

# **Abu Dhabi Islamic Bank PJSC**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

30 SEPTEMBER 2010 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

<i>Contents</i>	<i>Page</i>
Report on review of interim condensed consolidated financial statements	1
Interim consolidated statement of income	2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of financial position	4
Interim consolidated statement of changes in equity	5
Interim consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 - 39

## 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 2010, comprising of the interim consolidated statement of financial position as at 30 September 2010 and the related interim consolidated statements of income and comprehensive income, for the three month and nine month periods then ended and interim consolidated statements of changes in equity and cash flows for the nine months 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

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



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

18 October 2010  
Abu Dhabi

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Three months and nine months ended 30 September 2010 (Unaudited)

	Notes	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
		<i>2010</i> <i>AED '000</i>	<i>2009</i> <i>AED '000</i>	<i>2010</i> <i>AED '000</i>	<i>2009</i> <i>AED '000</i>
<b>OPERATING INCOME</b>					
Income from murabaha, mudaraba and wakala with financial institutions		<b>47,735</b>	61,344	<b>154,780</b>	288,915
Income from murabaha, mudaraba, ijara and other Islamic financing	5	<b>874,406</b>	704,109	<b>2,466,927</b>	2,007,862
Investment income	6	<b>21,468</b>	8,343	<b>43,205</b>	45,987
Share of results of associates		<b>1,516</b>	(7,503)	<b>9,134</b>	(12,275)
Fees, commission and foreign exchange income	7	<b>118,180</b>	73,299	<b>274,500</b>	166,224
Income from investment properties		<b>3,428</b>	5,235	<b>5,252</b>	38,443
Income from development properties		-	-	<b>6,898</b>	-
(Loss) income from properties held for sale		<b>(2,473)</b>	-	<b>7,298</b>	-
Other income		<b>(679)</b>	43	<b>765</b>	2,704
		<b><u>1,063,581</u></b>	<u>844,870</u>	<b><u>2,968,759</u></b>	<u>2,537,860</u>
<b>OPERATING EXPENSES</b>					
Employees' costs	8	<b>(199,342)</b>	(162,355)	<b>(562,984)</b>	(466,692)
General and administrative expenses	9	<b>(112,372)</b>	(73,536)	<b>(299,387)</b>	(200,036)
Depreciation		<b>(18,416)</b>	(11,628)	<b>(57,839)</b>	(32,975)
Provision for impairment, net	10	<b>(165,593)</b>	(121,497)	<b>(405,378)</b>	(385,901)
		<b><u>(495,723)</u></b>	<u>(369,016)</u>	<b><u>(1,325,588)</u></b>	<u>(1,085,604)</u>
<b>PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS</b>					
		<b>567,858</b>	475,854	<b>1,643,171</b>	1,452,256
Distribution to depositors and sukuk holders	11	<b><u>(253,326)</u></b>	<u>(236,320)</u>	<b><u>(733,693)</u></b>	<u>(750,953)</u>
<b>PROFIT FOR THE PERIOD</b>					
		<b><u>314,532</u></b>	<u>239,534</u>	<b><u>909,478</u></b>	<u>701,303</u>
Attributable to:					
Equity holders of the Bank		<b>314,523</b>	239,289	<b>909,322</b>	701,210
Non-controlling interest		<b><u>9</u></b>	<u>245</u>	<b><u>156</u></b>	<u>93</u>
		<b><u>314,532</u></b>	<u>239,534</u>	<b><u>909,478</u></b>	<u>701,303</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	12	<b><u>0.120</u></b>	<u>0.089</u>	<b><u>0.346</u></b>	<u>0.273</u>

The attached notes 1 to 39 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months and nine months ended 30 September 2010 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>314,532</b>	239,534	<b>909,478</b>	701,303
<b>Other comprehensive income (loss)</b>				
Realised gain on sale of available-for-sale investments, net	-	-	-	(9,324)
Net movement in fair values of available-for-sale investments	<b>43,909</b>	8,299	<b>83,893</b>	12,899
Directors' remuneration paid	-	-	<b>(3,000)</b>	(3,000)
Net movement in foreign currency translation reserve	<b>7,426</b>	3,067	<b>(4,284)</b>	3,091
Fair value loss on cash flow hedge	<b>(2,901)</b>	(3,797)	<b>(5,319)</b>	(3,797)
<b>Other comprehensive income (loss) for the period</b>	<b><u>48,434</u></b>	<u>7,569</u>	<b><u>71,290</u></b>	<u>(131)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>362,966</u></b>	<u>247,103</u>	<b><u>980,768</u></b>	<u>701,172</u>
Attributable to:				
Equity holders of the Bank	<b>362,957</b>	246,858	<b>980,612</b>	701,076
Non-controlling interest	<b><u>9</u></b>	<u>245</u>	<b><u>156</u></b>	<u>96</u>
	<b><u>362,966</u></b>	<u>247,103</u>	<b><u>980,768</u></b>	<u>701,172</u>

The attached notes 1 to 39 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010 (Unaudited)

		<i>30 September</i>	<i>Audited</i>
		<i>2010</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>2009</i>
			<i>AED '000</i>
<b>ASSETS</b>			
Cash and balances with central banks	13	4,522,371	3,330,948
Balances and wakala deposits with banks and other financial institutions	14	1,621,168	2,467,919
Murabaha and mudaraba with financial institutions	15	11,744,125	12,189,945
Murabaha and other Islamic financing	16	23,049,496	20,910,890
Ijara financing	17	24,109,082	19,563,010
Investments	18	1,222,775	1,010,024
Investment in associates	19	833,626	738,132
Investment properties	20	203,822	206,761
Development properties	21	901,946	859,132
Properties held for sale	22	104,418	71,938
Other assets	23	2,310,401	2,356,480
Property and equipment		<u>552,188</u>	<u>378,825</u>
<b>TOTAL ASSETS</b>		<b><u>71,175,418</u></b>	<b><u>64,084,004</u></b>
<b>LIABILITIES</b>			
Due to financial institutions	24	1,317,026	1,278,518
Depositors' accounts	25	54,037,928	48,219,662
Other liabilities	26	2,610,780	2,295,880
Sukuk payable	27	2,938,000	2,938,000
Tier 2 wakala capital	28	<u>2,207,408</u>	<u>2,207,408</u>
<b>Total liabilities</b>		<b><u>63,111,142</u></b>	<b><u>56,939,468</u></b>
<b>EQUITY</b>			
Share capital	29	2,364,706	1,970,588
Legal reserve		1,754,475	1,754,475
General reserve		321,297	321,297
Retained earnings		1,570,954	724,632
Proposed dividends		-	394,118
Proposed dividends to charity		-	1,028
Other reserves	30	<u>49,833</u>	<u>(24,457)</u>
<b>Equity attributable to the equity holders of the Bank</b>		<b>6,061,265</b>	<b>5,141,681</b>
Tier 1 sukuk	31	2,000,000	2,000,000
Non – controlling interest		<u>3,011</u>	<u>2,855</u>
<b>Total equity</b>		<b><u>8,064,276</u></b>	<b><u>7,144,536</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>71,175,418</u></b>	<b><u>64,084,004</u></b>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	32	<b><u>12,829,350</u></b>	<b><u>14,449,339</u></b>

