Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2019 (UNAUDITED)

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31 March 2019 (unaudited)

Contents ***Page***

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Abu Dhabi Islamic Bank PJSC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying interim financial information of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2019, comprising the interim consolidated statement of financial position as at 31 March 2019 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim financial information in accordance with International Accounting Standard IAS 34 *"Interim Financial Reporting"* ("IAS 34"). Our responsibility is to express a conclusion on these interim financial information 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matters

The Group's consolidated financial statements as at 31 December 2018 were audited by another auditor whose report dated 4 February 2019 expressed an unmodified opinion thereon. The prior period comparative amounts in the interim consolidated statements of income, comprehensive income, changes in equity and cash flows and related explanatory information for the three months period ended 31 March 2018, were reviewed by another auditor who issued an unmodified conclusion dated 23 April 2018.

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
22 April 2019
Abu Dhabi
United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT
Three months ended 31 March 2019 (Unaudited)

	Notes	***Three months ended 31 March 2019 AED '000***	*Three months ended 31 March 2018 AED '000*
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		**35,586**	24,633
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	**1,142,370**	1,065,385
Income from Islamic sukuk measured at amortised cost		**111,034**	69,340
Income from investments measured at fair value	6	**51,821**	35,519
Share of results of associates and joint ventures		**13,133**	10,308
Fees and commission income, net	7	**213,719**	231,298
Foreign exchange income		**78,375**	60,492
Income from investment properties		**9,322**	2,516
Other income		**3,457**	6,058
		1,658,817	1,505,549
OPERATING EXPENSES			
Employees' costs	8	**(366,870)**	(358,489)
General and administrative expenses	9	**(195,367)**	(200,432)
Depreciation		**(74,109)**	(51,010)
Amortisation of intangibles	25	**(13,500)**	(13,500)
Provision for impairment, net	10	**(186,400)**	(149,889)
		(836,246)	(773,320)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS		**822,571**	732,229
Distribution to depositors	11	**(222,234)**	(141,616)
PROFIT FOR THE PERIOD BEFORE ZAKAT AND TAX		**600,337**	590,613
Zakat and tax	12	**-**	(255)
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		**600,337**	590,358
Attributable to:			
Equity holders of the Bank		**600,047**	590,172
Non-controlling interest		**290**	186
		600,337	590,358
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	**0.138**	0.176

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 2019 (Unaudited)

	Notes	***Three months ended 31 March 2019 AED '000***	*Three months ended 31 March 2018 AED '000*
PROFIT FOR THE PERIOD AFTER ZAKAT AND TAX		**600,337**	590,358
Other comprehensive gain (loss)			
Items that will not be reclassified to consolidated income statement			
Net gain on valuation of equity investments carried at fair value through other comprehensive income	30	**282**	-
Directors' remuneration paid	35	**(4,900)**	(4,900)
Items that may be subsequently reclassified to consolidated income statement			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	30	**855**	(24,672)
Exchange differences arising on translation of foreign operations	30	**18,432**	(71,517)
Loss on hedge of foreign operations	30	**(6,442)**	(12,500)
Fair value gain (loss) on cash flow hedges	30	**7,376**	(2,371)
OTHER COMPREHENSIVE GAIN (LOSS) FOR THE PERIOD		**15,603**	(115,960)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**615,940**	474,398
Attributable to:			
Equity holders of the Bank		**615,650**	474,212
Non-controlling interest		**290**	186
		615,940	474,398

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2019 (Unaudited)

	Notes	31 March 2019 AED '000	Audited 31 December 2018 AED '000
ASSETS			
Cash and balances with central banks	14	**17,045,111**	18,731,208
Balances and wakala deposits with Islamic banks and other financial institutions	15	**4,417,040**	4,458,817
Murabaha and mudaraba with financial institutions	16	**2,248,998**	1,353,329
Murabaha and other Islamic financing	17	**32,661,839**	33,607,036
Ijara financing	18	**45,484,254**	45,069,611
Investment in sukuk measured at amortised cost	19	**11,893,309**	11,781,857
Investments measured at fair value	20	**1,981,110**	1,885,572
Investment in associates and joint ventures	21	**1,040,758**	1,014,354
Investment properties	22	**1,392,914**	1,397,177
Development properties	23	**835,645**	835,645
Other assets	24	**3,036,740**	2,880,057
Property and equipment		**2,296,803**	1,868,661
Goodwill and intangibles	25	**297,091**	310,591
TOTAL ASSETS		**124,631,612**	125,193,915
LIABILITIES			
Due to financial institutions	26	**3,565,361**	4,138,254
Depositors' accounts	27	**100,616,525**	100,403,747
Other liabilities	28	**3,220,539**	2,915,229
Total liabilities		**107,402,425**	107,457,230
EQUITY			
Share capital	29	**3,632,000**	3,632,000
Legal reserve		**2,640,705**	2,640,705
General reserve		**1,980,827**	1,980,827
Credit risk reserve		**400,000**	400,000
Retained earnings		**4,655,175**	4,158,153
Proposed dividend	38	**-**	994,313
Proposed dividend to charity		**-**	31,000
Other reserves	30	**(844,946)**	(865,449)
Tier 1 sukuk	31	**4,754,375**	4,754,375
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		**17,218,136**	17,725,924
Non-controlling interest		**11,051**	10,761
Total equity		**17,229,187**	17,736,685
TOTAL LIABILITIES AND EQUITY		**124,631,612**	125,193,915
CONTINGENT LIABILITIES AND COMMITMENTS	32	**10,757,525**	10,807,842

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 2019 (Unaudited)

