September 2012 and 31 December 2011 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	Basel II	
	30 September 2012 AED '000	*Audited 31 December 2011 AED '000*
Tier 1 capital		
Share capital	**2,364,706**	2,364,706
Legal reserve	**1,755,894**	1,755,894
General reserve	**585,921**	585,921
Retained earnings	**2,203,550**	1,311,406
Proposed dividends	**-**	577,546
Proposed dividends to charity	**-**	1,028
Tier 1 sukuk	**2,000,000**	2,000,000
Non-controlling interest	**51,425**	2,609
Total	**8,961,496**	8,599,110
Tier 2 capital		
Tier 2 wakala capital	**2,207,408**	2,207,408
Cumulative changes in fair value	**(105,360)**	(171,043)
Collective impairment provision for financing assets	**815,111**	757,312
Total	**2,917,159**	2,793,677
Total tier 1 and tier 2 capital	**11,878,655**	11,392,787
Deductions for Tier 1 and Tier 2 capital	**(845,531)**	(851,503)
Total capital base	**11,033,124**	10,541,284
Risk weighted assets		
Credit risk	**59,694,069**	56,137,854
Market risk	**1,756,455**	1,240,708
Operational risk	**3,758,370**	3,247,006
Total risk weighted assets	**65,208,894**	60,625,568
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**16.92%**	17.39%
Tier 1 capital expressed as a percentage of total risk weighted assets	**13.74%**	14.18%

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 30 September 2012 (31 December 2011 – 12%) as stipulated by the Central Bank of the United Arab Emirates.

37 DIVIDENDS

Cash dividend of 24.42% of the paid up capital relating to year ended 31 December 2011 amounting to AED 577,546 thousand (2011: AED 511,783 thousand) was payable to the shareholders after the approval by the shareholders in the Annual General Assembly held on 4 April 2012.

38 BUSINESS COMBINATION – ACQUSITION OF SAUDI INSTALLMENT HOUSE COMPANY

Effective 11 January 2012, the Group acquired 51% equity stake in Saudi Installment House, a limited liability company incorporated in Saudi Arabia ("the Company") and engaged in the business of cash and installment sales of wholesale and retail segment. The Group has paid a consideration of AED 54.8 million. The acquisition provides opportunities for the Bank to grow its business and create one of the affluent businesses in the Kingdom of Saudi Arabia. Non-controlling interest has been measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets.

39 SEASONALITY OF RESULTS

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

40 COMPARATIVE FIGURES

Following comparatives were reclassified to conform to the current period presentation. The reclassification has no effect on the previously reported profit or equity of the Group:

An amount of AED 66,958 thousand has been re-classified from "distribution to investment accounts by financial institutions" and has been included in "distribution to sukuk holders and Tier 2 wakala capital" in note 11 to the interim condensed consolidated financial statements.