  
Vice Chairman

  
Chief Executive Officer

The attached notes 1 to 39 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2010 (Unaudited)

<i>Attributable to the equity holders of the Bank</i>											
	<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Proposed dividends</i>	<i>Proposed dividends to charity</i>	<i>Other reserves</i>	<i>Total</i>	<i>Tier 1 sukuk</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2010 (audited)	1,970,588	1,754,475	321,297	724,632	394,118	1,028	(24,457)	5,141,681	2,000,000	2,855	7,144,536
Total comprehensive income	-	-	-	906,322	-	-	74,290	980,612	-	156	980,768
Profit paid on Tier 1 sukuk	31	-	-	(60,000)	-	-	-	(60,000)	-	-	(60,000)
Bonus shares issued	38	394,118	-	-	(394,118)	-	-	-	-	-	-
Dividends paid to charity		-	-	-	-	(1,028)	-	(1,028)	-	-	(1,028)
Balance at 30 September 2010 (unaudited)	<b><u>2,364,706</u></b>	<b><u>1,754,475</u></b>	<b><u>321,297</u></b>	<b><u>1,570,954</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>49,833</u></b>	<b><u>6,061,265</u></b>	<b><u>2,000,000</u></b>	<b><u>3,011</u></b>	<b><u>8,064,276</u></b>
Balance at 1 January 2009 (audited)	1,970,588	1,753,990	309,704	1,117,078	425,631	1,028	56,089	5,634,108	-	2,604	5,636,712
Total comprehensive income	-	-	-	698,210	-	-	2,866	701,076	-	96	701,172
Tier 1 sukuk issued to the Government of Abu Dhabi	31	-	-	-	-	-	-	-	2,000,000	-	2,000,000
Dividends paid		-	-	-	(425,631)	-	-	(425,631)	-	-	(425,631)
Dividends paid to charity		-	-	-	-	(1,028)	-	(1,028)	-	-	(1,028)
Balance at 30 September 2009 (unaudited)	<b><u>1,970,588</u></b>	<b><u>1,753,990</u></b>	<b><u>309,704</u></b>	<b><u>1,815,288</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>58,955</u></b>	<b><u>5,908,525</u></b>	<b><u>2,000,000</u></b>	<b><u>2,700</u></b>	<b><u>7,911,225</u></b>

The attached notes 1 to 39 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2010 (Unaudited)

	Notes	Nine months ended 30 September	
		2010 AED '000	2009 AED '000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		909,478	701,303
Adjustments for:			
Depreciation on investment properties	20	2,939	2,799
Depreciation on property and equipment		54,900	30,176
Share of results of associates		(9,134)	12,275
Dividend income	6	(936)	(8,686)
Realised gain on sale of non-trading investments	6	(21)	(18,225)
Unrealised gain on trading investments	6	(2,231)	-
Realised (gain) loss on sale of trading investments	6	(3,041)	6,586
Gain on disposal of property and equipment		(29)	(49)
Provision for impairment, net	10	405,378	385,901
Gain on sale of investment properties		-	(38,350)
Gain on sale of development properties		(7,168)	-
Gain on sale of properties held for sale		(28,984)	-
Operating profit before changes in operating assets and liabilities		1,321,151	1,073,730
Decrease (increase) in murabaha and mudaraba with financial institutions		4,570,720	(859,619)
Increase in murabaha and other islamic financing		(2,379,388)	(2,799,900)
Increase in ijara financing		(4,665,032)	(2,645,388)
Purchase of trading investments		(1,231,892)	-
Proceeds from sale of trading investments		1,158,608	-
Increase in other assets		(5,979)	(362,147)
Decrease in due to financial institutions		(465,439)	(699,083)
Increase in depositors' accounts		5,818,266	6,512,449
Increase in other liabilities		311,725	387,542
Cash from operations		4,432,740	607,584
Directors' remuneration paid		(3,000)	(3,000)
Net cash from operating activities		4,429,740	604,584
<b>INVESTING ACTIVITIES</b>			
Dividend received		936	8,686
Purchase of non-trading investments		(131,097)	(77,841)
Proceeds from sale of non-trading investments		58,867	277,685
Investment in associates		(90,644)	51,790
Additions to investment properties		-	(1,468)
Proceeds from sale of investment properties		-	53,192
Additions to development properties	21	(48,446)	(109,189)
Proceeds from sale of development properties		12,800	-
Additions to properties held for sale	22	(21,501)	-
Proceeds from sale of properties held for sale		70,163	-
Purchase of property and equipment		(228,263)	(75,983)
Proceeds from disposal of property and equipment		29	286
Net cash (used in) from investing activities		(377,156)	127,158
<b>FINANCING ACTIVITIES</b>			
Profit paid on Tier 1 sukuk		(60,000)	-
Proceeds from issuance of Tier 1 sukuk to Government of Abu Dhabi		-	2,000,000
Dividends paid		(2,144)	(401,813)
Dividends paid to charity		(1,028)	(1,028)
Net cash (used in) from financing activities		(63,172)	1,597,159
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		11,006,385	6,714,955
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	33	<u>14,995,797</u>	<u>9,043,856</u>

The attached notes 1 to 39 form part of these interim condensed consolidated financial statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 1 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 Sharia’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 60 branches in the UAE. The interim condensed consolidated financial statements combine the activities of the Bank’s head office, its branches, subsidiaries and its associates.

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

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 18 October 2010.

### 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**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 Statement of compliance**

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, general principles of the Shari'a as determined by the Group's Fatwa and Shari'a Supervisory Board and applicable requirements of UAE laws.

**3.2 Accounting convention**

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for investment securities (other than held to maturity investments and certain unquoted investments) and Shari'a compliant alternatives of derivative financial instruments which have been measured at fair value and land which has been carried at re-valued amount in the interim condensed consolidated financial statements.

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.