	Attributable to the equity and Tier 1 sukuk holders of the Bank											
	Share capital AED '000	*Legal reserve AED '000*	*General reserve AED '000*	*Credit risk reserve AED '000*	*Retained earnings AED '000*	*Proposed dividend AED '000*	*Proposed dividend to charity AED '000*	*Other reserves AED '000*	*Tier 1 sukuk AED '000*	*Total AED '000*	*Non-controlling interest AED '000*	*Total equity AED '000*
Balance at 1 January 2019 - audited	3,632,000	2,640,705	1,980,827	400,000	4,158,153	994,313	31,000	(865,449)	4,754,375	17,725,924	10,761	17,736,685
Profit for the period	-	-	-	-	600,047	-	-	-	-	600,047	290	600,337
Other comprehensive (loss) gain	-		-	-	(4,900)	-	-	20,503	-	15,603	-	15,603
Profit paid on Tier 1 sukuk – Listed (second issue) (note 31)	-	-	-	-	(98,125)	-	-	-	-	(98,125)	-	(98,125)
Dividends paid (note 38)	-	-	-	-	-	(994,313)	-	-	-	(994,313)	-	(994,313)
Dividends paid to charity	-		-	-	-	-	(31,000)	-	-	(31,000)	-	(31,000)
Balance at 31 March 2019 - unaudited	**3,632,000**	**2,640,705**	**1,980,827**	**400,000**	**4,655,175**	**-**	**-**	**(844,946)**	**4,754,375**	**17,218,136**	**11,051**	**17,229,187**
Balance at 1 January 2018 - audited	3,168,000	2,102,465	1,716,447	400,000	3,301,713	914,530	29,230	(743,182)	5,672,500	16,561,703	11,461	16,573,164
Transition adjustment on adoption of IFRS 9	-		-	-	(588)	-	-	21,979	-	21,391	-	21,391
Balance at 1 January 2018 - adjusted	3,168,000	2,102,465	1,716,447	400,000	3,301,125	914,530	29,230	(721,203)	5,672,500	16,583,094	11,461	16,594,555
Profit for the period	-	-	-	-	590,172	-	-	-	-	590,172	186	590,358
Other comprehensive loss	-		-	-	(4,900)	-	-	(111,060)	-	(115,960)	-	(115,960)
Dividends paid (note 38)	-	-	-	-	-	(914,530)	-	-	-	(914,530)	-	(914,530)
Dividends paid to charity	-		-	-	-	-	(29,230)	-	-	(29,230)	-	(29,230)
Balance at 31 March 2018 - unaudited	3,168,000	2,102,465	1,716,447	400,000	3,886,397	-	-	(832,263)	5,672,500	16,113,546	11,647	16,125,193

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 2019 (Unaudited)

	Notes	**Three months ended 31 March 2019 AED '000**	Three months ended 31 March 2018 AED '000
OPERATING ACTIVITIES			
Profit for the period		**600,337**	590,358
Adjustments for:			
Depreciation on investment properties	22	**4,263**	1,616
Depreciation on property and equipment		**56,127**	49,394
Depreciation on right-of-use assets		**13,719**	-
Amortisation of intangibles	25	**13,500**	13,500
Share of results of associates and joint ventures		**(13,133)**	(10,308)
Realised (gain) loss on sale of investments carried at fair value through profit or loss	6	**(11,942)**	4,756
Unrealised (gain) loss on investments carried at fair value through profit or loss	6	**(14,321)**	6,975
Realised gain on sukuk carried at fair value through other comprehensive income	6	**-**	(7,700)
Finance cost on lease liabilities		**4,524**	-
Provision for impairment, net	10	**186,400**	149,889
Operating profit before changes in operating assets and liabilities		**839,474**	798,480
Increase in balances with central banks		**(202,213)**	(2,437,595)
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		**(793,249)**	117,284
(Increase) in murabaha and mudaraba with financial institutions		**(1,121,615)**	(1,353,260)
Decrease in murabaha and other Islamic financing		**822,380**	164,790
(Increase) decrease in ijara financing		**(479,848)**	199,408
Purchase of investments carried at fair value through profit or loss		**(2,759,748)**	(2,786,096)
Proceeds from sale of investments carried at fair value through profit or loss		**2,695,152**	1,747,325
(Increase) decrease in other assets		**(156,895)**	133,049
(Decrease) increase in due to financial institutions		**(29,927)**	515,082
Increase in depositors' accounts		**214,003**	2,202,839
Decrease in other liabilities		**(122,677)**	(332,452)
Cash used in operations		**(1,095,163)**	(1,031,146)
Directors' remuneration paid		**(4,900)**	(4,900)
Net cash used in operating activities		**(1,100,063)**	(1,036,046)
INVESTING ACTIVITIES			
Net movement in investments carried at fair value through other comprehensive income		**(3,447)**	460,771
Net movement in investments carried at amortised cost		**(112,946)**	(1,339,964)
Purchase of property and equipment		**(92,190)**	(102,849)
Net cash used in investing activities		**(208,583)**	(982,042)
FINANCING ACTIVITIES			
Profit paid on Tier 1 sukuk – Listed (second issue)	31	**(98,125)**	-
Finance cost on lease liabilities		**(4,524)**	-
Dividends paid		**(998,254)**	(915,007)
Net cash used in financing activities		**(1,100,903)**	(915,007)
DECREASE IN CASH AND CASH EQUIVALENTS		**(2,409,549)**	(2,933,095)
Cash and cash equivalents at 1 January		**6,508,853**	10,888,469
CASH AND CASH EQUIVALENTS AT 31 MARCH	34	**4,099,304**	7,955,374

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		**1,174,667**	1,109,070
Profit paid to depositors		**205,896**	242,928

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

The Bank and its subsidiaries ("the Group") carry out full banking services, financing and investing activities through various islamic instruments such as Murabaha, Istisna'a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Shari'a, which prohibits usury as determined by the Fatwa and Shari'a Supervisory Board of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 81 branches in UAE (2018: 80 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The interim condensed consolidated financial statements combine the activities of the Bank's head office, its branches and subsidiaries.

The registered office of the Bank is at P O Box 313, Abu Dhabi, UAE.

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 22 April 2019.

2 DEFINITIONS

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

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

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

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

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

2 DEFINITIONS continued

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

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

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

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

3 BASIS OF PREPARATION

3.1 (a) Statement of compliance
The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in compliance with general principles of the Shari’a as determined by the Group’s Fatwa and Shari’a Supervisory Board.

