Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2013 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2013 (Unaudited)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2013, comprising of the interim consolidated statement of financial position as at 30 September 2013 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes.. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst + Young

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

28 October 2013
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT

Three months and nine months ended 30 September 2013 (Unaudited)

	Notes	*Three months ended 30 September* **2013** *AED '000*	*2012* *AED '000*	*Nine months ended 30 September* **2013** *AED '000*	*2012* *AED '000*
OPERATING INCOME					
Income from murabaha, mudaraba and wakala with financial institutions		**12,444**	26,251	**41,732**	79,459
Income from murabaha, mudaraba, ijara and other Islamic financing with customers	5	**905,320**	899,305	**2,677,454**	2,721,664
Investment income	6	**71,282**	91,776	**141,394**	153,996
Share of results of associates and joint venture		**5,303**	3,453	**11,527**	7,759
Fees and commission income, net	7	**139,602**	90,534	**434,538**	301,318
Foreign exchange income		**24,486**	11,654	**29,328**	36,218
Income from investment properties		**4,305**	4,456	**13,177**	11,457
Income from development properties		**-**	-	-	1,140
Other income		**1,160**	752	**4,307**	1,330
		1,163,902	1,128,181	**3,353,457**	3,314,341
OPERATING EXPENSES					
Employees' costs	8	**(258,777)**	(231,473)	**(740,272)**	(679,003)
General and administrative expenses	9	**(133,753)**	(131,057)	**(380,493)**	(384,004)
Depreciation		**(34,339)**	(30,973)	**(98,910)**	(85,405)
Provision for impairment, net	10	**(193,524)**	(202,070)	**(558,873)**	(574,749)
		(620,393)	(595,573)	**(1,778,548)**	(1,723,161)
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS		**543,509**	532,608	**1,574,909**	1,591,180
Distribution to depositors and sukuk holders	11	**(147,961)**	(204,095)	**(467,930)**	(632,726)
PROFIT FOR THE PERIOD		**395,548**	328,513	**1,106,979**	958,454
Attributable to:					
Equity holders of the Bank		**395,362**	328,181	**1,105,573**	957,628
Non-controlling interest		**186**	332	**1,406**	826
		395,548	328,513	**1,106,979**	958,454
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	**0.167**	0.139	**0.402**	0.380

The attached notes 1 to 38 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months and nine months ended 30 September 2013 (Unaudited)

		Three months ended 30 September		Nine months ended 30 September	
		2013	2012	**2013**	2012
	Notes	**AED '000**	AED '000	**AED '000**	AED '000
PROFIT FOR THE PERIOD		**395,548**	328,513	**1,106,979**	958,454
Other comprehensive income (loss)					
Items that will not be reclassified to consolidated income statement					
Net (loss) gain on valuation of investments carried at fair value through other comprehensive income	29	**(6,760)**	66,051	**(11,314)**	70,090
Directors' remuneration paid	33	**-**	-	**(4,200)**	(4,200)
Items that may be subsequently reclassified to consolidated income statement					
Exchange differences arising on translation of foreign operations	29	**26,203**	2,840	**(48,470)**	887
Loss on hedge of foreign operations	29	**(7,645)**	(2,840)	**(3,612)**	(887)
Exchange difference recycled on disposal of investment in associate		**-**	(1,915)	**-**	(1,915)
Fair value gain (loss) on cash flow hedge	29	**554**	1,040	**9,450**	(3,776)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**12,352**	65,176	**(58,146)**	60,199
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**407,900**	393,689	**1,048,833**	1,018,653
Attributable to:					
Equity holders of the Bank		**407,714**	393,357	**1,047,427**	1,017,827
Non-controlling interest		**186**	332	**1,406**	826
		407,900	393,689	**1,048,833**	1,018,653

The attached notes 1 to 38 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2013 (Unaudited)

	Notes	30 September 2013 AED '000	Audited 31 December 2012 AED '000
ASSETS			
Cash and balances with central banks	13	**13,445,860**	11,286,903
Balances and wakala deposits with Islamic banks and other financial institutions	14	**3,265,996**	4,121,480
Murabaha and mudaraba with financial institutions	15	**9,518,805**	9,754,937
Murabaha and other Islamic financing	16	**26,856,668**	23,951,777
Ijara financing	17	**32,020,042**	27,244,938
Investments	18	**5,859,946**	4,255,148
Investment in associates and joint venture	19	**747,727**	766,025
Investment properties	20	**285,847**	306,174
Development properties	21	**837,381**	837,381
Other assets	22	**2,165,885**	1,917,943
Property and equipment		**1,378,096**	1,221,849
TOTAL ASSETS		**96,382,253**	85,664,555
LIABILITIES			
Due to financial institutions	23	**6,351,009**	3,133,893
Depositors' accounts	24	**70,165,252**	61,326,147
Other liabilities	25	**2,333,477**	1,874,323
Tier 2 wakala capital	26	**-**	2,207,408
Sukuk financing instruments	27	**4,590,625**	4,470,902
Total liabilities		**83,440,363**	73,012,673
EQUITY			
Share capital	28	**2,364,706**	2,364,706
Legal reserve		**1,756,679**	1,756,679
General reserve		**739,030**	739,030
Credit risk reserve		**400,000**	400,000
Retained earnings		**2,135,289**	1,189,511
Proposed dividends	37	**-**	600,616
Proposed dividends to charity		**-**	4,450
Other reserves	29	**(139,996)**	(86,050)
Tier 1 sukuk	30	**5,631,001**	5,629,165
Equity attributable to the equity holders of the Bank		**12,886,709**	12,598,107
Non-controlling interest		**55,181**	53,775
Total equity		**12,941,890**	12,651,882
TOTAL LIABILITIES AND EQUITY		**96,382,253**	85,664,555
CONTINGENT LIABILITIES AND COMMITMENTS	31	**13,214,305**	13,272,351

Vice Chairman

Chief Executive Officer

The attached notes 1 to 38 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2013 (Unaudited)