**3.3 Basis of consolidation**

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

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			<b>2010</b>	<b>2009</b>
Abu Dhabi Islamic Financial Services LLC	Equity brokerage services	United Arab Emirates	<b>95%</b>	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	<b>100%</b>	100%
ADIB Invest I	Equity brokerage services	BVI	<b>100%</b>	100%
ADIB Sukuk Company Ltd	Special purpose vehicle	Cayman Island	*	*
Kawader Services Company LLC	Manpower supply	United Arab Emirates	<b>100%</b>	100%

\*ADIB Sukuk Company Ltd is considered to be a subsidiary by virtue of control.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 3 BASIS OF PREPARATION continued

#### 3.3 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 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 statement of income, comprehensive income and within equity in the interim consolidated statement of financial position, separately from the Bank shareholders' equity.

#### 3.4 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 2010 have not been applied while preparing these interim condensed consolidated financial statements:

- IFRS 3 Revised - Business Combinations: Effective date 1 July 2010
- IFRS 7 Amended - Clarifications of certain disclosures: Effective date 1 January 2011
- IFRS 9 Replacement of IAS 39 and IFRS7: Effective date 1 January 2013
- IAS 1 Presentation of financial statements: Effective date 1 January 2011
- IAS 24 Amended - Related party disclosures: Effective date 1 January 2011
- IAS 32 Revised - Classifications of Right Issue: Effective date 1 February 2010
- IFRIC 19 Existing Financial Liabilities: Effective date 1 July 2010

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

#### 3.5 Significant judgements and estimates

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

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial periods. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows in order to estimate the level of impairment provision required for non-performing financing as well as for non-trading investments. 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 judgements 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 2009.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

#### 4 ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009.

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 2009. In addition, results for the nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

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:

##### **Financial instruments**

###### *(i) Classification*

The Group classifies its financial instruments in the following categories: Financial assets and financial liabilities at fair value through statement of income, Murabaha, Ijara, Mudaraba, and certain other Islamic financing, available-for-sale investments and held to maturity investments. Management determines the classification of financial instruments at the time of initial recognition.

###### *Financial assets or financial liabilities at fair value through statement of income*

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through statement of income at inception. A financial asset or financial liability is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term. The Group has designated financial assets and liabilities at fair value through statement of income when either the assets and liabilities are managed, evaluated and reported internally on a fair value basis; or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

###### *Financial assets or financial liabilities at amortised cost*

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 cash flows. These assets are not quoted in an active market and 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 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 less provisions for impairment and deferred or expected profits.

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 less any provisions for impairment and deferred income.

**4 ACCOUNTING POLICIES** continued

**Financial instruments** continued

(i) *Classification* continued

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.

*Held to maturity*

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity and the Group's management has the positive intention and the ability to hold to maturity.

*Available for sale*

Financial assets that are not classified under any other category of financial assets are classified as available for sale.

(ii) *Recognition / De-recognition*

The Group initially recognises financial assets held for trading, financial assets at fair value through statement of income, financial assets held to maturity and available-for-sale financial assets on the trade 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 originated. A financial liability is recognised on the date the Group becomes a party to contractual provisions of the instruments.

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 statement of income, assets held for trading and assets available-for-sale 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.

(iii) *Measurement*

Financial assets and liabilities are measured initially at fair value plus, in case of a financial asset or financial liability at fair value through statement of income, transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities.

Subsequent to initial recognition, financial assets at fair value through statement of income are measured at fair value. Gains and losses arising from a change in the fair value of assets at fair value through statement of income are recorded in the consolidated statement of income.

Financial assets which are classified as available-for-sale are measured at fair value. Unrealised gains and losses on measurement to fair value are recorded in other comprehensive income and reported as a separate component of equity until the assets is sold or otherwise disposed off, or the assets is determined to be impaired, at which the cumulative gains or losses previously reported in equity are included in the consolidated statement of income. For investments in equity instruments, where a reasonable estimate of the fair value cannot be determined, the investment is carried at cost less impairment allowance, if any.

All financial assets or liabilities at amortised cost, customer financing and held-to-maturity investments are measured at amortised cost, less any provision 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**4 ACCOUNTING POLICIES** continued

**Financial instruments** continued

(iv) *Fair value measurement principles*

For investments quoted in active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices for liabilities. The fair values of investments in funds or similar investment vehicles are based on the latest net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is made with reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same, or is based on the expected discounted cash flow model.

The estimated fair value of deposits with no stated maturity, which includes non-profit bearing deposits, is the amount payable on demand.

(v) *Offsetting of financial instruments*

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

(vi) *Impairment of financial assets*

*Customer financing*

The recoverable amount of customer financing is calculated as the present value of the expected future cash flows, discounted at instrument's original effective profit rate. Financing is presented net of impairment provisions. Specific provisions are made against the carrying amount of financing that are identified as being impaired, based upon regular reviews of outstanding balances to reduce these financing to their recoverable amounts. Portfolio provisions are maintained to reduce the carrying amount of portfolios of similar financing to their estimated recoverable amounts at the reporting date. Provisions are recognized in the consolidated statement of income. When a financing is known to be irrecoverable, and all the necessary legal procedures have been completed, the final loss is determined and the financing is written off.

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

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

*Held to maturity investments*

Impairment losses on held to maturity investments carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original profit rate. Impairment losses are recognised in the consolidated statement of income and reflected as provision against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income.

*Available-for-sale investments*

Impairment losses on available-for-sale investments are recognised by transferring the difference between the cost and the fair value less any impairment loss on that financial asset previously recognised in consolidated statement of income out of equity to the consolidated statement of income. Impairment losses recognised in consolidated statement of income on equity instruments are not reversed through consolidated statement of income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Vehicle murabaha	<b>155,816</b>	138,245	<b>462,757</b>	393,462
Goods murabaha	<b>69,902</b>	84,981	<b>229,139</b>	260,021
Share murabaha	<b>133,127</b>	69,328	<b>345,964</b>	178,721
Commodities murabaha – Al Khair	<b>60,976</b>	46,553	<b>170,450</b>	130,747
Other murabaha	<b><u>7,538</u></b>	<u>11,470</u>	<b><u>23,724</u></b>	<u>40,049</u>
Total murabaha	<b>427,359</b>	350,577	<b>1,232,034</b>	1,003,000
Mudaraba	<b>46,116</b>	43,654	<b>114,765</b>	130,007
Ijara	<b>351,880</b>	276,232	<b>982,250</b>	786,484
Islamic covered cards	<b>41,581</b>	27,158	<b>114,456</b>	66,302
Istisna'a	<b><u>7,470</u></b>	<u>6,488</u>	<b><u>23,422</u></b>	<u>22,069</u>
	<b><u>874,406</u></b>	<u>704,109</u>	<b><u>2,466,927</u></b>	<u>2,007,862</u>

