Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2012 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2012 (Unaudited)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2012, comprising of the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young

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

13 May 2012
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT
Three months ended 31 March 2012 (Unaudited)

	Notes	***Three months ended 31 March 2012 AED '000***	*Three months ended 31 March 2011 AED '000*
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		**30,519**	35,585
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**907,706**	890,176
Investment income	6	**23,055**	24,992
Share of results of associates		**1,354**	1,962
Fees and commission income, net	7	**108,834**	111,187
Foreign exchange income		**11,984**	209
Income from investment properties	20	**2,794**	625
Income from development properties		**-**	2,820
Other income		**173**	2,365
		1,086,419	1,069,921
OPERATING EXPENSES			
Employees' costs	8	**(224,570)**	(216,006)
General and administrative expenses	9	**(126,264)**	(107,891)
Depreciation		**(26,546)**	(20,831)
Provision for impairment, net	10	**(186,094)**	(159,554)
		(563,474)	(504,282)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS		**522,945**	565,639
Distribution to depositors and sukuk holders	11	**(215,648)**	(261,076)
PROFIT FOR THE PERIOD		**307,297**	304,563
Attributable to:			
Equity holders of the Bank		**307,156**	304,499
Non-controlling interest		**141**	64
		307,297	304,563
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	**0.117**	0.116

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Three months ended 31 March 2012 (Unaudited)

	Notes	***Three months ended 31 March 2012 AED '000***	*Three months ended 31 March 2011 AED '000*
PROFIT FOR THE PERIOD		**307,297**	304,563
Other comprehensive income (loss)			
Net gain (loss) on valuation of investments carried at fair value through other comprehensive income	29	**3,052**	(22,500)
Exchange differences arising on translation of foreign operations	29	**2,803**	5,286
Loss on hedge of foreign operations	29	**(2,057)**	(5,286)
Fair value gain on cash flow hedge	29	**651**	166
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**4,449**	(22,334)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**311,746**	282,229
Attributable to:			
Equity holders of the Bank		**311,605**	282,165
Non-controlling interest		**141**	64
		311,746	282,229

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012 (Unaudited)

	Notes	*31 March 2012 AED '000*	*Audited 31 December 2011 AED '000*
ASSETS			
Cash and balances with central banks	13	**10,480,007**	11,207,145
Balances and wakala deposits with Islamic banks and other financial institutions	14	**2,872,511**	2,515,371
Murabaha and mudaraba with financial institutions	15	**6,683,348**	5,216,501
Murabaha and other Islamic financing	16	**22,931,090**	23,365,559
Ijara financing	17	**26,684,344**	25,465,782
Investments	18	**1,772,198**	1,652,605
Investment in associates	19	**854,914**	851,503
Investment properties	20	**153,858**	155,240
Development properties	21	**968,499**	966,747
Other assets	22	**2,103,940**	1,964,650
Property and equipment		**1,007,974**	973,963
TOTAL ASSETS		**76,512,683**	74,335,066
LIABILITIES			
Due to financial institutions	23	**1,440,718**	1,931,426
Depositors' accounts	24	**57,550,026**	55,171,783
Other liabilities	25	**1,793,102**	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		**67,581,879**	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		**1,618,562**	1,311,406
Proposed dividends	37	**577,546**	577,546
Proposed dividends to charity		**1,028**	1,028
Other reserves	29	**(23,594)**	(28,043)
Tier 1 sukuk	30	**2,000,000**	2,000,000
Equity attributable to the equity holders of the Bank		**8,880,063**	8,568,458
Non-controlling interest		**50,741**	2,609
Total equity		**8,930,804**	8,571,067
TOTAL LIABILITIES AND EQUITY		**76,512,683**	74,335,066
CONTINGENT LIABILITIES AND COMMITMENTS	31	**13,874,446**	14,378,921

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
Three months ended 31 March 2012 (Unaudited)