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

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

3 BASIS OF PREPARATION continued

3.1 (c) Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	Activity	*Country of incorporation*	*Percentage of holding* **2019**	*2018*
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	**95%**	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	**100%**	100%
MPM Properties LLC	Real estate services	United Arab Emirates	**100%**	100%
ADIB Invest 1	Equity brokerage services	BVI	**100%**	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	**100%**	100%
ADIB (UK) Limited	Islamic banking	United Kingdom	**100%**	100%
ADIB Holdings (Jersey) Ltd*(under liquidation)	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Alternatives Ltd*	Special purpose vehicle	Cayman Island	-	-

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

These interim condensed consolidated financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

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

3.2 Significant judgements and estimates

The preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

4 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. In addition, results for the three months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

As required by Securities and Commodities Authority of UAE (“SCA”) notification no. 2635/2008 dated 12 October 2008, accounting policies related to financial instruments as disclosed in the annual consolidated financial statements are provided below:

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

During the period, the Group has applied, for the first time, certain standards and amendments. Except for IFRS 16, other standards and amendments adopted did not have any material impact on the Group’s accounting policies and did not require retrospective adjustments. After the adoption of IFRS 16, the Group had to change its accounting policies and made retrospective adjustments.

Changes in accounting policies after the adoption of IFRS 16 Leases

The Group adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases”, IFRIC 4 ‘Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group’s financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the profit rate at the time of first time application.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets are related to and included in property and equipment and corresponding lease liabilities under other liabilities the consolidated statement of financial positon. Hence, the change in accounting policy is reflected in consolidated statement of financial position at1 January 2019, where property and equipment and other liabilities are increased by AED 405,798 thousand.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Changes in accounting policies after the adoption of IFRS 16 Leases continued

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used weighted average incremental borrowing rate for calculating the net present value of lease liabilities.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Practical expedient applied by the Group:

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4.

4 SIGNIFICANT ACCOUNTING POLICIES continued

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

- Customer financing;
- Balances and wakala deposits with Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; and
- Sharia compliant alternatives of derivatives.

The Group's customer financing comprise the following:

- Murabaha and other Islamic financing; and
- Ijara financing.

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

Classification
Financial assets at amortised cost
Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing and Ijara financing i.e. customer financing and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

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

All other financial assets are subsequently measured at fair value.

Financial assets at fair value through profit or loss ("FVTPL")
Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Other financial assets that do not meet the amortised cost criteria are classified as FVTPL. In addition, certain financial assets that meet the amortised cost criteria but at initial recognition are designated as FVTPL in line with the business model of the Group. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis.

Financial asset are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets that are designated as FVTPL on initial recognition is not allowed.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued
Recognition and Measurement continued

Financial assets at fair value through other comprehensive income ("FVTOCI")
At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:
- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of identified financial instrument that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a Shari'a compliant alternatives of derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

Measurement
Financial assets or financial liabilities carried at amortised cost
Financial assets at amortised cost including customer financing and investment in sukuk are measured at amortised cost, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable. Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Financial assets or financial liabilities carried at amortised cost continued
Balances and wakala deposits with Islamic banks and other financial institutions are stated at amortised cost less amounts written off and provision for impairment, if any.

Murabaha and mudaraba with financial institutions are stated at amortised cost (which excludes deferred income or expected profits) less provisions for impairment.

Islamic financing consist of murabaha receivables, mudaraba, Istisna'a, Islamic covered cards (murabaha based) and other Islamic financing.

Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

The Ijara is classified as a finance lease, when the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued
Recognition and Measurement continued

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

Financial assets at fair value through other comprehensive income ("FVTOCI")
Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity.

Where the assets are disposed off, except for sukuk measured at FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. Financial assets measured at FVTOCI are not required to be tested for impairment.

For sukuk measured at FVTOCI which are disposed off, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is reclassified from equity to consolidated income statement.

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

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

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

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

(i) Recognition / De-recognition
The Group initially recognises financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

Financing to customers are recognised on the day they are disbursed. A financial liability is recognised on the date the Group becomes a party to contractual provisions of the instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are sold are de-recognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on de-recognition.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued
Recognition and Measurement continued

Measurement *continued*
(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 and under Sharia'a framework 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

Impairment assessment:
The Group assesses whether financial assets carried at amortised cost and carried at FVTOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the finance customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the finance customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Group has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group developed a statistical model and for other portfolios judgmental models were developed.

Renegotiated financing facilities
Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued

Renegotiated financing facilities continued

- If the expected restructuring will not result in derecognition of the exiting asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Purchased or originated credit impaired assets (POCI)
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit income is subsequently recognized based on a credit-adjusted expected profit rate. Life time ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

Covered card facilities
The Group's product offering includes a variety of covered cards facilities, in which the Group has the right to cancel and/or reduce the facilities at a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

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

	Three months ended 31 March 2019 AED '000	*Three months ended 31 March 2018 AED '000*
Vehicle murabaha	**62,220**	71,544
Goods murabaha	**35,642**	55,391
Share murabaha	**253,023**	254,785
Commodities murabaha – Al Khair	**104,856**	97,234
Islamic covered cards (murabaha)	**80,212**	84,278
Other murabaha	**40,539**	21,049
Total murabaha	**576,492**	584,281
Mudaraba	**96**	1,455
Ijara	**564,242**	477,967
Istisna'a	**1,540**	1,682
	1,142,370	1,065,385

6 INCOME FROM INVESTMENTS MEASURED AT FAIR VALUE

	Three months ended 31 March 2019 AED '000	*Three months ended 31 March 2018 AED '000*
Income from sukuk measured at fair value through profit or loss	**20,268**	21,082
Income from sukuk measured at fair value through other comprehensive income	**3,336**	16,614
Realised gain (loss) on sale of investments carried at fair value through profit or loss	**11,942**	(4,756)
Unrealised gain (loss) on investments carried at fair value through profit or loss	**14,321**	(6,975)
Realised gain on sale of Islamic sukuks carried at fair value through other comprehensive income	**-**	7,700
Income from other investment assets	**1,954**	1,854
	51,821	35,519

7 FEES AND COMMISSION INCOME, NET

	Three months ended 31 March 2019 AED '000	*Three months ended 31 March 2018 AED '000*
Fees and commission income		
Fees and commission income on cards	**180,378**	170,039
Trade related fees and commission	**20,843**	27,234
Takaful related fees	**36,922**	33,372
Accounts services fees	**16,438**	21,038
Projects and property management fees	**13,251**	15,772
Risk participation and arrangement fees	**9,764**	27,752
Brokerage fees and commission	**4,694**	3,285
Other fees and commissions	**73,818**	68,563
Total fees and commission income	**356,108**	367,055
Fees and commission expenses		
Card related fees and commission expenses	**(123,662)**	(116,915)
Other fees and commission expenses	**(18,727)**	(18,842)
Total fees and commission expenses	**(142,389)**	(135,757)
Fees and commission income, net	**213,719**	231,298