		Attributable to the equity holders of the Bank											
	Notes	*Share capital AED '000*	*Legal reserve AED '000*	*General reserve AED '000*	*Credit risk reserve AED '000*	*Retained earnings AED '000*	*Proposed dividends AED '000*	*Proposed dividends to charity AED '000*	*Other reserves AED '000*	*Tier 1 sukuk AED '000*	*Total AED '000*	*Non-controlling interest AED '000*	*Total equity AED '000*
Balance at 1 January 2013 - audited		2,364,706	1,756,679	739,030	400,000	1,189,511	600,616	4,450	(86,050)	5,629,165	12,598,107	53,775	12,651,882
Profit for the period		-	-	-	-	1,105,573	-	-	-	-	1,105,573	1,406	1,106,979
Other comprehensive loss		-	-	-	-	(4,200)	-	-	(53,946)	-	(58,146)	-	(58,146)
Profit paid on Tier 1 sukuk	30	-	-	-	-	(95,595)	-	-	-	-	(95,595)	-	(95,595)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	30	-	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Movement in Tier 1 sukuk		-	-	-	-	-	-	-	-	1,836	1,836	-	1,836
Dividends paid	37	-	-	-	-	-	(600,616)	-	-	-	(600,616)	-	(600,616)
Dividends paid to charity		-	-	-	-	-	-	(4,450)	-	-	(4,450)	-	(4,450)
Balance at 30 September 2013 - unaudited		**2,364,706**	**1,756,679**	**739,030**	**400,000**	**2,135,289**	**-**	**-**	**(139,996)**	**5,631,001**	**12,886,709**	**55,181**	**12,941,890**
Balance at 1 January 2012 - audited		2,364,706	1,755,894	585,921	-	1,311,406	577,546	1,028	(28,043)	2,000,000	8,568,458	2,609	8,571,067
Profit for the period		-	-	-	-	957,628	-	-	-	-	957,628	826	958,454
Other comprehensive (loss) income		-	-	-	-	(4,200)	-	-	64,399	-	60,199	-	60,199
Loss on disposal of investments carried at fair value through other comprehensive income		-	-	-	-	(1,284)	-	-	1,284	-	-	-	-
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	30	-	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Dividends paid	37	-	-	-	-	-	(577,546)	-	-	-	(577,546)	-	(577,546)
Dividends paid to charity		-	-	-	-	-	-	(1,028)	-	-	(1,028)	-	(1,028)
Non-controlling interest arising on a business combination		-	-	-	-	-	-	-	-	-	-	47,990	47,990
Balance at 30 September 2012 – unaudited		**2,364,706**	**1,755,894**	**585,921**	**-**	**2,203,550**	**-**	**-**	**37,640**	**2,000,000**	**8,947,711**	**51,425**	**8,999,136**

The attached notes 1 to 38 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Nine months ended 30 September 2013 (Unaudited)

	Notes	*Nine months ended 30 September 2013 AED '000*	*Nine months ended 30 September 2012 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**1,106,979**	958,454
Adjustments for:			
Depreciation on investment properties	20	**8,958**	6,346
Depreciation on property and equipment		**89,952**	79,059
Share of results of associates		**(11,527)**	(7,759)
Dividend income	6	**(7,347)**	(4,180)
Realised loss (gain) on sale of investments carried at fair value through profit and loss	6	**22,937**	(16,307)
Unrealised loss (gain) on investments carried at fair value through profit and loss	6	**588**	(15,224)
Provision for impairment, net	10	**558,873**	574,749
Gain on disposal of investment in associate		-	(44,328)
Gain on sale of investment properties		**(1,479)**	(1,720)
Gain on sale of development properties		-	(1,140)
Operating profit before changes in operating assets and liabilities		**1,767,934**	1,527,950
Proceeds from encashment of certificate of deposits		**251,958**	1,405,121
(Increase) decrease in balances and wakala deposits with Islamic banks and other financial institutions		**(100,058)**	141,153
Decrease in murabaha and mudaraba with financial institutions		**1,047,373**	300,590
Increase in murabaha and other Islamic financing		**(3,234,254)**	(137,249)
Increase in ijara financing		**(4,862,960)**	(2,297,255)
Purchase of investments carried at fair value through profit and loss		**(3,140,714)**	(2,629,375)
Proceeds from sale of investments carried at fair value through profit and loss		**3,314,597**	2,421,478
Increase in other assets		**(350,259)**	(252,208)
Increase (decrease) in due to financial institutions		-	(389,224)
Increase in depositors' accounts		**8,837,757**	6,017,125
Increase in other liabilities		**431,247**	96,317
Cash from operations		**3,962,621**	6,204,423
Directors' remuneration paid		**(4,200)**	(4,200)
Net cash from operating activities		**3,958,421**	6,200,223
INVESTING ACTIVITIES			
Dividend received	6	**7,347**	4,180
Purchase of investments carried at fair value through other comprehensive income		-	(53,586)
Proceeds from sale of investments carried at fair value through other comprehensive income		**9,551**	10,551
Purchase of investments carried at amortised cost		**(2,197,723)**	(2,249,698)
Redemption proceeds from investment carried at amortised cost		**381,128**	-
Dividend received from an associate		**5,154**	4,497
Additions in investment in associate		**(20,338)**	-
Proceeds from disposal of investment in associate		-	51,535
Proceeds from sale of investment properties		**6,313**	10,033
Additions to development properties		-	(4,246)
Proceeds from sale of development properties		-	3,649
Additions to property and equipment		**(246,199)**	(251,631)
Net cash used in investing activities		**(2,054,767)**	(2,474,716)
FINANCING ACTIVITIES			
Profit paid on Tier 1 sukuk	30	**(95,595)**	-
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	30	**(60,000)**	(60,000)
Tier 2 wakala capital repaid to UAE Federal government	26	**(2,207,408)**	-
Dividends paid		**(575,626)**	(561,007)
Proceeds from sale of repurchased Tier 1 sukuk		**1,836**	-
Proceeds from sale of repurchased sukuk (second issue)		**119,723**	-
Net cash used in financing activities		**(2,817,070)**	(621,007)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(913,416)**	3,104,500
Cash and cash equivalents at 1 January		**17,655,720**	11,392,464
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	32	**16,742,304**	14,496,964

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

Profit received		**2,524,499**	2,620,296
Profit paid to depositors and sukuk holders		**400,826**	499,754

The attached notes 1 to 38 form part of these interim condensed consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

In addition to its main office in Abu Dhabi, the Bank operates through its 77 branches in UAE and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE, Kingdom of Saudi Arabia and the United Kingdom. The interim condensed consolidated financial statements combine the activities of the Bank's head office, its branches 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 issued by the Board of Directors on 28 October 2013.