		Attributable to the equity holders of the Bank										
	Note	*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		-	-	-	307,156	-	-	4,449	-	311,605	141	311,746
Non-controlling interest arising in a business combination	38	-	-	-		-	-	-	-	-	47,991	47,991
Balance at 31 March 2012 - unaudited		**2,364,706**	**1,755,894**	**585,921**	**1,618,562**	**577,546**	**1,028**	**(23,594)**	**2,000,000**	**8,880,063**	**50,741**	**8,930,804**
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)		-	-	-	304,499	-	-	(22,334)	-	282,165	64	282,229
Dividends paid		-	-	-	-	(511,783)	-	-	-	(511,783)	-	(511,783)
Dividends paid to charity		-	-	-	-	-	(6,816)	-	-	(6,816)	-	(6,816)
Balance at 31 March 2011 - unaudited		**2,364,706**	**1,754,899**	**443,182**	**1,326,816**	**-**	**-**	**14,042**	**2,000,000**	**7,903,645**	**3,139**	**7,906,784**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Three months ended 31 March 2012 (Unaudited)

	Notes	***Three months ended 31 March 2012 AED '000***	*Three months ended 31 March 2011 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**307,297**	304,563
Adjustments for:			
Depreciation on investment properties	20	**1,382**	806
Depreciation on property and equipment		**25,164**	20,025
Share of results of associates		**(1,354)**	(1,962)
Dividend income	6	**-**	(10)
Realised gain on sale of investments carried at fair value through profit and loss	6	**(1,971)**	(5,962)
Unrealised (gain) loss on investments carried at fair value through profit and loss	6	**(5,838)**	230
Provision for impairment, net	10	**186,094**	159,554
Gain on sale of development properties		**-**	(4,570)
Operating profit before changes in operating assets and liabilities		**510,774**	472,674
Disposal (purchase) of Islamic certificate of deposits		**1,251,972**	(351,422)
Decrease (increase) in balances and wakala deposits with Islamic banks and other financial institutions		**208,837**	(69,316)
(Increase) decrease in murabaha and mudaraba with financial institutions		**(862,160)**	1,184,729
Decrease in murabaha and other Islamic financing		**374,365**	31,771
Increase in ijara financing		**(1,290,281)**	(366,845)
Purchase of investments carried at fair value through profit and loss		**(533,790)**	(592,648)
Proceeds from sale of investments carried at fair value through profit and loss		**608,355**	845,848
Increase in other assets		**(167,161)**	(217,003)
Decrease in due to financial institutions		**(389,224)**	(390,467)
Increase (decrease) in depositors' accounts		**2,376,186**	(4,610,530)
(Decrease) increase in other liabilities		**(74,699)**	105,419
Net cash from (used in) operating activities		**2,013,174**	(3,957,790)
INVESTING ACTIVITIES			
Dividend received		**-**	10
Purchase of investments at amortised cost		**(183,524)**	-
Proceeds from sale of investments carried at fair value through other comprehensive income		**227**	-
Additions to development properties	21	**(1,752)**	(11,248)
Proceeds from sale of development properties		**-**	10,746
Purchase of property and equipment		**(58,933)**	(8,161)
Net cash used in investing activities		**(243,982)**	(8,653)
FINANCING ACTIVITIES			
Proceeds from disposal of sukuk assets - second issue		**-**	167,466
Dividends paid		**(1,880)**	(75)
Net cash (used in) from financing activities		**(1,880)**	167,391
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,767,312**	(3,799,052)
Cash and cash equivalents at 1 January		**11,392,464**	15,955,903
CASH AND CASH EQUIVALENTS AT 31 MARCH	32	**13,159,776**	12,156,851

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		**952,362**	851,369
Profit paid to depositors and sukuk holders		**175,302**	293,440

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 71 branches in the UAE and 1 branch in Iraq. 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 13 May 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 Financial Reporting Standards (“IFRS”), general principles of the Shari’a as determined by the Group’s Fatwa and Shari’a Supervisory Board.