**6 INVESTMENT INCOME**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Dividend income	<b>26</b>	152	<b>936</b>	8,686
Income from Islamic sukuk	<b>9,879</b>	4,447	<b>23,865</b>	16,907
Income from other investment assets	<b>3,860</b>	1,816	<b>13,111</b>	8,755
Realised gain on sale of available-for-sale investments	-	1,928	<b>21</b>	18,225
Realised gain (loss) on sale of trading investments	<b>3,474</b>	-	<b>3,041</b>	(6,586)
Unrealised gain on trading investments	<b><u>4,229</u></b>	-	<b><u>2,231</u></b>	-
	<b><u>21,468</u></b>	<u>8,343</u>	<b><u>43,205</u></b>	<u>45,987</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**7 FEES, COMMISSION AND FOREIGN EXCHANGE INCOME**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Trade related fees and commission	<b>14,729</b>	10,804	<b>46,937</b>	34,921
Fees and commission income on cards, net	<b>32,862</b>	10,110	<b>66,532</b>	21,757
Projects and property management fees	<b>11,629</b>	6,262	<b>28,637</b>	23,385
Accounts services fees	<b>29,359</b>	26,596	<b>51,323</b>	27,341
Brokerage fees and commission	<b>3,455</b>	5,662	<b>13,183</b>	16,118
Foreign exchange income	<b>11</b>	6,455	<b>21,336</b>	30,696
Other fees and commission, net	<b><u>26,135</u></b>	<u>7,410</u>	<b><u>46,552</u></b>	<u>12,006</u>
	<b><u>118,180</u></b>	<u>73,299</u>	<b><u>274,500</u></b>	<u>166,224</u>

**8 EMPLOYEES' COSTS**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Salaries and wages	<b>182,039</b>	150,503	<b>508,541</b>	430,804
End of service benefits	<b>11,248</b>	7,533	<b>34,860</b>	24,204
Other staff expenses	<b><u>6,055</u></b>	<u>4,319</u>	<b><u>19,583</u></b>	<u>11,684</u>
	<b><u>199,342</u></b>	<u>162,355</u>	<b><u>562,984</u></b>	<u>466,692</u>

**9 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Legal and professional expenses	<b>23,798</b>	14,053	<b>62,666</b>	34,486
Premises expenses	<b>31,232</b>	21,532	<b>85,485</b>	63,858
Marketing and advertising expenses	<b>26,729</b>	19,886	<b>65,802</b>	45,344
Communication expenses	<b>11,556</b>	5,025	<b>31,314</b>	13,443
Technology related expenses	<b>4,718</b>	3,307	<b>13,439</b>	9,511
Other operating expenses	<b><u>14,339</u></b>	<u>9,733</u>	<b><u>40,681</u></b>	<u>33,394</u>
	<b><u>112,372</u></b>	<u>73,536</u>	<b><u>299,387</u></b>	<u>200,036</u>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 10 PROVISION FOR IMPAIRMENT, NET

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and mudaraba with financial institutions	15	<b>(33,518)</b>	-	<b>23,787</b>	-
Murabaha and other Islamic financing	16	<b>137,282</b>	141,793	<b>240,782</b>	416,926
Ijara financing	17	<b>39,880</b>	(17,793)	<b>118,960</b>	(45,758)
Investments	18	<b>21,949</b>	-	<b>21,949</b>	11,719
Other assets	23	<b>-</b>	<b>(2,503)</b>	<b>(100)</b>	<b>3,014</b>
		<b><u>165,593</u></b>	<b><u>121,497</u></b>	<b><u>405,378</u></b>	<b><u>385,901</u></b>

### 11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>
Depositors and sukuk holders share of profit for the period	<b>733,693</b>	750,953
Less: pertaining to depositors' profit equalisation reserve (note 25)	<b><u>(8,261)</u></b>	<b><u>(49,525)</u></b>
	<b>725,432</b>	701,428
Less: paid during the period	<b><u>(497,869)</u></b>	<b><u>(541,921)</u></b>
Depositors and sukuk holders share of profit payable (note 26)	<b><u>227,563</u></b>	<b><u>159,507</u></b>

Share of profits distributable to customers and financial institutions are as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Saving accounts	<b>22,619</b>	28,329	<b>58,310</b>	69,407
Investment accounts of customers	<b>140,756</b>	95,640	<b>397,362</b>	321,160
Investment accounts of financial institutions	<b>81,178</b>	103,169	<b>254,285</b>	322,319
Sukuk holders	<b><u>8,773</u></b>	<b><u>9,182</u></b>	<b><u>23,736</u></b>	<b><u>38,067</u></b>
	<b><u>253,326</u></b>	<b><u>236,320</u></b>	<b><u>733,693</u></b>	<b><u>750,953</u></b>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 12 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing 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 are calculated by dividing 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 profit and shares data used in the earnings per share computations:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Profit for the period attributable to equity holders (AED '000)	<b>314,523</b>	239,289	<b>909,322</b>	701,210
Less: profit attributable to Tier 1 sukuk holder (AED '000)	<b><u>(30,000)</u></b>	<u>(30,000)</u>	<b><u>(90,000)</u></b>	<u>(55,000)</u>
Profit for the period attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)	<b><u>284,523</u></b>	<u>209,289</u>	<b><u>819,322</u></b>	<u>646,210</u>
Weighted average number of ordinary shares in issue at the beginning of the period (000)	<b>1,970,588</b>	1,970,588	<b>1,970,588</b>	1,970,588
Effect of bonus shares issued (000)	<b><u>394,118</u></b>	<u>394,118</u>	<b><u>394,118</u></b>	<u>394,118</u>
Weighted average number of ordinary shares in issue at the end of the period (000)	<b><u>2,364,706</u></b>	<u>2,364,706</u>	<b><u>2,364,706</u></b>	<u>2,364,706</u>
Basic and diluted earnings per share (AED)	<b><u>0.120</u></b>	<u>0.089</u>	<b><u>0.346</u></b>	<u>0.273</u>

As of 30 September 2010, the Bank has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

### 13 CASH AND BALANCES WITH CENTRAL BANKS

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>
Cash on hand	<b>524,536</b>	400,315
Balances with central banks:		
- Current accounts	<b>528,807</b>	41,243
- Reserve requirements	<b><u>3,469,028</u></b>	<u>2,889,390</u>
	<b><u>4,522,371</u></b>	<u>3,330,948</u>

The reserve requirements are kept with the Central Bank of the UAE in AED and US Dollar. These 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. The level of reserves required changes every month in accordance with requirements of the Central Bank's directives.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 13 CASH AND BALANCES WITH CENTRAL BANKS continued