2 DEFINITIONS

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

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

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

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

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

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

2 DEFINITIONS continued

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

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

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

3 BASIS OF PREPARATION

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

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

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

3.1.c Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	Activity	*Country of incorporation*	*Percentage of holding*	
			2013	*2012*
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	**95%**	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	**100%**	100%
ADIB Invest 1	Equity brokerage services	BVI	**100%**	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	**100%**	100%
Saudi Installment House	Retail finance	Kingdom of Saudi Arabia	**51%**	51%
ADIB (UK) Limited	Islamic banking	United Kingdom	**100%**	100%
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 1 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Holdings (Jersey) Ltd*	Special purpose vehicle	British Channel Islands	-	-

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

3 BASIS OF PREPARATION continued

3.1.c Basis of consolidation continued

A subsidiary is an entity over which the Bank exercises control, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities. These interim condensed consolidated financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

3.2 Standards issued but not yet effective

The following new standards / amendments to standards which were issued and are not yet effective for the period ended 30 September 2013 have not been applied while preparing these interim condensed consolidated financial statements:

IAS 32 Offsetting Financial Assets and Financial Liabilities – 1 January 2014
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

3.3 Significant judgements and estimates

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

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial 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 2012.

4 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements do not contain all information and disclosures for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the nine months ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2012.

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:

During the period, the Group has adopted the following new standards / amendments to standards effective for the annual periods beginning on or after 1 January 2013:

IFRS 7 : Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)
IFRS 10 : Consolidated Financial Statements
IFRS 11 : Joint Arrangements
IFRS 12 : Disclosure of Interests in Other Entities
IFRS 13 : Fair Value Measurement
IAS 1 : Presentation of financial statements (Amendment)
IAS 19 : Employee Benefits (Amendment)
IAS 27 : Separate Financial Statements (Amendment)
IAS 28 : Investment in Associates and Joint Ventures (Amendment)

However the new standards / amendments to standards did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period. A brief description of the change is also provided below:

IFRS 7: Financial Instruments: Disclosures - *Offsetting Financial Assets and Financial Liabilities (Amendment)*
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The amendment did not have any impact on the accounting policy, interim condensed consolidated financial position and performance of the Group during the period.

IFRS 10: Consolidated financial statements replaces part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation – Special Purpose Entities. The new standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. IFRS 10 sets the principle of control in three elements of control (a) power over the investee, (b) exposure, or rights, to variable return from involvement with the investee, and (c) the ability to use power over the investee to affect the amount of investor's return.

Management carried out a detailed review on the Bank's connected entities and the funds managed by the Bank in view of the new definition and guidance in IFRS 10 and determined that the Group's exposure to funds indicate that the Group is an agent and concludes that it does not control the funds and thus not consolidated.

4 SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 11: Joint Arrangements replaces IAS 31 interest in Joint Ventures and SIC 13 Jointly controlled Entities – Non Monetary Contribution by Ventures. The new standard deals with how a joint arrangement of which two or more parties have joint control should be classified and requires that joint ventures are accounted for using the equity method of accounting.

The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period.

IFRS 12: Disclosures of interests in other entities includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint ventures, associates and unconsolidated structured entities when the reporting entity has a special relationship with those other entities.

The additional disclosure related to non-controlling interest in subsidiaries will be provided in the annual financial statements for the year ending 31 December 2013. The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period.

IFRS 13: Fair value measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period.

IAS 1: Presentation of financial statements (Amendment) prescribes the information to be presented in the other comprehensive income. The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature and group into those that, in accordance with other IFRSs will not be reclassified subsequently to statement of income and will be reclassified subsequently to statement of income when specific conditions are met.

The amendment impacts the presentation of the statement of comprehensive income and did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period.

IAS 19: Employee Benefits (Amendment) requires recognition of changes in defined benefit obligations and the fair value of plan asset when they occur, with all actuarial gains and losses recognized immediately through other comprehensive income.

The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period as the defined benefit obligations are not materially significant.

IAS 27: Separate Financial Statements (Amendment) requires, when an entity prepare separate financial statements, to account for investment in subsidiaries, joint ventures and associates at cost or in accordance with IFRS 9 Financial Instrument.

The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group during the period as this is not relevant for the Group's financial statements.

IAS 28: Investment in Associates and Joint Ventures (Amendment) prescribes the accounting for investments in associates and sets out the requirement for the application of the equity method when accounting for investments in associates and joint ventures.

The amendment did not have any impact on the accounting policy, consolidated financial position and performance of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments
Recognition and Measurement
Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:
- Customer financing;
- Balances and wakala deposits Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments; 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
Murahaba and other Islamic financing and Ijara financing i.e. customer financing and investment in sukuks, 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.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments 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, 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. As per the requirement of IFRS 9, financial assets measured at FVTOCI are not tested for impairment.

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

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

- the expected cash flows discounted at current profit rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent market transactions
- net asset values (in limited circumstances)

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

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

	Three months ended 30 September		*Nine months ended 30 September*	
	2013	*2012*	***2013***	*2012*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Vehicle murabaha	**103,782**	116,367	**320,423**	363,293
Goods murabaha	**71,001**	30,457	**193,444**	136,279
Share murabaha	**225,234**	199,356	**657,275**	580,408
Commodities murabaha – Al Khair	**54,921**	57,359	**186,906**	174,435
Other murabaha	**13,244**	15,935	**35,339**	39,504
Total murabaha	**468,182**	419,474	**1,393,387**	1,293,919
Mudaraba	**22,670**	12,711	**68,773**	91,643
Ijara	**352,810**	412,921	**1,042,737**	1,174,583
Islamic covered cards (murabaha)	**57,032**	50,009	**161,672**	147,533
Istisna'a	**4,626**	4,190	**10,885**	13,986
	905,320	899,305	**2,677,454**	2,721,664

6 INVESTMENT INCOME

	Three months ended 30 September		*Nine months ended 30 September*	
	2013	*2012*	***2013***	*2012*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Income from Islamic sukuk	**52,762**	34,809	**142,350**	69,024
Income from other investment assets	**10,536**	2,613	**15,222**	4,933
Dividend income	**1,904**	2,082	**7,347**	4,180
Gain from disposal of investment in associate	-	44,328	-	44,328
Realised (loss) gain on sale of investments carried at fair value through profit and loss	**(11,899)**	4,897	**(22,937)**	16,307
Unrealised gain (loss) on investments carried at fair value through profit and loss	**17,979**	3,047	**(588)**	15,224
	71,282	91,776	**141,394**	153,996