8 EMPLOYEES' COSTS

	Three months ended 31 March 2019 AED '000	Three months ended 31 March 2018 AED '000
Salaries and wages	**332,345**	325,359
End of service benefits	**15,825**	14,937
Other staff expenses	**18,700**	18,193
	366,870	358,489

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2019 AED '000	Three months ended 31 March 2018 AED '000
Legal and professional expenses	**42,093**	21,695
Premises expenses	**43,110**	72,234
Marketing and advertising expenses	**16,312**	15,975
Communication expenses	**22,390**	19,978
Technology related expenses	**32,189**	27,960
Finance cost on lease liabilities	**4,524**	-
Other operating expenses	**34,749**	42,590
	195,367	200,432

10 PROVISION FOR IMPAIRMENT, NET

	Notes	Three months ended 31 March 2019 AED '000	Three months ended 31 March 2018 AED '000
Murabaha and other Islamic financing	17	**124,074**	81,311
Ijara financing	18	**65,205**	63,567
(Recoveries), net of direct write-off		**(1,257)**	21,427
Others		**(1,622)**	(16,416)
		186,400	149,889

11 DISTRIBUTION TO DEPOSITORS

	Three months ended 31 March 2019 AED '000	Three months ended 31 March 2018 AED '000
Saving accounts	**51,413**	42,407
Investment accounts	**170,821**	99,209
	222,234	141,616

12 ZAKAT AND TAX

Zakat
In few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these.

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is responsible of his or her own Zakat.

Tax
Bank pays tax only on its international branches and subsidiary in accordance with the tax laws prevailing in those countries.

13 BASIC AND DILUTED EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of any financial instruments with dilutive effects.

The following reflects the income and shares data used in the earnings per share computations:

	Three months ended 31 March 2019	*Three months ended 31 March 2018*
Profit for the period attributable to equity holders (AED '000)	**600,047**	590,172
Less: profit attributable to Tier 1 sukuk holder – Listed (second issue) (AED '000)	**(98,125)**	-
Profit for the year attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)	**501,922**	590,172
Weighted average number of ordinary shares at the beginning of the period in issue (000's)	**3,632,000**	3,168,000
Effect of right shares issued - Bonus element	**-**	184,862
Weighted average number of ordinary shares at the end of the period in issue (000's)	**3,632,000**	3,353,862
Basic and diluted earnings per share (AED)	**0.138**	0.176

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised. Profit on Tier 1 sukuk is reflected in the EPS computation on the payment of such profit.

14 CASH AND BALANCES WITH CENTRAL BANKS

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Cash on hand	**1,794,222**	1,844,389
Balances with central banks:		
- Current accounts	**617,438**	493,663
- Statutory reserve	**11,472,991**	11,397,360
- Islamic certificate of deposits	**3,160,460**	4,995,796
	17,045,111	18,731,208

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

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
UAE	**15,914,949**	17,687,739
Rest of the Middle East	**1,085,680**	992,884
Europe	**1,584**	1,317
Others	**42,898**	49,268
	17,045,111	18,731,208

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Current accounts	**596,507**	452,014
Wakala deposits	**3,830,051**	4,019,638
	4,426,558	4,471,652
Less: provision for impairment	**(9,518)**	(12,835)
	4,417,040	4,458,817

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.

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

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
UAE	**2,284,531**	2,424,116
Rest of the Middle East	**391,236**	472,079
Europe	**217,238**	206,682
Others	**1,533,553**	1,368,775
	4,426,558	4,471,652

16 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Murabaha	**2,237,054**	1,317,686
Mudaraba	**12,051**	35,666
	2,249,105	1,353,352
Less: provision for impairment	**(107)**	(23)
	2,248,998	1,353,329

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

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
UAE	**2,039,906**	1,139,796
Rest of the Middle East	**197,148**	177,890
Others	**12,051**	35,666
	2,249,105	1,353,352

17 MURABAHA AND OTHER ISLAMIC FINANCING

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Vehicle murabaha	**5,378,402**	5,609,698
Goods murabaha	**4,166,068**	4,917,454
Share murabaha	**16,596,401**	16,928,977
Commodities murabaha – Al Khair	**8,416,935**	8,377,721
Islamic covered cards (murabaha)	**15,528,550**	16,069,428
Other murabaha	**3,291,422**	2,915,331
Total murabaha	**53,377,778**	54,818,609
Mudaraba	**51,901**	55,097
Istisna'a	**100,178**	101,895
Other financing receivables	**285,870**	280,425
Total murabaha and other Islamic financing	**53,815,727**	55,256,026
Less: deferred income on murabaha	**(19,373,954)**	(19,947,491)
	34,441,773	35,308,535
Less: provision for impairment	**(1,779,934)**	(1,701,499)
	32,661,839	33,607,036
Total of Murabaha and other Islamic financing classified under stage 3	**1,794,050**	1,804,819

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

	31 March 2019 AED '000
At 1 January 2019 – audited	**1,701,499**
Charge for the period (note 10)	**124,074**
Written off during the period	**(45,639)**
At 31 March 2019 – unaudited	**1,779,934**

	Audited 31 December 2018 AED '000
At 1 January 2018 – audited (IAS 39)	1,896,137
Reversal on transition to IFRS 9	(852,941)
ECL recognized under IFRS9	1,063,745
At 1 January 2018 – (adjusted opening as per IFRS 9)	2,106,941
Charge for the year	354,857
Written off during the period	(760,299)
At 31 December 2018 – audited	1,701,499

17 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Industry sector:		
Public sector	**233,822**	358,227
Corporates	**3,828,200**	4,480,152
Financial institutions	**732,284**	761,866
Individuals	**29,296,240**	29,358,893
Small and medium enterprises	**351,227**	349,397
	34,441,773	35,308,535
Geographic region:		
UAE	**32,888,088**	33,567,718
Rest of the Middle East	**926,112**	1,103,351
Europe	**548,028**	538,523
Others	**79,545**	98,943
	34,441,773	35,308,535