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
UAE	4,496,663	3,305,240
Middle East	<u>25,708</u>	<u>25,708</u>
	<b><u>4,522,371</u></b>	<b><u>3,330,948</u></b>

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Current accounts	61,856	78,410
Wakala deposits	<u>1,559,312</u>	<u>2,389,509</u>
	<b><u>1,621,168</u></b>	<b><u>2,467,919</u></b>

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

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
UAE	1,247,339	2,281,180
Middle East	47,492	4,483
Europe	38,415	62,728
Others	<u>287,922</u>	<u>119,528</u>
	<b><u>1,621,168</u></b>	<b><u>2,467,919</u></b>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Murabaha	<b>11,653,983</b>	11,958,552
Mudaraba	<b><u>270,669</u></b>	<u>420,539</u>
	<b>11,924,652</b>	12,379,091
Less: profit suspended	<b><u>(5,332)</u></b>	<u>(2,848)</u>
	<b>11,919,320</b>	12,376,243
Less: provision for impairment	<b><u>(175,195)</u></b>	<u>(186,298)</u>
	<b><u>11,744,125</u></b>	<u>12,189,945</u>

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

At the beginning of the period	<b>186,298</b>	-
Charge for the period (note 10)	<b>23,787</b>	186,298
Written off during the period	<b><u>(34,890)</u></b>	<u>-</u>
At the end of the period	<b><u>175,195</u></b>	<u>186,298</u>

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
UAE	<b>11,090,620</b>	11,565,133
Middle East	<b>232,627</b>	324,292
Europe	<b>367,403</b>	228,939
Others	<b><u>228,670</u></b>	<u>257,879</u>
	<b><u>11,919,320</u></b>	<u>12,376,243</u>

The breakup of the gross murabaha and mudaraba with financial institutions by risk classification was as follows:

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Low and fair risk	<b>11,603,033</b>	12,006,089
Past due but not impaired	<b>-</b>	124,865
Individually impaired	<b><u>316,287</u></b>	<u>245,289</u>
	<b><u>11,919,320</u></b>	<u>12,376,243</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 16 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Vehicle murabaha	<b>8,158,150</b>	8,035,698
Goods murabaha	<b>4,847,889</b>	4,919,752
Share murabaha	<b>7,023,841</b>	4,383,941
Commodities murabaha – Al Khair	<b>3,664,782</b>	2,786,871
Other murabaha	<b><u>1,861,440</u></b>	<u>2,178,763</u>
<b>Total murabaha</b>	<b>25,556,102</b>	22,305,025
Mudaraba	<b>2,891,374</b>	2,730,095
Islamic covered cards	<b>4,027,501</b>	3,226,955
Istisna'a	<b>321,115</b>	280,521
Other financing receivables	<b><u>107,949</u></b>	<u>96,521</u>
<b>Total murabaha and other islamic financing</b>	<b>32,904,041</b>	28,639,117
Less: profit suspended	<b>(78,581)</b>	(88,019)
Less: deferred income	<b><u>(8,195,273)</u></b>	<u>(6,270,053)</u>
	<b>24,630,187</b>	22,281,045
Less: provision for impairment	<b><u>(1,580,691)</u></b>	<u>(1,370,155)</u>
	<b><u>23,049,496</u></b>	<u>20,910,890</u>

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

	<i>30 September 2010</i>			<i>Audited 31 December 2009</i>		
	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>
At the beginning of the period	<b>1,088,461</b>	<b>281,694</b>	<b>1,370,155</b>	337,351	72,271	409,622
Charge for period (note 10)	<b>112,655</b>	<b>128,127</b>	<b>240,782</b>	751,878	209,423	961,301
Written off during the period	<b><u>(30,246)</u></b>	<b><u>-</u></b>	<b><u>(30,246)</u></b>	(768)	-	(768)
<b>At the end of the period</b>	<b><u>1,170,870</u></b>	<b><u>409,821</u></b>	<b><u>1,580,691</u></b>	<u>1,088,461</u>	<u>281,694</u>	<u>1,370,155</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 16 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<i>Segment and industry sector:</i>		
<b>Wholesale banking</b>		
Government	255,162	357,719
Public Sector	77,778	41,889
Corporates	5,898,438	5,482,045
Financial Institutions	<u>607,465</u>	<u>544,832</u>
	<u>6,838,843</u>	<u>6,426,485</u>
<b>Retail banking</b>		
Individuals	15,750,414	13,719,298
Small and Medium enterprises	<u>494,598</u>	<u>511,199</u>
	<u>16,245,012</u>	<u>14,230,497</u>
<b>Private banking</b>		
Individuals	<u>1,546,332</u>	<u>1,624,063</u>
	<u>24,630,187</u>	<u>22,281,045</u>
<i>Geographic region:</i>		
UAE	23,232,327	20,972,629
Middle East	940,157	819,356
Europe	389,802	421,544
Others	<u>67,901</u>	<u>67,516</u>
	<u>24,630,187</u>	<u>22,281,045</u>

The breakup of the gross murabaha and other islamic financing by risk classification was as follows:

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Low and fair risk	22,030,243	19,931,864
Past due but not impaired	852,940	712,118
Individually impaired	<u>1,747,004</u>	<u>1,637,063</u>
	<u>24,630,187</u>	<u>22,281,045</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
The future lease receivable payments in the aggregate are as follows:		
Due within one year	1,763,768	1,181,223
Due in the second to fifth year	6,346,191	6,898,227
Due after five years	<u>22,550,488</u>	<u>17,247,980</u>
Total ijara financing	30,660,447	25,327,430
Less: profit suspended	(166,043)	(102,118)
Less: deferred income	<u>(5,885,965)</u>	<u>(5,281,659)</u>
	24,608,439	19,943,653
Less: provision for impairment	<u>(499,357)</u>	<u>(380,643)</u>
Net value of minimum lease payments receivable	<u>24,109,082</u>	<u>19,563,010</u>

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

	<i>30 September 2010</i>			<i>Audited 31 December 2009</i>		
	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>	<i>Individual impairment AED '000</i>	<i>Collective impairment AED '000</i>	<i>Total AED '000</i>
At the beginning of the period	144,737	235,906	380,643	117,278	62,376	179,654
Charge for period (note 10)	61,982	56,978	118,960	27,633	173,530	201,163
Written off during the period	<u>(246)</u>	<u>-</u>	<u>(246)</u>	<u>(174)</u>	<u>-</u>	<u>(174)</u>
At the end of the period	<u>206,473</u>	<u>292,884</u>	<u>499,357</u>	<u>144,737</u>	<u>235,906</u>	<u>380,643</u>