7 FEES AND COMMISSION INCOME, NET

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000
Fees and commission income				
Fees and commission income on cards	**89,740**	71,138	**237,864**	191,636
Trade related fees and commission	**28,328**	25,455	**79,828**	73,965
Accounts services fees	**9,851**	7,641	**31,722**	28,392
Projects and property management fees	**9,206**	8,652	**31,996**	28,391
Risk participation and arrangement fees	**23,330**	9,605	**116,280**	45,387
Brokerage fees and commission	**12,154**	3,783	**29,404**	14,465
Other fees and commissions	**29,975**	13,886	**73,750**	46,028
Total fees and commission income	**202,584**	140,160	**600,844**	428,264
Fees and commission expenses				
Card related fees and commission expenses	**(53,579)**	(42,865)	**(139,243)**	(105,579)
Other fees and commission expenses	**(9,403)**	(6,761)	**(27,063)**	(21,367)
Total fees and commission expenses	**(62,982)**	(49,626)	**(166,306)**	(126,946)
Fees and commission income, net	**139,602**	90,534	**434,538**	301,318

8 EMPLOYEES' COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000
Salaries and wages	**231,345**	209,815	**673,566**	618,711
End of service benefits	**16,738**	15,307	**43,065**	41,347
Other staff expenses	**10,694**	6,351	**23,641**	18,945
	258,777	231,473	**740,272**	679,003

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000
Legal and professional expenses	**24,559**	16,094	**50,333**	58,866
Premises expenses	**38,774**	41,532	**116,736**	119,272
Marketing and advertising expenses	**20,832**	22,309	**61,113**	69,093
Communication expenses	**14,888**	10,866	**44,509**	31,250
Technology related expenses	**13,443**	15,625	**42,144**	46,217
Other operating expenses	**21,257**	24,631	**65,658**	59,306
	133,753	131,057	**380,493**	384,004

10 PROVISION FOR IMPAIRMENT, NET

		Three months ended 30 September		Nine months ended 30 September	
		2013	2012	**2013**	2012
		AED '000	AED '000	**AED '000**	AED '000
Murabaha and mudaraba with financial institutions	15	**1,227**	-	**37,086**	-
Murabaha and other Islamic financing	16	**159,855**	(50,372)	**327,098**	94,675
Ijara financing	17	**(9,987)**	201,521	**87,856**	351,919
Direct write-off		**1,409**	199	**2,265**	675
Investments		-	3,267	-	3,267
Investment in associates and joint venture	19	**-**	-	**(4,284)**	-
Investment properties	20	**6,535**	-	**6,535**	**-**
Other assets	22	**34,485**	47,455	**102,317**	124,213
		193,524	202,070	**558,873**	574,749

The above provision for impairment includes AED 108,852 thousand (30 September 2012: AED 124,213 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000
Saving accounts	**27,362**	29,377	**78,652**	95,415
Investment accounts	**77,459**	106,186	**231,313**	332,286
Sukuk holders and Tier 2 wakala capital	**43,140**	68,532	**157,965**	205,025
	147,961	204,095	**467,930**	632,726

12 BASIC AND DILUTED EARNINGS PER SHARE

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

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

		Three months ended 30 September		***Nine months ended 30 September***	
	Notes	***2013***	*2012*	***2013***	*2012*
Profit for the period attributable to equity holders (AED '000)		**395,362**	328,181	**1,105,573**	957,628
Less: profit attributable to Tier 1 sukuk holder (AED '000)	30	**-**	-	**(95,595)**	-
Less: profit attributable to Tier 1 sukuk holder – Government of Abu Dhabi (AED '000)	30	**-**	-	**(60,000)**	(60,000)
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		**395,362**	328,181	**949,978**	897,628
Weighted average number of ordinary shares in issue (000's)		**2,364,706**	2,364,706	**2,364,706**	2,364,706
Basic and diluted earnings per share (AED)		**0.167**	0.139	**0.402**	0.380

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

13 CASH AND BALANCES WITH CENTRAL BANKS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Cash on hand	**1,338,255**	1,247,654
Balances with central banks:		
- Current accounts	**142,286**	85,384
- Statutory reserve	**5,907,930**	5,044,983
- Islamic certificate of deposits	**6,057,389**	4,908,882
	13,445,860	11,286,903

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

13 CASH AND BALANCES WITH CENTRAL BANKS continued

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
UAE	**13,268,854**	11,197,026
Rest of the Middle East	**75,681**	34,732
Europe	**630**	1,191
Others	**100,695**	53,954
	13,445,860	11,286,903

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Current accounts	**145,016**	187,139
Wakala deposits	**3,120,980**	3,934,341
	3,265,996	4,121,480

In accordance with Shari'a principles deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
UAE	**1,510,535**	2,095,095
Rest of the Middle East	**407,470**	382,930
Europe	**73,205**	97,353
Others	**1,274,786**	1,546,102
	3,265,996	4,121,480

15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Murabaha	**9,490,813**	9,668,009
Mudaraba	**157,803**	216,739
	9,648,616	9,884,748
Less: provision for impairment	**(129,811)**	(129,811)
	9,518,805	9,754,937

In accordance with Shari'a principles, mudaraba are with Islamic financial institutions or provided for the activities that are entirely Shari'a complaint. The above balance include Islamic collateralized Murabaha amounting to AED 65,479 thousands (31 December 2012: Nil) in the normal course of business in which the third party transfers financial assets to the Group for short term financing.

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
At the beginning of the period	**129,811**	129,811
Charge for the period (note 10)	**37,086**	-
Written off during the period	**(37,086)**	-
At the end of the period	**129,811**	129,811

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
UAE	**9,233,393**	9,232,098
Rest of the Middle East	**224,073**	228,537
Europe	**124,790**	283,595
Others	**66,360**	140,518
	9,648,616	9,884,748

16 MURABAHA AND OTHER ISLAMIC FINANCING

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Vehicle murabaha	**6,426,260**	6,478,901
Goods murabaha	**5,131,964**	3,601,090
Share murabaha	**12,327,582**	10,843,738
Commodities murabaha – Al Khair	**3,768,768**	3,744,646
Other murabaha	**2,565,662**	2,762,873
Total murabaha	**30,220,236**	27,431,248
Mudaraba	**2,010,927**	1,950,574
Islamic covered cards (murabaha)	**6,318,236**	4,826,941
Istisna'a	**209,066**	153,833
Other financing receivables	**113,115**	107,332
Total murabaha and other Islamic financing	**38,871,580**	34,469,928
Less: deferred income on murabaha	**(9,820,793)**	(8,521,691)
	29,050,787	25,948,237
Less: provision for impairment	**(2,194,119)**	(1,996,460)
	26,856,668	23,951,777