18 IJARA FINANCING

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
The aggregate future lease receivables are as follows:		
Due within one year	**8,139,190**	7,436,960
Due in the second to fifth year	**23,677,313**	23,375,433
Due after five years	**33,778,745**	39,778,958
Total ijara financing	**65,595,248**	70,591,351
Less: deferred income	**(18,870,710)**	(24,340,989)
Net present value of minimum lease payments receivable	**46,724,538**	46,250,362
Less: provision for impairment	**(1,240,284)**	(1,180,751)
	45,484,254	45,069,611
Total of ijara financing classified under stage 3	**2,546,839**	2,146,406

18 IJARA FINANCING continued

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

	31 March 2019 AED '000
At 1 January 2019 – audited	**1,180,751**
Charge for the period (note 10)	**65,205**
Written off during the period	**(5,672)**
At 31 March 2019 – unaudited	**1,240,284**

	Audited 31 December 2018 AED '000
At 1 January 2018 – audited (IAS 39)	1,324,224
Reversal on transition to IFRS 9	(860,173)
ECL recognized under IFRS9	601,767
At 1 January 2018 – (adjusted opening as per IFRS 9)	1,065,818
Charge for the year	178,396
Written off during the period	(63,463)
At 31 December 2018 – audited	1,180,751

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Industry sector:		
Government	**565,503**	565,438
Public sector	**4,705,721**	4,820,597
Corporates	**19,689,766**	18,970,953
Individuals	**21,536,999**	21,640,862
Small and medium enterprises	**145,625**	139,804
Non-profit organisations	**80,924**	112,708
	46,724,538	46,250,362
Geographic region:		
UAE	**45,234,615**	44,695,348
Rest of the Middle East	**749,871**	780,247
Europe	**375,419**	379,525
Others	**364,633**	395,242
	46,724,538	46,250,362

19 INVESTMENT IN ISLAMIC SUKUK MEASURED AT AMORTISED COST

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Sukuk - Quoted	**11,919,918**	11,806,972
Less: provision for impairment	**(26,609)**	(25,115)
	11,893,309	11,781,857

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
UAE	**8,230,719**	8,237,230
Rest of the Middle East	**1,919,628**	1,823,550
Others	**1,769,571**	1,746,192
	11,919,918	11,806,972

20 INVESTMENTS MEASURED AT FAIR VALUE

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Investments carried at fair value through profit or loss		
Quoted investments		
Sukuk	**1,529,518**	1,438,659
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	**29,008**	28,727
Sukuk	**334,675**	330,367
	363,683	359,094
Unquoted investments		
Funds	**46,956**	46,956
Private equities	**42,770**	42,775
	89,726	89,731
	453,409	448,825
	1,982,927	1,887,484
Less: provision for impairment	**(1,817)**	(1,912)
Total investments measured at fair value	**1,981,110**	1,885,572

20 INVESTMENTS MEASURED AT FAIR VALUE continued

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
The distribution of the gross investments by geographic region was as follows:		
UAE	**1,449,786**	1,287,135
Rest of the Middle East	**184,922**	364,032
Europe	**94,552**	94,005
Others	**253,667**	142,312
	1,982,927	1,887,484

21 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Investment in associates and joint ventures	**1,040,758**	1,014,354

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

Balance at the beginning and at the end of the period	**15,156**	15,156

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

	Place of incorporation	*Proportion of ownership interest*		*Principal activity*
		31 March 2019 %	*31 December 2018 %*	
Associates				
Abu Dhabi National Takaful PJSC	UAE	**42**	42	Islamic insurance
Bosna Bank International D.D	Bosnia	**27**	27	Islamic banking
The Residential REIT (IC) Limited	UAE	**30**	30	Real estate fund
Joint ventures				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	**49**	49	Banking (under conversion to Islamic bank)
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	**51**	51	Islamic retail finance
Arab Link Money Transfer PSC (under liquidation)	UAE	**51**	51	Currency exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	**51**	51	Merchant acquiring

22 INVESTMENT PROPERTIES

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Cost:		
Balance at the beginning of the period	**1,537,174**	1,161,268
Transfer from capital work in progress	**-**	374,043
Sales return	**-**	4,951
Disposals	**-**	(3,088)
Gross balance at the end of the period	**1,537,174**	1,537,174
Less: provision for impairment	**(84,817)**	(84,817)
Net balance at the end of the period	**1,452,357**	1,452,357
Accumulated depreciation:		
Balance at the beginning of the period	**55,180**	43,148
Charge for the period	**4,263**	13,134
Relating to disposals	**-**	(1,102)
Balance at the end of the period	**59,443**	55,180
Net book value at the end of the period	**1,392,914**	1,397,177

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 9,322 thousand (31 March 2018: AED 2,516 thousand) for the three months period ended 31 March 2019.

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Balance at the beginning of the period	**84,817**	24,737
Charge for the period	**-**	60,080
Balance at the end of the period	**84,817**	84,817

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

UAE	**1,469,517**	1,473,780
Rest of the Middle East	**8,214**	8,214
	1,477,731	1,481,994

23 DEVELOPMENT PROPERTIES

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Development properties	**837,381**	837,381
Less: provision for impairment	**(1,736)**	(1,736)
	835,645	835,645

Development properties include land with a carrying value of AED 800,000 thousand (2018: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

24 OTHER ASSETS

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Acceptances	**431,799**	336,903
Assets acquired in satisfaction of claims	**194,713**	198,163
Trade receivables	**230,087**	261,382
Prepaid expenses	**1,093,085**	789,561
Accrued profit	**243,719**	197,567
Advance to contractors	**46,745**	44,868
Advance for investment	**183,625**	183,625
Positive fair value of Shari'a compliant alternatives of derivative financial instruments	**371**	-
Others	**640,928**	896,108
	3,065,072	2,908,177
Less: provision for impairment	**(28,332)**	(28,120)
	3,036,740	2,880,057

Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as "Assets acquired in satisfaction of claims". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange.