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<i>Segment and industry sector:</i>		
<b>Wholesale banking</b>		
Government	46,317	45,378
Public Sector	2,174,693	1,296,053
Corporates	8,862,189	6,851,614
Financial Institutions	<u>944,857</u>	<u>1,015,168</u>
	<u>12,028,056</u>	<u>9,208,213</u>
<b>Retail banking</b>		
Individuals	6,615,403	4,806,702
Small and Medium enterprises	<u>250,020</u>	<u>295,801</u>
	<u>6,865,423</u>	<u>5,102,503</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 17 IJARA FINANCING continued

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<i>Segment and industry sector continued:</i>		
<b><i>Private banking</i></b>		
Individuals	5,589,614	5,540,156
Non-profit organisations	<u>125,346</u>	<u>92,781</u>
	<b><u>5,714,960</u></b>	<b><u>5,632,937</u></b>
	<b><u>24,608,439</u></b>	<b><u>19,943,653</u></b>
 <i>Geographic region:</i>		
UAE	23,614,993	18,957,534
Middle East	23,608	26,112
Others	<u>969,838</u>	<u>960,007</u>
	<b><u>24,608,439</u></b>	<b><u>19,943,653</u></b>
 The breakup of the gross ijara financing by risk classification was as follows:		
Low and fair risk	22,654,925	18,006,498
Past due but not impaired	775,805	1,047,193
Individually impaired	<u>1,177,709</u>	<u>889,962</u>
	<b><u>24,608,439</u></b>	<b><u>19,943,653</u></b>

### 18 INVESTMENTS

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<i>Trading investments</i>		
Equities	932	-
Sukuk	<u>77,624</u>	<u>-</u>
<b>Total trading investments</b>	<b><u>78,556</u></b>	<b><u>-</u></b>
<i>Non-trading investments</i>		
<i>Available-for-sale at fair value</i>		
<i>Quoted investments</i>		
Equities	46,727	925
Sukuk	<u>408,712</u>	<u>298,555</u>
	<b><u>455,439</u></b>	<b><u>299,480</u></b>
<i>Unquoted investments</i>		
Funds	242,586	210,445
Private equities	310,841	311,119
Musharaka	<u>-</u>	<u>53,900</u>
	<b><u>553,427</u></b>	<b><u>575,464</u></b>
<b>Total available-for-sale investments</b>	<b><u>1,008,866</u></b>	<b><u>874,944</u></b>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 18 INVESTMENTS continued

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<i>Held to maturity investments</i>		
Sukuk	<u>135,353</u>	<u>135,080</u>
<i>Total non-trading investments</i>	<u>1,144,219</u>	<u>1,010,024</u>
<i>Total trading and non-trading investments</i>	<u>1,222,775</u>	<u>1,010,024</u>

Unquoted available for sale investments amounting to AED 96,807 thousand (31 December 2009: AED 98,677 thousand) are carried at cost less impairment since their fair values cannot be reliably estimated.

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
At the beginning of the period	57,770	129,479
Charge for the period (note 10)	21,949	57,629
Reversal of provision	<u>-</u>	<u>(129,338)</u>
At the end of the period	<u>79,719</u>	<u>57,770</u>

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

UAE	896,065	816,101
Middle East	300,190	224,417
Europe	107	-
Others	<u>106,132</u>	<u>27,276</u>
	<u>1,302,494</u>	<u>1,067,794</u>

### 19 INVESTMENT IN ASSOCIATES

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Cost of investments	861,277	770,633
Share of results	(10,524)	(19,658)
Foreign currency translation (note 30)	<u>15,656</u>	<u>19,940</u>
	<u>866,409</u>	<u>770,915</u>
Less: provision for impairment	<u>(32,783)</u>	<u>(32,783)</u>
	<u>833,626</u>	<u>738,132</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 19 INVESTMENT IN ASSOCIATES continued

Details of the Bank's investment in associates at 30 September 2010 were as follows:

Name of associates	Place of incorporation	Proportion of ownership interest and voting power		Principal activity
		30 September 2010 %	31 December 2009 %	
National Bank for Development	Egypt	49	49	Banking (under conversion to Islamic bank)
Abu Dhabi National Takaful PJSC	UAE	40	40	Islamic insurance
Bosnia Bank Leasing and Real Estate Company	Bosnia	32	32	Islamic leasing and real estate
Bosnia Bank International	Bosnia	27	27	Islamic banking

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

	30 September 2010 AED '000	Audited 31 December 2009 AED '000
UAE	114,069	106,091
Europe	64,778	67,901
Others	687,562	596,923
	<b>866,409</b>	<b>770,915</b>

### 20 INVESTMENT PROPERTIES

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

	30 September 2010 AED '000	Audited 31 December 2009 AED '000
<b>Cost:</b>		
At the beginning of the period	215,498	224,963
Additions during the period	-	3,644
Disposals during the period	-	(13,109)
At the end of the period	<b>215,498</b>	<b>215,498</b>
<b>Accumulated depreciation:</b>		
At the beginning of the period	8,737	4,748
Charge for the period	2,939	4,644
Relating to disposals	-	(655)
At the end of the period	<b>11,676</b>	<b>8,737</b>
Net book value at the end of the period	<b>203,822</b>	<b>206,761</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**20 INVESTMENT PROPERTIES** continued

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 3,714 thousand (2009: AED 3,825 thousand), for the nine months period ended 30 September 2010.

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

	<i>30 September</i> <i>2010</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED '000</i>
UAE	<b>195,253</b>	198,192
Middle East	<b><u>8,569</u></b>	<u>8,569</u>
	<b><u>203,822</u></b>	<u>206,761</u>

**21 DEVELOPMENT PROPERTIES**

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

	<i>30 September</i> <i>2010</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED '000</i>
At the beginning of the period	<b>859,132</b>	688,623
Additions during the period	<b>48,446</b>	423,917
Transfers to properties held for sale (note 22)	-	(47,514)
Disposals during the period	<b><u>(5,632)</u></b>	<u>(205,894)</u>
At the end of the period	<b><u>901,946</u></b>	<u>859,132</u>

Development properties include land with a value of AED 815,750 thousand (31 December 2009: AED 821,382 thousand) held by a subsidiary of the Bank.

All development properties are located in the UAE.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 22 PROPERTIES HELD FOR SALE

The movement in properties held for sale during the period was as follows:

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
At the beginning of the period	71,938	-
Additions during the period	21,501	9,227
Transfers from other assets	52,158	15,197
Transfer from development properties (note 21)	-	47,514
Disposal during the period	<u>(41,179)</u>	<u>-</u>
At the end of the period	<u>104,418</u>	<u>71,938</u>

All properties are located in the UAE.