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

	30 September 2013			*Audited 31 December 2012*		
	Individual impairment AED '000	***Collective impairment AED '000***	***Total AED '000***	*Individual impairment AED '000*	*Collective impairment AED '000*	*Total AED '000*
At the beginning of the period	**1,588,375**	**408,085**	**1,996,460**	1,829,876	387,263	2,217,139
Charge for the period (note 10)	**294,317**	**32,781**	**327,098**	217,662	20,822	238,484
Written off during the period	**(129,439)**	**-**	**(129,439)**	(459,163)	-	(459,163)
At the end of the period	**1,753,253**	**440,866**	**2,194,119**	1,588,375	408,085	1,996,460

16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
***Industry sector*:**		
Government	**2,405**	122,353
Public sector	**519,397**	209,341
Corporate	**5,711,102**	5,245,759
Financial institutions	**532,658**	541,005
Individuals	**20,864,792**	19,034,284
Small and medium enterprises	**1,420,433**	795,495
	29,050,787	25,948,237
Geographic region:		
UAE	**27,505,257**	24,618,806
Rest of the Middle East	**1,103,731**	908,846
Europe	**396,203**	353,477
Others	**45,596**	67,108
	29,050,787	25,948,237

17 IJARA FINANCING

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

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
The aggregate future lease receivables are as follows:		
Due within one year	**7,946,937**	7,018,706
Due in the second to fifth year	**19,324,697**	16,516,618
Due after five years	**13,575,162**	11,969,991
Total ijara financing	**40,846,796**	35,505,315
Less: deferred income	**(7,641,136)**	(7,159,108)
Net present value of minimum lease payments receivable	**33,205,660**	28,346,207
Less: provision for impairment	**(1,185,618)**	(1,101,269)
	32,020,042	27,244,938

17 IJARA FINANCING continued

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

	30 September 2013			*Audited 31 December 2012*		
	Individual impairment AED '000	***Collective impairment AED '000***	***Total AED '000***	*Individual impairment AED '000*	*Collective impairment AED '000*	*Total AED '000*
At the beginning of the period	**693,655**	**407,614**	**1,101,269**	417,485	375,582	793,067
Charge for the period (note 10)	**39,119**	**48,737**	**87,856**	333,790	32,032	365,822
Written off during the period	**(3,507)**	**-**	**(3,507)**	(57,620)	-	(57,620)
At the end of the period	**729,267**	**456,351**	**1,185,618**	693,655	407,614	1,101,269

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Industry sector:		
Government	**38,143**	88,587
Public sector	**4,894,631**	2,394,866
Corporate	**14,137,121**	11,840,442
Financial institutions	**275,477**	351,844
Individuals	**13,394,623**	13,220,219
Small and medium enterprises	**394,455**	313,128
Non-profit organisations	**71,210**	137,121
	33,205,660	28,346,207
Geographic region:		
UAE	**32,309,151**	27,842,569
Rest of the Middle East	**483,576**	10,444
Others	**412,933**	493,194
	33,205,660	28,346,207

18 INVESTMENTS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Investments carried at fair value through profit or loss		
Equities	**10,033**	-
Sukuk	**908,248**	1,115,689
	918,281	1,115,689
Investments carried at fair value through other comprehensive income		
Quoted investments		
Equities	**18,122**	22,955
Unquoted investments		
Funds	**84,085**	91,797
Private equities	**234,536**	236,380
	318,621	328,177
	336,743	351,132
Investments carried at amortised cost		
Sukuk	**4,604,922**	2,788,327
Total investments	**5,859,946**	4,255,148

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
At the beginning of the period	**81,308**	78,041
Charge for the period	**-**	3,267
At the end of the period	**81,308**	81,308

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

UAE	**4,116,658**	2,605,827
Rest of the Middle East	**1,345,317**	1,351,616
Europe	**183**	180
Others	**479,096**	378,833
	5,941,254	4,336,456

19 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
Cost of investment	**851,401**	831,063
Share of results	**28,766**	17,239
Dividends received	**(9,651)**	(4,497)
Foreign currency translation	**(122,789)**	(73,496)
	747,727	770,309
Less: provision for impairment	**-**	(4,284)
	747,727	766,025

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

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
At the beginning of the period	**4,284**	32,783
Reversed during the period (note 10)	**(4,284)**	-
Written off during the period	**-**	(28,499)
At the end of the period	**-**	4,284

Details of the Bank's investment in associates and joint venture at 30 September 2013 and 31 December 2012 is as follows:

	Place of incorporation	*Proportion of ownership interest and voting power* **2013 %**	*2012 %*	*Principal activity*
Associates				
Abu Dhabi National Takaful PJSC	UAE	**40**	40	Islamic insurance
Bosna Bank International D.D	Bosnia	**27**	27	Islamic banking
Joint venture				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	**49**	49	Banking (under conversion to Islamic bank)

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

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
UAE	**137,976**	133,640
Europe	**57,834**	34,111
Others	**551,917**	602,558
	747,727	770,309

20 INVESTMENT PROPERTIES

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Cost:		
Balance at the beginning of the period	**338,995**	177,629
Transfer from development properties (note 21)	**-**	131,103
Transfer from other assets	**-**	37,300
Disposals	**(5,264)**	(7,037)
Gross balance at the end of the period	**333,731**	338,995
Less: provision for impairment	**(22,481)**	(16,183)
Net balance at the end of the period	**311,250**	322,812
Accumulated depreciation:		
Balance at the beginning of the period	**16,638**	7,628
Charge for the period	**8,958**	9,278
Relating to disposals	**(193)**	(268)
Balance at the end of the period	**25,403**	16,638
Net book value at the end of the period	**285,847**	306,174

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 11,698 thousand (30 September 2012: AED 9,737 thousand) for the nine months period ended 30 September 2013.