25 GOODWILL AND INTANGIBLES

		Other intangible assets		
	Goodwill AED '000	*Customer relationships AED '000*	*Core deposit AED '000*	*Total AED '000*
At 1 January 2019 - audited	**109,888**	**167,157**	**33,546**	**310,591**
Amortisation during the period	**-**	**(11,244)**	**(2,256)**	**(13,500)**
At 31 March 2019 - unaudited	**109,888**	**155,913**	**31,290**	**297,091**
At 1 January 2018 - audited	109,888	212,757	42,698	365,343
Amortisation during the year	-	(45,600)	(9,152)	(54,752)
At 31 December 2018 - audited	109,888	167,157	33,546	310,591

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Bank's operating divisions which represent the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

Other intangible assets

Customer relationships	Customer relationship intangible asset represents the value attributable to the business expected to be generated from customers that existed at the acquisition date. In determining the fair value of customer relationships, covered cards customers were considered separately, given their differing risk profiles, relationships and loyalty. The relationships are expected to generate material recurring income in the form of customer revenues, fees and commissions.
Core deposit	The value of core deposit intangible asset arises from the fact that the expected profit distribution on these deposits, governed by their contractual terms, are expected to be lower than other wholesale or treasury sukuk instruments' expected profit distributions. The spread between the expected profit distributions on these deposits and sukuk instruments represents the value of the core deposit intangible.

26 DUE TO FINANCIAL INSTITUTIONS

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Current accounts	**1,960,083**	878,693
Investment deposits	**1,605,278**	3,203,909
	3,565,361	4,082,602
Current account – Central Bank of UAE	**-**	55,652
	3,565,361	4,138,254

27 DEPOSITORS' ACCOUNTS

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Current accounts	**32,899,559**	32,085,016
Investment accounts	**67,094,175**	67,717,438
Profit equalisation reserve	**622,791**	601,293
	100,616,525	100,403,747

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
At the beginning of the period	**601,293**	521,802
Share of profit for the period	**21,498**	79,491
At the end of the period	**622,791**	601,293

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Government	**7,602,531**	6,523,799
Public sector	**10,746,546**	10,386,595
Corporates	**11,129,074**	14,289,496
Financial institutions	**1,044,129**	1,586,075
Individuals	**55,081,527**	53,053,592
Small and medium enterprises	**12,276,997**	12,131,123
Non-profit organisations	**2,735,721**	2,433,067
	100,616,525	100,403,747

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

With respect to investment deposits, the Bank is liable only in case of misconduct, negligence or breach of contract otherwise it is on the account of the fund's provider (Rab Al Mal) or the principal (the Muwakkil).

28 OTHER LIABILITIES

	31 March 2019 AED '000	Audited 31 December 2018 AED '000
Accounts payable	**389,839**	448,349
Acceptances	**431,799**	336,903
Lease liabilities	**410,322**	-
Accrued profit for distribution to depositors and sukuk holders	**234,197**	239,357
Bankers' cheques	**263,494**	281,913
Provision for staff benefits and other expenses	**339,441**	438,851
Retentions payable	**14,903**	14,200
Advances from customers	**92,040**	89,344
Accrued expenses	**377,722**	391,268
Unclaimed dividends	**104,995**	108,936
Deferred income	**136,807**	150,952
Charity account	**4,019**	4,793
Donation account	**53,814**	27,345
Negative fair value of Shari'a compliant alternatives of derivative financial instruments	**-**	7,017
Others	**367,147**	376,001
	3,220,539	2,915,229

29 SHARE CAPITAL

	31 March 2019 AED '000	Audited 31 December 2018 AED '000
Authorised share capital:		
4,000,000 thousand (2018: 4,000,000 thousand) ordinary shares of AED 1 each (2018: AED 1 each)	**4,000,000**	4,000,000
Issued and fully paid share capital:		
3,632,000 thousand (2018: 3,168,000 thousand) ordinary shares of AED 1 each (2018: AED 1 each)	**3,632,000**	3,168,000
Right shares issued: Nil (2018: 464,000 thousand right shares issued, 0.146 share against each share held of AED 1 each)	**-**	464,000
3,632,000 thousand (2018: 3,632,000 thousand) ordinary shares of AED 1 each (2018: AED 1 each)	**3,632,000**	3,632,000

On 19 August 2018 the Shareholders, in the General Assembly meeting, approved the right issue of 464,000 thousand shares of AED 1 each representing 14.6% of the paid up capital along with the premium of AED 1.16 per share. Total amount received from right shares including premium amounting to AED 1,002,240 thousand. Issuance costs amounting to AED 3,416 thousand were incurred.

30 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 2019 - audited	**(205,864)**	**192,700**	**(845,302)**	**(6,983)**	**(865,449)**
Net movement in valuation of equity investment carried at FVTOCI	**282**	**-**	**-**	**-**	**282**
Net movement in valuation of investment in sukuk carried at FVTOCI	**855**	**-**	**-**	**-**	**855**
Exchange differences arising on translation of foreign operations, net	**-**	**-**	**18,432**	**-**	**18,432**
Loss on hedge of foreign operations	**-**	**-**	**(6,442)**	**-**	**(6,442)**
Fair value gain on cash flow hedges	**-**	**-**	**-**	**7,376**	**7,376**
At 31 March 2019 - unaudited	**(204,727)**	**192,700**	**(833,312)**	**393**	**(844,946)**
At 1 January 2018 - audited	(161,269)	192,700	(769,732)	(4,881)	(743,182)
Transition adjustment on adoption of IFRS 9	21,979	-	-	-	21,979
At 1 January 2018 - revised	(139,290)	192,700	(769,732)	(4,881)	(721,203)
Net movement in valuation of equity investment in sukuk carried at FVTOCI	(16,972)	-	-	-	(16,972)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	(7,700)	-	-	-	(7,700)
Exchange differences arising on translation of foreign operations, net	-	-	(71,517)	-	(71,517)
Loss on hedge of foreign operations	-	-	(12,500)	-	(12,500)
Fair value loss on cash flow hedges	-	-	-	(2,371)	(2,371)
At 31 March 2018 - unaudited	(163,962)	192,700	(853,749)	(7,252)	(832,263)

31 TIER 1 SUKUK

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Tier 1 sukuk – Listed (second issue)	**2,754,375**	2,754,375
Tier 1 sukuk – Government of Abu Dhabi	**2,000,000**	2,000,000
	4,754,375	4,754,375

31 TIER 1 SUKUK continued

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

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

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

Tier 1 sukuk – Government of Abu Dhabi
On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk-Gov") to the Department of Finance of the Government of Abu Dhabi, with a principal amount of AED 2,000,000 thousand. Issuance of this Sukuk-Gov was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk-Gov is callable by the Bank subject to certain conditions. The Sukuk-Gov bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity.