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

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

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	**-**	-
Kawader Services Company LLC	Manpower supply	United Arab Emirates	**100%**	100%
Saudi Installment House	Retail Finance	Saudi Arabia	**51%**	-
ADIB (UK) Limited	Islamic banking	United Kingdom	**100%**	-

*The Bank does not have any direct holding in ADIB Sukuk Company Ltd and is 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 31 March 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

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 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

IAS 19 Employee Benefits (Amendment)

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)

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)

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.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.

3 BASIS OF PREPARATION continued

3.2 Standards issued but not yet effective continued

IFRS 10 Consolidated Financial Statements
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
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
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
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 three months ended 31 March 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.

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 and 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 recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to the statement of income.

Profit and dividends 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*

Investments quoted in active market, fair value 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.

Group's all financial liabilities 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 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Vehicle murabaha	**124,704**	150,850
Goods murabaha	**54,239**	54,785
Share murabaha	**185,388**	166,711
Commodities murabaha – Al Khair	**58,748**	64,699
Other murabaha	**12,154**	10,011
Total murabaha	**435,233**	447,056
Mudaraba	**41,715**	38,625
Ijara	**377,228**	355,322
Islamic covered cards (murabaha)	**48,919**	43,211
Istisna'a	**4,611**	5,962
	907,706	890,176

6 INVESTMENT INCOME

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Income from Islamic sukuk	**13,476**	13,080
Income from other investment assets	**1,770**	6,170
Dividend income	**-**	10
Realised gain on sale of investments carried at fair value through profit and loss	**1,971**	5,962
Unrealised gain (loss) on investments carried at fair value through profit and loss	**5,838**	(230)
	23,055	24,992

7 FEES AND COMMISSION INCOME, NET

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Fees and commission income		
Fees and commission income on cards	**58,976**	45,168
Trade related fees and commission	**25,789**	18,652
Accounts services fees	**11,687**	23,985
Projects and property management fees	**9,463**	9,301
Risk participation and arrangement fees	**17,790**	13,462
Brokerage fees and commission	**5,839**	4,023
Other fees and commissions	**15,366**	20,403
Total fees and commission income	**144,910**	134,994

7 FEES AND COMMISSION INCOME, NET continued

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Fees and commission expenses		
Card related fees and commission expenses	**(28,958)**	(17,896)
Other fees and commission expenses	**(7,118)**	(5,911)
Total fees and commission expenses	**(36,076)**	(23,807)
Fees and commission income, net	**108,834**	111,187

8 EMPLOYEES' COSTS

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Salaries and wages	**203,639**	197,788
End of service benefits	**13,276**	11,706
Other staff expenses	**7,655**	6,512
	224,570	216,006

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Legal and professional expenses	**21,562**	21,973
Premises expenses	**38,072**	30,221
Marketing and advertising expenses	**26,904**	24,787
Communication expenses	**10,159**	9,701
Technology related expenses	**15,985**	4,858
Other operating expenses	**13,582**	16,351
	126,264	107,891

10 PROVISION FOR IMPAIRMENT, NET

	Notes	***Three months ended 31 March 2012 AED '000***	*Three months ended 31 March 2011 AED '000*
Murabaha and mudaraba with financial institutions	15	**-**	(2,786)
Murabaha and other Islamic financing	16	**85,032**	58,001
Ijara financing	17	**71,719**	95,774
Direct write-off		**79**	-
Other assets	22	**29,264**	8,565
		186,094	159,554

The above provision for impairment includes AED 29,264 thousand (31 March 2011: AED 8,565 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Saving accounts	**32,115**	24,828
Investment accounts	**115,283**	180,146
Sukuk holders and Tier 2 wakala capital	**68,250**	56,102
	215,648	261,076

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.