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Balance at the beginning of the period	**16,183**	14,761
Charge for the period (note 10)	**6,535**	1,422
Relating to disposals	**(237)**	-
Balance at the end of the period	**22,481**	16,183

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

UAE	**306,615**	314,109
Rest of the Middle East	**1,713**	8,248
	308,328	322,357

21 DEVELOPMENT PROPERTIES

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

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
Balance at the beginning of the period	**837,381**	966,747
Additions	**-**	4,246
Transfers to investment properties (note 20)	**-**	(131,103)
Disposals	**-**	(2,509)
Balance at the end of the period	**837,381**	837,381

Development properties include land with a carrying value of AED 800,000 thousand (31 December 2012: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

22 OTHER ASSETS

	30 September 2013 AED '000	Audited 31 December 2012 AED '000
Advances against purchase of properties	**1,266,602**	1,267,062
Assets acquired in satisfaction of claims	**106,392**	106,392
Trade receivables	**196,834**	216,439
Prepaid expenses	**407,294**	311,111
Accrued profit	**70,484**	43,100
Advance to contractors	**1,302**	700
Advance for investments	**183,625**	183,625
Others	**204,716**	196,491
	2,437,249	2,324,920
Less: provision for impairment	**(271,364)**	(406,977)
	2,165,885	1,917,943

22 OTHER ASSETS continued

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

	Advances against purchase of properties AED '000	*Trade receivables AED '000*	*Advance for investments AED '000*	*Total AED '000*
At 1 January 2013 - audited	**353,268**	**29,826**	**23,883**	**406,977**
Charge for the period (note 10)	**102,317**	**-**	**-**	**102,317**
Written off during the period	**(237,930)**	**-**	**-**	**(237,930)**
At 30 September 2013 - unaudited	**217,655**	**29,826**	**23,883**	**271,364**
At 1 January 2012 - audited	192,575	30,100	20,828	243,503
Charge for the year	185,536	-	3,055	188,591
Written off during the year	(24,843)	(274)	-	(25,117)
At 31 December 2012 - audited	353,268	29,826	23,883	406,977

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.

23 DUE TO FINANCIAL INSTITUTIONS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Current accounts	**427,213**	286,965
Investment deposits	**5,799,127**	2,813,360
Murabaha payable	**70,380**	-
	6,296,720	3,100,325
Current account – Central Bank of UAE	**54,289**	33,568
	6,351,009	3,133,893

24 DEPOSITORS' ACCOUNTS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Current accounts	**19,578,948**	16,963,281
Saving accounts	**17,584,201**	14,947,937
Investment accounts	**32,738,678**	29,191,335
Profit equalisation reserve	**263,425**	223,594
	70,165,252	61,326,147

24 DEPOSITORS' ACCOUNTS continued

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
At the beginning of the period	**223,594**	140,599
Share of profit for the period	**39,831**	82,995
At the end of the period	**263,425**	223,594

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Government	**10,247,416**	7,071,394
Public sector	**10,517,694**	9,313,353
Corporates	**4,091,943**	5,289,996
Financial institutions	**1,990,425**	1,399,588
Individuals	**34,900,770**	30,925,380
Small and medium enterprises	**5,862,385**	4,842,612
Non-profit organisations	**2,554,619**	2,483,824
	70,165,252	61,326,147

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

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

25 OTHER LIABILITIES

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Accounts payable	**451,157**	283,677
Payable for purchase of properties	**22,160**	24,172
Accrued profit for distribution to depositors and sukuk holders	**187,500**	160,335
Bankers' cheques	**419,028**	216,559
Provision for staff benefits and other expenses	**244,410**	245,852
Retentions payable	**93,721**	172,819
Advances from customers	**94,602**	57,503
Accrued expenses	**134,401**	125,280
Unclaimed dividends	**130,522**	105,532
Deferred income	**144,603**	86,248
Charity account	**8,210**	4,853
Donation account	**-**	689
Negative fair value on Shari'a compliant alternatives of derivative financial instruments	**18,888**	28,542
Others	**384,275**	362,262
	2,333,477	1,874,323

26 TIER 2 WAKALA CAPITAL

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

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

On 4 April 2013, after obtaining the necessary regulatory and government approvals, the Bank repaid the UAE Federal government Tier 2 wakala capital amounting to AED 2,207,408 thousand in full before its contractual maturity on 31 December 2016.

27 SUKUK FINANCING INSTRUMENTS

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Second issue	**2,754,375**	2,634,652
Third issue	**1,836,250**	1,836,250
	4,590,625	4,470,902

Second issue - USD 750 million
In November 2010, the Bank through a Shari'a compliant sukuk arrangement, raised medium term sukuk amounting to AED 2,754,375 thousand (USD 750 million) as the second issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in November 2015. The sukuk deserved profit is distributed in accordance with fixed profit rate. As of 31 December 2012, sukuk financing instruments amounting to AED 119,723 thousand (USD 32.6 million) were repurchased by the Bank.

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

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

27 SUKUK FINANCING INSTRUMENTS continued

Terms of arrangement continued
The issuer will pay the quarterly distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at an exercise price which equals the value of the Issuer's co-ownership interest in the unpaid rental installments due and payable in respect of the Co-Owned Assets, which may equal the amount of AED 4,590,625 thousand (USD 1,250 million) (31 December 2012: AED 4,470,902 thousand (USD 1,217 million)).

28 SHARE CAPITAL

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Authorised share capital:		
3,000,000 thousand (2012: 3,000,000 thousand) ordinary shares of AED 1 each (2012: AED 1 each)	**3,000,000**	3,000,000
Issued and fully paid share capital:		
2,364,706 thousand (2012: 2,364,706 thousand) ordinary shares of AED 1 each (2012: AED 1 each)	**2,364,706**	2,364,706

29 OTHER RESERVES

	Cumulative changes in fair values AED '000	*Land revaluation reserve AED '000*	*Foreign currency translation reserve AED '000*	*Hedging reserve AED '000*	*Total AED '000*
At 1 January 2013 - audited	**(128,179)**	**143,000**	**(73,350)**	**(27,521)**	**(86,050)**
Net loss on valuation of investments carried at FVTOCI	**(11,314)**	-	-	-	**(11,314)**
Exchange differences arising on translation of foreign operations	-	-	**(48,470)**	-	**(48,470)**
Loss on hedge of foreign operations	-	-	**(3,612)**	-	**(3,612)**
Fair value gain on cash flow hedge	-	-	-	**9,450**	**9,450**
At 30 September 2013 - unaudited	**(139,493)**	**143,000**	**(125,432)**	**(18,071)**	**(139,996)**
At 1 January 2012 – audited	(165,030)	143,000	13,565	(19,578)	(28,043)
Net gain on valuation of investments carried at FVTOCI	70,090	-	-	-	70,090
Loss on disposal of investment carried at fair value through other comprehensive income	1,284	-	-	-	1,284
Exchange differences arising on translation of foreign operations	-	-	887	-	887
Loss on hedge of foreign operations	-	-	(887)	-	(887)
Exchange difference recycled from consolidated income statement on disposal of investment in associate	-	-	(1,915)	-	(1,915)
Fair value loss on cash flow hedge	-	-	-	(3,776)	(3,776)
At 30 September 2012 - unaudited	(93,656)	143,000	11,650	(23,354)	37,640