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

32 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Contingent liabilities		
Letters of credit	**3,345,999**	3,168,884
Letters of guarantee	**6,865,436**	7,006,289
	10,211,435	10,175,173
Commitments		
Undrawn facilities commitments	**441,821**	517,540
Future capital expenditure	**99,745**	110,763
Investment and development properties	**4,524**	4,366
	546,090	632,669
	10,757,525	10,807,842

33 COMPLIANCE RISK REVIEW

In 2014 ADIB became aware of certain financial transactions relating to U.S. dollar payments that potentially breached U.S. sanctions laws in effect at that time. After learning of these potential breaches, ADIB appointed external legal advisers to assist it in reviewing these transactions and reviewing its compliance with U.S. sanctions laws and its compliance processes generally. Following this review, ADIB submitted its findings to relevant regulators in the UAE and the USA in early 2017. This review also assisted ADIB in identifying additional steps to ensure compliance with applicable sanctions laws, and ADIB enhanced its processes accordingly. As at 31 March 2019, the relevant regulators have not responded following receipt of ADIB's findings and, as such, the likely outcome of their review remains unknown.

34 CASH AND CASH EQUIVALENTS

	31 March 2019 AED '000	*31March 2018 AED '000*
Cash and balances with central banks, short term	**3,874,958**	8,228,637
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**2,864,215**	1,313,619
Murabaha and mudaraba with financial institutions, short term	**823,767**	844,366
Due to financial institutions, short term	**(3,463,636)**	(2,431,248)
	4,099,304	7,955,374

35 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising associates, directors, major shareholders, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. All financial assets are performing and free of any provision for impairment.

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note.

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

	Major shareholder AED '000	*Directors AED '000*	*Associates and joint ventures AED '000*	*Others AED '000*	*Total AED '000*
31 March 2019 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	**-**	**-**	**2,652**	**-**	**2,652**
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	**12,973**	**96**	**-**	**20,349**	**33,418**
Fees and commission income, net	**-**		**133**	**870**	**1,003**
Operating expenses	**-**	**108**	**-**	**-**	**108**
Distribution to depositors and sukuk holders	**325**	**-**	**292**	**5**	**622**
31 March 2018 - unaudited					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	2,614	-	2,614
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	12,973	107		21,138	34,218
Fees and commission income, net	-	7	314	1,090	1,411
Operating expenses	-	108	-	-	108
Distribution to depositors and sukuk holders	262	18	182	7	469

35 RELATED PARTY TRANSACTIONS continued

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 6.8% (2018: 0% to 6.1% 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 2.0% per annum (2018: 0% to 0.8% per annum).

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

	Major shareholder AED '000	*Directors AED '000*	*Associates and joint ventures AED '000*	*Others AED '000*	*Total AED '000*
31 March 2019 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	**-**	**-**	**882,874**	**-**	**882,874**
Murabaha and mudaraba with financial institutions	**-**	**-**	**197,244**	**-**	**197,244**
Murabaha, mudaraba, ijara and other Islamic financing	**2,624,200**	**7,573**	**-**	**3,649,837**	**6,281,610**
Other assets	**-**	**-**	**124,592**	**217,032**	**341,624**
	2,624,200	**7,573**	**1,204,710**	**3,866,869**	**7,703,352**
Due to financial institutions	**-**	**-**	**24,674**	**-**	**24,674**
Depositors' accounts	**107,438**	**3,298**	**76,725**	**23,386**	**210,847**
Other liabilities	**1,105**	**-**	**51**	**33,407**	**34,563**
	108,543	**3,298**	**101,450**	**56,793**	**270,084**
31 December 2018 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	771,239	-	771,239
Murabaha and Mudaraba with financial institutions	-	-	177,847	-	177,847
Murabaha, mudaraba, ijara and other Islamic financing	2,611,227	12,353	-	3,413,718	6,037,298
Other assets	-	-	117,337	211,499	328,836
	2,611,227	12,353	1,066,423	3,625,217	7,315,220
Due to financial institutions	-	-	39,934	-	39,934
Depositors' accounts	93,806	39,231	147,700	31,827	312,564
Other liabilities	780	-	46	27,875	28,701
	94,586	39,231	187,680	59,702	381,199

The Bank and its major shareholder jointly own a controlling stake in Abu Dhabi Islamic Bank – Egypt (S.A.E.) ("ADIB-Egypt") and have a formal joint control arrangement for their investment in ADIB-Egypt (note 21).

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

	Three months ended 31 March 2019 AED '000	*Three months ended 31 March 2018 AED '000*
Salaries and other benefits	**8,614**	7,032
Employees' end of service benefits	**750**	644
	9,364	7,676

35 RELATED PARTY TRANSACTIONS continued

In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. 8 of 1984 (as amended), Directors' remuneration is recognised in the consolidated statement of comprehensive income.

During 2019, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2018 after the approval by the shareholders in the Annual General Assembly held on 13th March 2019. During 2018, AED 4,900 thousand was paid to Board of Directors pertaining to the year ended 31 December 2017 after the approval by the shareholders in the Annual General Assembly held on 21st March 2018.