	Note	***Three months ended 31 March 2012***	*Three months ended 31 March 2011*
Profit for the period attributable to equity holders (AED '000)		**307,156**	304,499
Less: profit attributable to Tier 1 sukuk holder (AED '000)	30	**(30,000)**	(30,000)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		**277,156**	274,499
Weighted average number of ordinary shares in issue (000's)		**2,364,706**	2,364,706
Basic and diluted earnings per share (AED)		**0.117**	0.116

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Cash on hand	**940,575**	1,121,403
Balances with central banks:		
- Current accounts	**362,721**	1,310,023
- Statutory reserve	**4,310,954**	4,216,019
- Islamic certificate of deposits	**4,865,757**	4,559,700
	10,480,007	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.

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**10,398,287**	11,180,439
Middle East	**26,632**	26,706
Others	**55,088**	-
	10,480,007	11,207,145

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**191,780**	92,766
Wakala deposits	**2,680,731**	2,422,605
	2,872,511	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.

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

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**1,502,842**	1,504,836
Middle East	**250,903**	5,449
Europe	**52,730**	35,874
Others	**1,066,036**	969,212
	2,872,511	2,515,371

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Murabaha	**6,595,836**	5,128,884
Mudaraba	**217,323**	217,428
	6,813,159	5,346,312
Less: provision for impairment	**(129,811)**	(129,811)
	6,683,348	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:

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**6,393,995**	4,410,811
Middle East	**230,041**	229,943
Europe	**35,294**	548,322
Others	**153,829**	157,236
	6,813,159	5,346,312

16 MURABAHA AND OTHER ISLAMIC FINANCING

	31 March 2012 AED '000	Audited 31 December 2011 AED '000
Vehicle murabaha	**6,910,433**	7,254,813
Goods murabaha	**3,607,162**	3,750,614
Share murabaha	**10,066,187**	9,796,068
Commodities murabaha – Al Khair	**3,657,749**	3,762,154
Other murabaha	**2,126,700**	2,189,802
Total murabaha	**26,368,231**	26,753,451
Mudaraba	**2,521,795**	2,592,419
Islamic covered cards (murabaha)	**4,222,676**	4,156,481
Istisna'a	**237,434**	235,756
Other financing receivables	**85,580**	163,584
Total murabaha and other Islamic financing	**33,435,716**	33,901,691
Less: deferred income on murabaha	**(8,203,163)**	(8,318,993)
	25,232,553	25,582,698
Less: provision for impairment	**(2,301,463)**	(2,217,139)
	22,931,090	23,365,559

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

	31 March 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)	**77,998**	**7,034**	**85,032**	232,849	98,240	331,089
Written off during the period	**(708)**	**-**	**(708)**	(11,540)	-	(11,540)
At the end of the period	**1,907,166**	**394,297**	**2,301,463**	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:

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Industry sector:		
Government	**87,737**	131,803
Public sector	**245,073**	216,847
Corporate	**5,251,203**	5,517,910
Financial institutions	**618,218**	590,049
Individuals	**18,466,066**	18,592,543
Small and medium enterprises	**564,256**	533,546
	25,232,553	25,582,698
Geographic region:		
UAE	**23,861,282**	24,427,314
Middle East	**925,096**	759,202
Europe	**366,168**	363,382
Others	**80,007**	32,800
	25,232,553	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.

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
The aggregate future lease receivables are as follows:		
Due within one year	**6,869,809**	6,405,365
Due in the second to fifth year	**17,123,422**	17,025,468
Due after five years	**9,768,955**	9,347,515
Total ijara financing	**33,762,186**	32,778,348
Less: deferred income	**(6,213,056)**	(6,519,499)
Net present value of minimum lease payments receivable	**27,549,130**	26,258,849
Less: provision for impairment	**(864,786)**	(793,067)
	26,684,344	25,465,782

17 IJARA FINANCING continued

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

	31 March 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)	**43,635**	**28,084**	**71,719**	324,706	89,261	413,967
At the end of the period	**461,120**	**403,666**	**864,786**	417,485	375,582	793,067

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Industry sector:		
Government	**165,785**	165,087
Public sector	**2,301,127**	2,285,682
Corporate	**11,475,646**	10,327,176
Financial institutions	**662,864**	678,460
Individuals	**12,503,891**	12,394,098
Small and medium enterprises	**439,817**	408,346
	27,549,130	26,258,849
Geographic region:		
UAE	**26,721,861**	25,439,128
Middle East	**15,740**	15,670
Others	**811,529**	804,051
	27,549,130	26,258,849