30 TIER 1 SUKUK

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Tier 1 sukuk	**3,631,001**	3,629,165
Tier 1 sukuk – Government of Abu Dhabi	**2,000,000**	2,000,000
	5,631,001	5,629,165

Tier 1 sukuk
On 19 November 2012, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk (the "Sukuk") amounting to AED 3,672,500 thousand (USD 1 billion). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 21 October 2012. As of 30 September 2013, sukuk with a face value of AED 41,499 thousand (USD 11.3 million) were repurchased by the Bank (31 December 2012: 43,335 thousand (USD 11.8 million)). Issuance cost amounting to AED 37,281 thousand were incurred.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk is callable by the Bank after period ending on 16 October 2018 (the "First Call Date") or any profit payment date thereafter subject to certain conditions. The Sukuk bear an expected Mudaraba profit rate of 6.375% payable during the initial period of six years semi-annually in arrears. After the initial period, and for every 6th year thereafter, resets to a new expected Mudaraba profit rate based on the then 6 year LIBOR rate plus an expected margin of 5.393% Profit distributions will be reported in the consolidated statement of changes in equity.

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

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

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

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

31 CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Contingent liabilities		
Letters of credit	**2,477,338**	1,906,850
Letters of guarantee	**8,892,883**	8,584,386
Acceptances	**767,439**	419,196
	12,137,660	10,910,432
Commitments		
Undrawn facilities commitments	**224,306**	705,812
Future capital expenditure	**125,492**	256,159
Investment and development properties	**726,847**	1,399,948
	1,076,645	2,361,919
	13,214,305	13,272,351

32 CASH AND CASH EQUIVALENTS

	30 September 2013 AED '000	*30 September 2012 AED '000*
Cash and balances with central banks, short term	**10,590,067**	9,034,095
Balances and wakala deposits with Islamic banks and other financial institutions, short term	**3,141,643**	3,031,179
Murabaha and mudaraba with financial institutions, short term	**9,361,603**	5,001,534
Due to financial institutions, short term	**(6,351,009)**	(2,569,844)
	16,742,304	14,496,964

33 RELATED PARTY TRANSACTIONS

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

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

Profit rates earned on balances and wakala deposits with banks and financial institutions and customer financing extended to related parties during the period has ranged from 0% to 9% (30 September 2012: 0% to 9% per annum).

Profit rates paid on due to financial institution and customers' deposits placed by related parties during the period have ranged from 0% to 2.3% per annum (30 September 2012: 0% to 2.3% per annum).

Fees and commissions earned on transactions with related parties during the period was 0.01% per annum (30 September 2012: nil).

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

	Major shareholder AED '000	*Directors AED '000*	*Associates AED '000*	*Others AED '000*	*Total AED '000*
30 September 2013 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	**-**	**-**	**662**	**-**	**662**
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	**44,463**	**829**	**-**	**106,221**	**151,513**
Investment income	**8,000**		**-**	**-**	**8,000**
Fees and commission income	**281**		**-**	**333**	**614**
Operating expenses	**-**	**351**	**-**	**-**	**351**
Distribution to depositors and sukuk holders	**69**	**27**	**179**	**157**	**432**
30 September 2012 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	1,923	-	1,923
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	66,120	440	-	124,054	190,614
Operating expenses	-	216	-	-	216
Distribution to depositors and sukuk holders	56	32	200	402	690

33 RELATED PARTY TRANSACTIONS continued

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

	Major shareholder AED '000	*Directors AED '000*	*Associates AED '000*	*Others AED '000*	*Total AED '000*
30 September 2013 - unaudited					
Balances and wakala deposits with Islamic banks and other financial institutions	**-**	**-**	**1,277,590**	**-**	**1,277,590**
Murabaha, mudaraba, ijara and other Islamic financing	**2,400,729**	**27,312**	**-**	**3,166,900**	**5,594,941**
Other assets	**-**	**-**	**1,115**	**183,625**	**184,740**
	2,400,729	**27,312**	**1,278,705**	**3,350,525**	**7,057,271**
Due to financial institutions	**-**	**-**	**42,721**	**-**	**42,721**
Depositors' accounts	**35,302**	**15,897**	**41,549**	**94,947**	**187,695**
Other liabilities	**4**	**159**	**16**	**124**	**303**
	35,306	**16,056**	**84,286**	**95,071**	**230,719**
Undrawn facilities commitments	**-**	**-**	**-**	**83**	**83**
31 December 2012 - audited					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,476,250	-	1,476,250
Murabaha, mudaraba, ijara and other Islamic financing	2,356,267	10,870	-	3,140,901	5,508,038
Other assets	-	-	1,107	183,625	184,732
	2,356,267	10,870	1,477,357	3,324,526	7,169,020
Due to financial institutions	-	-	4,155	-	4,155
Depositors' accounts	27,907	8,817	28,382	91,633	156,739
Other liabilities	4	2	200	32	238
	27,911	8,819	32,737	91,665	161,132
Undrawn facilities commitments	-	-	-	83	83

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 19).

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

	Nine months ended	
	30 September 2013 AED '000	*30 September 2012 AED '000*
Salaries and other benefits	**22,033**	21,070
Employees' end of service benefits	**2,249**	2,231
	24,282	23,301

33 RELATED PARTY TRANSACTIONS continued

Compensation of key management personnel 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 interim consolidated statement of comprehensive income.

Board of Directors remuneration for the year ended 31 December 2012 amounting to AED 4,200 thousand was approved by the shareholders at the Annual General Assembly held on 28 March 2013. During 2012, AED 4,200 thousand was paid to Board of Directors pertaining to the year ended 31 December 2011 after the approval by the shareholders in the Annual General Assembly held on 4 April 2012.