### 23 OTHER ASSETS

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Advances against purchase of investment and development properties	1,329,636	1,288,969
Trade receivables	371,967	654,004
Cheques for collection	3,382	4,410
Prepaid expenses	178,261	90,531
Income receivable	13,309	8,418
Advance to contractors	63,221	19,607
Advance for investments	290,017	290,017
Others	<u>186,640</u>	<u>153,463</u>
	2,436,433	2,509,419
Less: provision for impairment	<u>(126,032)</u>	<u>(152,939)</u>
	<u>2,310,401</u>	<u>2,356,480</u>

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

At the beginning of the period	152,939	110,762
Charge for the period, net	-	45,178
Reversal of provision (note 10)	(100)	(2,750)
Written off during the period	<u>(26,807)</u>	<u>(251)</u>
At the end of the period	<u>126,032</u>	<u>152,939</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 24 DUE TO FINANCIAL INSTITUTIONS

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Current accounts	411,009	251,426
Investment deposits	906,017	792,296
Murabaha payables	<u>-</u>	<u>234,796</u>
	<b><u>1,317,026</u></b>	<b><u>1,278,518</u></b>

The distribution of the due to financial institutions by geographic region was as follows:

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
UAE	87,365	305,524
Middle East	238,542	168,659
Europe	203,555	241,332
Others	<u>787,564</u>	<u>563,003</u>
	<b><u>1,317,026</u></b>	<b><u>1,278,518</u></b>

### 25 DEPOSITORS' ACCOUNTS

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
Current accounts	11,916,961	11,422,664
Saving accounts	8,406,656	6,653,208
Investment accounts	33,656,456	30,094,196
Profit equalisation reserve	<u>57,855</u>	<u>49,594</u>
	<b><u>54,037,928</u></b>	<b><u>48,219,662</u></b>

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
At the beginning of the period	49,594	-
Share of profit for the period (note 11)	<u>8,261</u>	<u>49,594</u>
At the end of the period	<b><u>57,855</u></b>	<b><u>49,594</u></b>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

### 25 DEPOSITORS' ACCOUNTS continued

The distribution of the gross depositors' accounts by segment and industry sector, geographic region and currency was as follows:

	<i>30 September</i> <i>2010</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED '000</i>
<i>Segment and industry sector:</i>		
<b><i>Wholesale banking</i></b>		
Government	<b>9,020,840</b>	9,801,118
Public Sector	<b>9,685,272</b>	8,743,168
Corporates	<b>6,458,074</b>	4,785,803
Financial Institutions	<b><u>1,602,337</u></b>	<u>846,043</u>
	<b><u>26,766,523</u></b>	<u>24,176,132</u>
<b><i>Retail banking</i></b>		
Individuals	<b>17,033,845</b>	14,544,206
Small and Medium enterprises	<b><u>2,852,712</u></b>	<u>2,534,324</u>
	<b><u>19,886,557</u></b>	<u>17,078,530</u>
<b><i>Private banking</i></b>		
Individuals	<b>4,474,437</b>	4,798,513
Non-profit organisations	<b><u>2,910,411</u></b>	<u>2,166,487</u>
	<b><u>7,384,848</u></b>	<u>6,965,000</u>
	<b><u>54,037,928</u></b>	<u>48,219,662</u>
<i>Geographic region:</i>		
UAE	<b>53,437,628</b>	47,937,258
Middle East	<b>447,317</b>	11,463
Europe	<b>1,848</b>	1,594
Others	<b><u>151,135</u></b>	<u>269,347</u>
	<b><u>54,037,928</u></b>	<u>48,219,662</u>
<i>Currencies:</i>		
UAE Dirham	<b>43,493,911</b>	38,304,027
US Dollar	<b>9,949,606</b>	9,651,048
Euro	<b>478,447</b>	172,969
Sterling Pound	<b>114,864</b>	90,304
Others	<b><u>1,100</u></b>	<u>1,314</u>
	<b><u>54,037,928</u></b>	<u>48,219,662</u>

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

With respect to investment deposits, the Bank is liable only in case of willful misconduct, negligence or breach of contract.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 26 OTHER LIABILITIES

	<i>30 September</i> <i>2010</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>AED '000</i>
Accounts payable	761,965	720,184
Payable for properties	91,162	91,008
Accrued profit for distribution to depositors and sukuk holders (note 11)	227,563	167,847
Bankers' cheques	128,695	128,329
Provision for staff benefits and other expenses	172,917	155,067
Retentions payable	411,022	378,366
Advances from customers	151,912	100,535
Accrued legal and professional charges	5,730	6,235
Accrued expenses	83,202	70,710
Unclaimed dividends	52,167	54,311
Deferred income	44,424	39,171
Sadqat fund	6,149	6,761
Donation fund	4,431	6,986
Unrealised loss on Shari'a compliant alternatives of derivative financial instruments	11,395	6,076
Others	<u>458,046</u>	<u>364,294</u>
	<b><u>2,610,780</u></b>	<b><u>2,295,880</u></b>

### 27 SUKUK PAYABLE

In 2006, the Bank through a Shari'a compliant sukuk arrangement, raised medium term sukuk amounting to AED 2,938,000 thousand (USD 800 million) as the first issue under a USD 5 billion programme. The Sukuk are listed on the London Stock Exchange.

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 wholly owned subsidiary of the Bank, specially formed for the sukuk transaction. The assets are owned by the investors, however the assets are controlled by the Bank and shall continue to be serviced by the Bank as the managing agent. The Sukuk certificates will mature in 2011.

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 USD 800 million.

The Sukuk bear a variable profit rate payable to the investors based on the market rate plus a margin.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**28 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.