18 INVESTMENTS

	31 March 2012 AED '000	Audited 31 December 2011 AED '000
Investments carried at fair value through profit or loss		
Equities	-	2,625
Sukuk	**782,230**	846,361
	782,230	848,986
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	**19,594**	16,454
Unquoted investments		
Funds	**174,405**	174,723
Private equities	**172,036**	172,033
	346,441	346,756
	366,035	363,210
Investments carried at amortised cost		
Sukuk	**623,933**	440,409
Total investments	**1,772,198**	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:

	31 March 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	**-**	1,377
At the end of the period	**78,041**	78,041

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

	31 March 2012 AED '000	Audited 31 December 2011 AED '000
UAE	**1,270,940**	1,109,453
Middle East	**406,336**	422,111
Europe	**181**	178
Others	**172,782**	198,904
	1,850,239	1,730,646

19 INVESTMENT IN ASSOCIATES

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Cost of investment in associates	**861,273**	861,273
Share of results	**13,833**	12,479
Dividends received	**(1,710)**	(1,710)
Foreign currency translation	**14,301**	12,244
	887,697	884,286
Less: provision for impairment	**(32,783)**	(32,783)
	854,914	851,503

Details of the Bank's investment in associates at 31 March 2012 is as follows:

Name of associate	*Place of incorporation*	*Proportion of ownership interest and voting power*		*Principal activity*
		2012 %	*2011 %*	
Abu Dhabi National Takaful PJSC	UAE	**40**	40	Islamic insurance
BBI Leasing and Real Estate D.O.O	Bosnia	**32**	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:

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
UAE	**128,987**	127,633
Europe	**71,152**	69,095
Others	**687,558**	687,558
	887,697	884,286

20 INVESTMENT PROPERTIES

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

	31 March 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)	**-**	93,439
Transfer from other assets	**-**	66,027
Transfer to property and equipment	**-**	(204,011)
Disposals	**-**	(321)
Gross balance at the end of the period	**177,629**	177,629
Less: provision for impairment	**(14,761)**	(14,761)
Net balance at the end of the period	**162,868**	162,868
Accumulated depreciation:		
Balance at the beginning of the period	**7,628**	12,759
Charge for the period	**1,382**	5,793
Relating to transfer to property and equipment	**-**	(10,924)
Balance at the end of the period	**9,010**	7,628
Net book value at the end of the period	**153,858**	155,240

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 2,794 thousand (31 March 2011: AED 625 thousand) for the three months period ended 31 March 2012.

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

	31 March 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	**160,371**	161,753
Middle East	**8,248**	8,248
	168,619	170,001

21 DEVELOPMENT PROPERTIES

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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Balance at the beginning of the period	**966,747**	1,050,445
Additions	**1,752**	16,447
Transfers to investment properties (note 20)	**-**	(93,439)
Disposals	**-**	(6,706)
Balance at the end of the period	**968,499**	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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Advances against purchase of properties	**1,310,806**	1,299,280
Trade receivables	**285,777**	277,761
Cheques for collection	**2,583**	2,614
Prepaid expenses	**342,576**	259,880
Income receivable	**8,126**	6,017
Advance to contractors	**1,721**	1,653
Advance for investments	**183,625**	183,625
Others	**240,574**	177,323
	2,375,788	2,208,153
Less: provision for impairment	**(271,848)**	(243,503)
	2,103,940	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)	**29,264**	**-**	**-**	**-**	**29,264**
Written off during the period	**-**	**(919)**	**-**	**-**	**(919)**
At 31 March 2012 - unaudited	**221,839**	**29,181**	**-**	**20,828**	**271,848**
At 1 January 2011 - audited	74,031	30,100	106,392	10,414	220,937
Charge 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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**218,601**	171,203
Investment deposits	**1,222,117**	1,760,223
	1,440,718	1,931,426