34 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

34 SEGMENT INFORMATION continued

Business segments information for the period ended 30 September 2013 were as follows:

	Retail banking AED '000	*Wholesale banking AED '000*	*Private banking AED '000*	*Capital markets AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
Revenue and results							
Segment revenues, net	**1,892,913**	**760,467**	**141,065**	**75,896**	**1,775**	**13,411**	**2,885,527**
Operating expenses excluding provision for impairment, net	**(803,329)**	**(166,115)**	**(68,345)**	**(45,275)**	**(51,265)**	**(85,346)**	**(1,219,675)**
Operating profit (margin)	**1,089,584**	**594,352**	**72,720**	**30,621**	**(49,490)**	**(71,935)**	**1,665,852**
Provision for impairment, net	**(242,935)**	**(164,157)**	**(38,740)**	**4,284**	**(108,852)**	**(8,473)**	**(558,873)**
Profit (loss) for the period	**846,649**	**430,195**	**33,980**	**34,905**	**(158,342)**	**(80,408)**	**1,106,979**
Non-controlling interest	**-**	**-**	**-**	**(1,019)**	**-**	**(387)**	**(1,406)**
Profit (loss) for the period attributable to equity holders of the Bank	**846,649**	**430,195**	**33,980**	**33,886**	**(158,342)**	**(80,795)**	**1,105,573**
Assets							
Segmental assets	**30,969,596**	**24,923,709**	**5,319,954**	**29,816,654**	**2,703,623**	**2,648,717**	**96,382,253**
Liabilities							
Segmental liabilities	**36,891,148**	**17,003,314**	**2,416,300**	**22,855,481**	**285,366**	**3,988,754**	**83,440,363**

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

	Retail banking AED '000	*Wholesale banking AED '000*	*Private banking AED '000*	*Capital markets AED '000*	*Real estate AED '000*	*Other operations AED '000*	*Total AED '000*
Revenue and results							
Segment revenues, net	1,682,271	735,800	154,512	68,735	(32,256)	72,553	2,681,615
Operating expenses excluding provision for impairment, net	(758,663)	(154,099)	(67,140)	(45,845)	(56,389)	(66,276)	(1,148,412)
Operating profit (margin)	923,608	581,701	87,372	22,890	(88,645)	6,277	1,533,203
Provision for impairment, net	(149,852)	(191,106)	(109,273)	-	(124,213)	(305)	(574,749)
Profit (loss) for the period	773,756	390,595	(21,901)	22,890	(212,858)	5,972	958,454
Non-controlling interest	-	-	-	(260)	-	(566)	(826)
Profit (loss) for the period attributable to equity holders of the Bank	773,756	390,595	(21,901)	22,630	(212,858)	5,406	957,628
Assets							
Segmental assets	26,855,202	19,954,489	6,005,107	24,563,225	2,597,707	1,564,649	81,540,379
Liabilities							
Segmental liabilities	30,109,500	16,627,382	4,335,972	18,203,338	296,792	2,968,259	72,541,243

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.

35 FINANCIAL RISK MANAGEMENT

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

	Balances and wakala deposits with Islamic banks and other financial institutions		***Murabaha and mudaraba with financial institutions***		***Murabaha and other Islamic financing***		***Ijara financing***		***Investments***	
	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*	***30 September 2013 AED '000***	*Audited 31 December 2012 AED '000*	***30 September 2013 AED '000***	*Audited 31 December 2012 AED '000*	***30 September 2013 AED '000***	*Audited 31 December 2012 AED '000*	***30 September 2013 AED '000***	*Audited 31 December 2012 AED '000*
Individually impaired										
Substandard	-	-	-	-	**375,632**	501,753	**796,220**	1,491,240	**12,802**	12,802
Doubtful	-	-	-	-	**684,130**	912,231	**1,399,226**	465,076	**91,813**	91,813
Loss	-	-	**129,811**	129,811	**1,059,361**	860,148	**214,697**	222,567	-	-
Gross amount	-	-	**129,811**	129,811	**2,119,123**	2,274,132	**2,410,143**	2,178,883	**104,615**	104,615
Provision for individual impairment	-	-	**(129,811)**	(129,811)	**(1,753,253)**	(1,588,375)	**(729,267)**	(693,655)	**(81,308)**	(81,308)
	-	-	-	-	**365,870**	685,757	**1,680,876**	1,485,228	**23,307**	23,307
Past due but not impaired										
Less than 90 days	-	-	-	-	**95,747**	97,249	**108,127**	144,941	-	-
More than 90 days	-	-	-	-	**338,649**	148,033	**698,232**	1,063,661	-	-
	-	-	-	-	**434,396**	245,282	**806,359**	1,208,602	-	-
Neither past due nor impaired	**3,265,996**	4,121,480	**9,518,805**	9,754,937	**26,497,268**	23,428,823	**29,989,158**	24,958,722	**5,836,639**	4,231,841
Collective allowance for impairment	-	-	-	-	**(440,866)**	(408,085)	**(456,351)**	(407,614)	-	-
Carrying amount	**3,265,996**	4,121,480	**9,518,805**	9,754,937	**26,856,668**	23,951,777	**32,020,042**	27,244,938	**5,859,946**	4,255,148

36 CAPITAL ADEQUACY RATIO

The table below shows summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 30 September 2013 and 31 December 2012 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	Basel II	
	30 September 2013 AED '000	*Audited 31 December 2012 AED '000*
Tier 1 capital		
Share capital	**2,364,706**	2,364,706
Legal reserve	**1,756,679**	1,756,679
General reserve	**739,030**	739,030
Credit risk reserve	**400,000**	400,000
Retained earnings	**2,135,289**	1,189,511
Proposed dividends	**-**	600,616
Proposed dividends to charity	**-**	4,450
Foreign currency translation reserve	**(125,432)**	(73,350)
Tier 1 sukuk	**5,631,001**	5,629,165
Non-controlling interest	**55,181**	53,775
	12,956,454	12,664,582
Deductions for Tier 1 capital	**(373,864)**	(383,013)
Total Tier 1	**12,582,590**	12,281,569
Tier 2 capital		
Tier 2 wakala capital	**-**	1,765,926
Cumulative changes in fair value	**(157,564)**	(155,700)
Collective impairment provision for financing assets	**873,374**	764,061
	715,810	2,374,287
Deductions for Tier 2 capital	**(373,864)**	(383,013)
Total Tier 2	**341,946**	1,991,274
Total capital base	**12,924,536**	14,272,843
Risk weighted assets		
Credit risk	**69,872,435**	61,124,859
Market risk	**1,427,324**	1,739,470
Operational risk	**4,193,936**	3,758,370
Total risk weighted assets	**75,493,695**	66,622,699
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**17.12%**	21.42%
Tier 1 capital expressed as a percentage of total risk weighted assets	**16.67%**	18.43%

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 30 September 2013 (31 December 2012 – 12%) as stipulated by the Central Bank of the United Arab Emirates.

37 DIVIDENDS

Cash dividend of 25.40% of the paid up capital relating to year ended 31 December 2012 amounting to AED 600,616 thousand was paid to the shareholders after the approval by the shareholders in the Annual General Assembly held on 28 March 2013.

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

38 SEASONALITY OF RESULTS

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