36 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

36 SEGMENT INFORMATION continued

	Global Retail banking AED '000	*Global Wholesale banking AED '000*	*Private banking AED '000*	*Treasury AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
31 March 2019 - unaudited							
Revenue and results							
Segment revenues, net	**878,321**	**239,266**	**34,775**	**131,453**	**18,055**	**134,713**	**1,436,583**
Operating expenses excluding provision for impairment, net	**(487,633)**	**(94,024)**	**(16,925)**	**(10,933)**	**(16,962)**	**(23,369)**	**(649,846)**
Operating profit	**390,688**	**145,242**	**17,850**	**120,520**	**1,093**	**111,344**	**786,737**
Provision for impairment, net	**(75,696)**	**(34,347)**	**4,738**	**2,895**	**-**	**(83,990)**	**(186,400)**
Profit for the period	**314,992**	**110,895**	**22,588**	**123,415**	**1,093**	**27,354**	**600,337**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(290)**	**(290)**
Profit for the period attributable to equity holders of the Bank	**314,992**	**110,895**	**22,588**	**123,415**	**1,093**	**27,064**	**600,047**
Assets							
Segmental assets	**57,850,402**	**31,809,447**	**3,415,560**	**21,594,381**	**2,554,892**	**7,406,930**	**124,631,612**
Liabilities							
Segmental liabilities	**65,372,389**	**25,815,278**	**3,244,288**	**8,978,330**	**273,299**	**3,718,841**	**107,402,425**
31 March 2018 - unaudited							
Revenue and results							
Segment revenues, net	849,593	253,242	34,340	109,251	21,919	95,588	1,363,933
Operating expenses excluding provision for impairment, net	(457,606)	(93,729)	(15,222)	(11,507)	(20,248)	(25,374)	(623,686)
Operating profit	391,987	159,513	19,118	97,744	1,671	70,214	740,247
Provision for impairment, net	(30,783)	(57,735)	(5,376)	-	-	(55,995)	(149,889)
Profit for the period	361,204	101,778	13,742	97,744	1,671	14,219	590,358
Non-controlling interest	-	-	-	-	-	(186)	(186)
Profit for the period attributable to equity holders of the Bank	361,204	101,778	13,742	97,744	1,671	14,033	590,172
31 December 2018 - audited							
Assets							
Segmental assets	57,814,682	32,013,817	3,452,542	22,346,775	2,544,409	7,021,690	125,193,915
Liabilities							
Segmental liabilities	63,308,953	25,642,875	3,251,075	11,543,309	269,608	3,441,410	107,457,230

Geographical information

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

37 CAPITAL ADEQUACY RATIO

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital.

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

	Basel III	
	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Common Equity Tier 1 (CET 1) Capital		
Share capital	**3,632,000**	3,632,000
Legal reserve	**2,624,028**	2,624,028
General reserve	**1,958,866**	1,958,866
Credit risk reserve	**400,000**	400,000
Retained earnings	**4,600,533**	4,133,730
Foreign currency translation reserve	**(802,140)**	(813,632)
	12,413,287	11,934,992
Regulatory deductions:		
Goodwill and intangibles	**(297,091)**	(310,591)
Cumulative changes in fair value and hedging reserve	**(142,468)**	(150,456)
	11,973,728	11,473,945
Threshold deductions:		
Significant minority investments	**(225,296)**	(237,276)
Total Common Equity Tier 1	**11,748,432**	11,236,669
Additional Tier 1 (AT 1) Capital		
Tier 1 sukuk	**4,754,375**	4,754,375
Total Additional Tier 1	**4,754,375**	4,754,375
Total Tier 1 capital	**16,502,807**	15,991,044
Tier 2 capital		
Collective impairment provision for financing assets	**1,092,915**	1,089,243
Total Tier 2	**1,092,915**	1,089,243
Total capital base	**17,595,721**	17,080,287

37 CAPITAL ADEQUACY RATIO continued

	Basel III	
	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
Risk weighted assets		
Credit risk	**87,433,163**	87,139,417
Market risk	**2,660,728**	2,363,860
Operational risk	**10,307,571**	9,887,839
Total risk weighted assets	**100,401,462**	99,391,116
Capital ratios		
Common Equity Tier 1 capital expressed as a percentage of total risk weighted assets	**11.70%**	11.31%
Total Tier 1 regulatory capital expressed as a percentage of total risk weighted assets	**16.44%**	16.09%
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.53%**	17.18%

38 DIVIDENDS

During 2019, cash dividend of 27.38% of the paid up capital relating to year ended 31 December 2018 amounting to AED 994,313 thousand has been paid after the approval by the shareholders at the Annual General Assembly held on 13th March 2019.

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

39 SEASONALITY OF RESULTS

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

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement recognized in the interim consolidated statement of financial position
The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

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

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

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

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

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
31 March 2019 - unaudited				
Assets and liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit or loss				
Quoted investments				
Sukuk	**1,529,518**	**-**	**-**	**1,529,518**
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	**29,008**	**-**	**-**	**29,008**
Sukuk	**334,675**	**-**	**-**	**334,675**
	363,683	**-**	**-**	**363,683**
Unquoted investments				
Funds	**-**	**-**	**46,956**	**46,956**
Private equities	**-**	**-**	**42,770**	**42,770**
	-	**-**	**89,726**	**89,726**
	363,683	**-**	**89,726**	**453,409**
Shari'a compliant alternatives of swap (note 24)	**-**	**371**	**-**	**371**
Assets for which fair values are disclosed:				
Investment properties	**-**	**-**	**1,544,965**	**1,544,965**
Investment carried at amortised cost- Sukuk	**11,952,702**	**-**	**-**	**11,952,702**

40 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

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

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
31 December 2018 - audited				
Assets and liabilities measured at fair value:				
Financial assets				
Investments carried at fair value through profit or loss				
Sukuk	1,438,659	-	-	1,438,659
Investments carried at fair value through other comprehensive income				
Quoted investments				
Equities	28,727			28,727
Sukuk	330,367	-	-	330,367
	359,094	-	-	359,094
Unquoted investments				
Funds	-	-	46,956	46,956
Private equities	-	-	42,775	42,775
	-	-	89,731	89,731
	359,094	-	89,731	448,825
Financial liabilities				
Shari'a compliant alternatives of swap (note 28)	-	7,017	-	7,017
Assets for which fair values are disclosed:				
Investment properties	-	-	1,544,965	1,544,965
Investment carried at amortised cost - Sukuk	11,588,331	-	-	11,588,331

There were no transfers between level 1, 2 and 3 during the current period (2018: Nil).

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

	31 March 2019 AED '000	*Audited 31 December 2018 AED '000*
At the beginning of the period	**89,731**	106,692
Net addition	-	3,819
Loss recorded in equity	**(5)**	(20,780)
At the end of the period	**89,726**	89,731