24 DEPOSITORS' ACCOUNTS

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Current accounts	**15,690,855**	14,234,786
Saving accounts	**12,181,723**	11,182,629
Investment accounts	**29,511,533**	29,613,769
Profit equalisation reserve	**165,915**	140,599
	57,550,026	55,171,783

24 DEPOSITORS' ACCOUNTS continued

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

	31 March 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	**25,316**	75,811
At the end of the period	**165,915**	140,599

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

Industry sector:		
Government	**8,136,312**	7,555,541
Public sector	**8,572,560**	8,208,031
Corporates	**4,544,559**	5,058,507
Financial institutions	**2,032,105**	2,709,678
Individuals	**27,576,776**	25,473,050
Small and medium enterprises	**6,687,714**	6,166,976
	57,550,026	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

	31 March 2012 AED '000	*Audited 31 December 2011 AED '000*
Accounts payable	**325,082**	349,922
Payable for purchase of properties	**62,177**	64,578
Accrued profit for distribution to depositors and sukuk holders	**173,194**	158,164
Bankers' cheques	**118,092**	137,903
Provision for staff benefits and other expenses	**183,076**	258,895
Retentions payable	**247,930**	274,202
Advances from customers	**36,766**	58,803
Accrued legal and professional charges	**3,272**	3,494
Accrued expenses	**111,801**	73,003
Unclaimed dividends	**88,951**	90,831
Deferred income	**19,962**	26,679
Charity account	**4,038**	6,528
Donation account	**370**	344
Negative fair value on Shari'a compliant alternatives of derivative financial instruments	**18,813**	19,578
Others	**399,578**	339,833
	1,793,102	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

	31 March 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

	31 March 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	**3,052**	-	-	-	**3,052**
Exchange differences arising on translation of foreign operations	-	-	**2,803**	-	**2,803**
Loss on hedge of foreign operations	-	-	**(2,057)**	-	**(2,057)**
Fair value gain on cash flow hedge	-	-	-	**651**	**651**
At 31 March 2012 - unaudited	**(161,978)**	**143,000**	**14,311**	**(18,927)**	**(23,594)**
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	(22,500)	-	-	-	(22,500)
Exchange differences arising on translation of foreign operations	-	-	5,286	-	5,286
Loss on hedge of foreign operations	-	-	(5,286)	-	(5,286)
Fair value gain on cash flow hedge	-	-	-	166	166
At 31 March 2011 - unaudited	**(120,286)**	**129,239**	**13,565**	**(8,476)**	**14,042**

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:

	31 March 2012 AED ‘000	*Audited 31 December 2011 AED ‘000*
Contingent liabilities		
Letters of credit	**1,541,079**	1,666,121
Letters of guarantee	**8,877,843**	9,003,727
Acceptances	**334,727**	439,322
	10,753,649	11,109,170
Commitments		
Undrawn facilities commitments	**1,174,368**	1,293,858
Investment securities	**70,700**	70,700
Future capital expenditure	**329,326**	345,750
Investment and development properties	**1,546,403**	1,559,443
	3,120,797	3,269,751
	13,874,446	14,378,921

32 CASH AND CASH EQUIVALENTS

	31 March 2012 AED '000	*31March 2011 AED '000*
Cash and balances with central banks, short term	**7,172,248**	4,743,873
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**2,867,751**	1,876,914
Murabaha and mudaraba with financial institutions, short term	**4,560,495**	6,665,247
Due to financial institutions, short term	**(1,440,718)**	(1,129,183)
	13,159,776	12,156,851

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 financing to related parties are performing financing 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 consolidated income statement were as follows:

	Major shareholder AED '000	***Directors AED '000***	***Associates AED '000***	***Others AED '000***	***Total AED '000***
31 March 2012 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	**-**	**-**	**783**	**-**	**783**
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	**29,600**	**152**	**-**	**42,918**	**72,670**
Operating expenses	**-**	**96**	**-**	**-**	**96**
Distribution to depositors and sukuk holders	**19**	**11**	**72**	**10**	**112**
31 March 2011 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	960	-	960
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	26,855	70	-	40,600	67,525
Investment income	4,967	-	-	-	4,967
Fees and commission income, net	-	-	-	1,000	1,000
Operating expenses	-	147	-	-	147
Distribution to depositors and sukuk holders	18	9	266	298	591

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*
31 March 2012 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	**-**	**-**	**1,005,160**	**-**	**1,005,160**
Murabaha, mudaraba, ijara and other Islamic financing	**2,450,788**	**11,523**	**-**	**3,021,343**	**5,483,654**
Other assets	**-**	**-**	**3,165**	**183,625**	**186,790**
	2,450,788	**11,523**	**1,008,325**	**3,204,968**	**6,675,604**
Due to financial institutions	**-**	**-**	**3,961**	**-**	**3,961**
Depositors' accounts	**15,927**	**8,124**	**35,227**	**99,600**	**158,878**
Other liabilities	**4**	**1**	**32**	**59**	**96**
	15,931	**8,125**	**39,220**	**99,659**	**162,935**
Undrawn facilities commitments	**-**	**-**	**-**	**1,517**	**1,517**
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:

	Three months ended 31 March 2012 AED '000	*Three months ended 31 March 2011 AED '000*
Salaries and other benefits	**7,396**	7,424
Employees' end of service benefits	**663**	674
	8,059	8,098

Board of Directors remuneration for the year ended 31 December 2011 amounting to AED 4,200 thousand has been approved by the shareholders at the Annual General Assembly held on 4 April 2012. During 2011, AED 4,200 thousand was paid to Board of Directors pertaining to the year ended 31 December 2010 after the approval by the shareholders in the Annual General Assembly held on 31 March 2011.

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 31 March 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	**549,154**	**237,268**	**69,387**	**23,971**	**(9,974)**	**965**	**870,771**
Operating expenses excluding provision for impairment, net	**(253,593)**	**(53,359)**	**(22,928)**	**(14,850)**	**(17,429)**	**(15,221)**	**(377,380)**
Operating profit (margin)	**295,561**	**183,909**	**46,459**	**9,121**	**(27,403)**	**(14,256)**	**493,391**
Provision for impairment, net	**(46,235)**	**(59,348)**	**(51,247)**	**-**	**(29,264)**	**-**	**(186,094)**
Profit (loss) for the period	**249,326**	**124,561**	**(4,788)**	**9,121**	**(56,667)**	**(14,256)**	**307,297**
Non-controlling interest	**-**	**-**	**-**	**(141)**	**-**	**-**	**(141)**
Profit (loss) for the period attributable to equity holders of the Bank	**249,326**	**124,561**	**(4,788)**	**8,980**	**(56,667)**	**(14,256)**	**307,156**
Assets							
Segmental assets	**25,638,503**	**19,799,516**	**6,129,971**	**21,013,482**	**2,686,755**	**1,244,456**	**76,512,683**
Liabilities							
Segmental liabilities	**27,193,123**	**16,035,684**	**7,048,367**	**16,677,457**	**258,769**	**368,479**	**67,581,879**

34 SEGMENT INFORMATION continued

Business segments information for the period ended 31 March 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							
Segment revenues, net	559,091	194,614	35,429	38,653	(10,623)	(8,319)	808,845
Operating expenses excluding provision for impairment, net	(234,794)	(45,884)	(19,153)	(15,633)	(18,593)	(10,671)	(344,728)
Operating profit (margin)	324,297	148,730	16,276	23,020	(29,216)	(18,990)	464,117
Provision for impairment, net	(54,995)	(30,994)	(65,000)	-	(8,565)	-	(159,554)
, **Profit (loss) for the period**	269,302	117,736	(48,724)	23,020	(37,781)	(18,990)	304,563
Non-controlling interest	-	-	-	(64)	-	-	(64)
Profit (loss) for the period attributable to , equity holders of the Bank	269,302	117,736	(48,724)	22,956	(37,781)	(18,990)	304,499
Assets							
Segmental assets	24,567,675	18,344,821	7,452,679	17,413,200	2,895,836	803,231	71,477,442
Liabilities							
Segmental liabilities	22,839,982	15,496,204	7,375,203	16,547,254	358,879	953,136	63,570,658

Geographical information

The Bank operates principally in the United Arab Emirates and has only one branch overseas, in Iraq. Given that, UAE contributes the majority of the revenues and the Bank'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*	
		Audited		*Audited*		*Audited*		*Audited*		*Audited*
	31 March 2012 AED '000	*31 December 2011 AED '000*	***31 March 2012 AED '000***	*31 December 2011 AED '000*	***31 March 2012 AED '000***	*31 December 2011 AED '000*	***31 March 2012 AED '000***	*31 December 2011 AED '000*	***31 March 2012 AED '000***	*31 December 2011 AED '000*
Individually impaired										
Substandard	-	-	-	-	**521,574**	642,672	**880,282**	697,991	**12,802**	12,802
Doubtful	-	-	-	-	**1,272,393**	1,271,088	**461,509**	579,247	**91,813**	91,813
Loss	-	-	**129,811**	129,811	**1,116,731**	1,080,220	**259,692**	237,341	-	-
Gross amount	-	-	**129,811**	129,811	**2,910,698**	2,993,980	**1,601,483**	1,514,579	**104,615**	104,615
Provision for individual impairment	-	-	**(129,811)**	(129,811)	**(1,907,166)**	(1,829,876)	**(461,120)**	(417,485)	**(78,041)**	(78,041)
	-	-	-	-	**1,003,532**	1,164,104	**1,140,363**	1,097,094	**26,574**	26,574
Past due but not impaired										
Gross amount	-	-	-	-	**176,966**	220,498	**1,010,619**	1,438,185	-	-
Neither past due nor impaired	**2,872,511**	2,515,371	**6,683,348**	5,216,501	**22,144,889**	22,368,220	**24,937,028**	23,306,085	**1,745,624**	1,626,031
Collective allowance for impairment	-	-	-	-	**(394,297)**	(387,263)	**(403,666)**	(375,582)	-	-
Carrying amount	**2,872,511**	2,515,371	**6,683,348**	5,216,501	**22,931,090**	23,365,559	**26,684,344**	25,465,782	**1,772,198**	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 31 March 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	
	31 March 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	**1,618,562**	1,311,406
Proposed dividends	**577,546**	577,546
Proposed dividends to charity	**1,028**	1,028
Tier 1 sukuk	**2,000,000**	2,000,000
Non-controlling interest	**50,741**	2,609
Total	**8,954,398**	8,599,110
Tier 2 capital		
Tier 2 wakala capital	**2,207,408**	2,207,408
Cumulative changes in fair value	**(166,594)**	(171,043)
Collective impairment provision for financing assets	**784,914**	757,312
Total	**2,825,728**	2,793,677
Total tier 1 and tier 2 capital	**11,780,126**	11,392,787
Deductions for Tier 1 and Tier 2 capital	**(854,914)**	(851,503)
Total capital base	**10,925,212**	10,541,284
Risk weighted assets		
Credit risk	**57,812,273**	56,137,854
Market risk	**1,222,505**	1,240,708
Operational risk	**3,758,370**	3,247,006
Total risk weighted assets	**62,793,148**	60,625,568
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.40%**	17.39%
Tier 1 capital expressed as a percentage of total risk weighted assets	**14.26%**	14.18%

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 31 March 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 has been approved by the shareholders in the Annual General Assembly held on 4 April 2012.

Cash dividend of 21.64% of the paid up capital relating to year ended 31 December 2010 amounting to AED 511,783 thousand was paid in the year 2011 after the approval by the shareholders in the Annual General Assembly held on 31 March 2011.

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 and 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 22,074 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.