**29 SHARE CAPITAL**

	<i>30 September 2010 AED ‘000</i>	<i>Audited 31 December 2009 AED ‘000</i>
<b><i>Authorised share capital:</i></b>		
3,000,000 thousand (2009: 3,000,000 thousand) ordinary shares of AED 1 each (2009: AED 1 each)	<b><u>3,000,000</u></b>	<u>3,000,000</u>
<b><i>Issued and fully paid share capital:</i></b>		
At the beginning of the period 1,970,588 thousand (2009: 1,970,588 thousand) ordinary shares of AED 1 each (2009: AED 1 each)	<b>1,970,588</b>	1,970,588
Bonus shares issued (note 38)	<b><u>394,118</u></b>	<u>-</u>
At the end of the period 2,364,706 thousand (2009: 1,970,588 thousand) ordinary shares of AED 1 each (2009: AED 1 each)	<b><u>2,364,706</u></b>	<u>1,970,588</u>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 30 OTHER RESERVES

	<i>Cumulative changes in fair values AED '000</i>	<i>Revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserves AED '000</i>	<i>Total AED '000</i>
At 1 January 2010 (audited)	<b>(167,560)</b>	<b>129,239</b>	<b>19,940</b>	<b>(6,076)</b>	<b>(24,457)</b>
Net movement in fair values of available-for-sale investments	<b>83,893</b>	-	-	-	<b>83,893</b>
Net movement in foreign currency translation reserve	-	-	<b>(4,284)</b>	-	<b>(4,284)</b>
Fair value loss on cash flow hedge, net	-	-	-	<b>(5,319)</b>	<b>(5,319)</b>
At 30 September 2010 (unaudited)	<b><u>(83,667)</u></b>	<b><u>129,239</u></b>	<b><u>15,656</u></b>	<b><u>(11,395)</u></b>	<b><u>49,833</u></b>
At 1 January 2009 (audited)	(91,366)	129,239	18,216	-	56,089
Realised gains on available-for-sale investments, net	(9,324)	-	-	-	(9,324)
Net movement in fair values of available-for-sale investments	12,896	-	-	-	12,896
Net movement in foreign currency translation reserve	-	-	3,091	-	3,091
Fair value loss on cash flow hedge, net	-	-	-	<b>(3,797)</b>	<b>(3,797)</b>
At 30 September 2009 (unaudited)	<b><u>(87,794)</u></b>	<b><u>129,239</u></b>	<b><u>21,307</u></b>	<b><u>(3,797)</u></b>	<b><u>58,955</u></b>

### 31 TIER 1 SUKUK

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

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. The Sukuk is callable by the Bank subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears and, after the initial period, bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions are reported in the consolidated statement of changes in equity. Sukuk holder does not have a right to claim the mudaraba profit if the Bank decided not to distribute dividends on its shares and the event is not considered an event of default.

### 32 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.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 32 CONTINGENT LIABILITIES AND COMMITMENTS continued

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

	<i>30 September 2010 AED '000</i>	<i>Audited 31 December 2009 AED '000</i>
<b><i>Contingent liabilities</i></b>		
Letters of credit	839,290	699,577
Letters of guarantee	7,549,669	5,709,968
Acceptances	<u>110,567</u>	<u>101,094</u>
	<u><b>8,499,526</b></u>	<u><b>6,510,639</b></u>
<b><i>Commitments</i></b>		
Undrawn facilities commitments	2,403,886	6,034,200
Investment securities	144,200	144,200
Future capital expenditure	34,726	144,792
Investment and development properties	<u>1,747,012</u>	<u>1,615,508</u>
	<u><b>4,329,824</b></u>	<u><b>7,938,700</b></u>
	<u><b>12,829,350</b></u>	<u><b>14,449,339</b></u>

### 33 CASH AND CASH EQUIVALENTS

	<i>30 September 2010 AED '000</i>	<i>30 September 2009 AED '000</i>
Cash and balances with central banks	4,522,371	3,523,224
Balances and wakala deposits with banks and other financial institutions	1,621,168	1,720,444
Murabaha and mudaraba with financial institutions, short term	9,758,275	5,178,487
Due to financial institutions, short term	<u>(906,017)</u>	<u>(1,378,299)</u>
	<u><b>14,995,797</b></u>	<u><b>9,043,856</b></u>

The following significant non-cash transactions have been excluded from interim consolidated statement of cash flows:

	<i>30 September 2010 AED '000</i>	<i>30 September 2009 AED '000</i>
Transfer from other assets to properties held for sale (note 22)	<u><b>52,158</b></u>	<u><b>-</b></u>
Transfer from other assets to investment properties	<u><b>-</b></u>	<u><b>15,197</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**34 RELATED PARTIES 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 at commercial terms. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. All financing to related parties are performing financing and free of any provision for impaired financing.

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2010</b>				
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>628</u>	<u>628</u>
Income from murabaha, mudaraba, ijara and other Islamic financing	<u>89,176</u>	<u>82</u>	<u>76,216</u>	<u>165,474</u>
Fees, commission and foreign exchange income	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Operating expenses	<u>-</u>	<u>183</u>	<u>-</u>	<u>183</u>
Distribution to depositors and sukuk holders	<u>40</u>	<u>32</u>	<u>2,887</u>	<u>2,959</u>
<b>30 September 2009</b>				
Income from murabaha, mudaraba and wakala with financial institutions	<u>-</u>	<u>-</u>	<u>596</u>	<u>596</u>
Income from murabaha, mudaraba, ijara and other Islamic financing	<u>103,565</u>	<u>289</u>	<u>62,433</u>	<u>166,287</u>
Fees, commission and foreign exchange income	<u>-</u>	<u>-</u>	<u>73</u>	<u>73</u>
Operating expenses	<u>-</u>	<u>311</u>	<u>-</u>	<u>311</u>
Distribution to depositors and sukuk holders	<u>1,148</u>	<u>50</u>	<u>1,334</u>	<u>2,532</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 34 RELATED PARTIES TRANSACTIONS continued

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates and others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2010</b>				
Balances and wakala deposits with banks and other financial institutions	-	-	279,957	279,957
Murabaha, mudaraba, ijara and other Islamic financing	2,286,469	8,032	2,075,874	4,370,375
Other assets	-	-	2,727	2,727
	<u>2,286,469</u>	<u>8,032</u>	<u>2,358,558</u>	<u>4,653,059</u>
Due to financial institutions	-	-	14,880	14,880
Depositors' accounts	14,988	8,244	250,565	273,797
Other liabilities	5	-	1,519	1,524
	<u>14,993</u>	<u>8,244</u>	<u>266,964</u>	<u>290,201</u>
Undrawn facilities commitments	-	-	16,166	16,166
<b>31 December 2009 (audited)</b>				
Balances and wakala deposits with banks and other financial institutions	-	-	113,756	113,756
Murabaha, mudaraba, ijara and other Islamic financing	2,338,206	7,380	1,346,524	3,692,110
Other assets	-	-	2,767	2,767
	<u>2,338,206</u>	<u>7,380</u>	<u>1,463,047</u>	<u>3,808,633</u>
Due to financial institutions	-	-	24,681	24,681
Depositors' accounts	555	3,976	107,295	111,826
Other liabilities	-	-	375	375
	<u>555</u>	<u>3,976</u>	<u>132,351</u>	<u>136,882</u>
Undrawn facilities commitments	-	615	175,067	175,682

### Compensation of key management personnel

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

	<i>Nine months ended 30 September 2010 AED '000</i>	<i>Nine months ended 30 September 2009 AED '000</i>
Salaries and other benefits	18,005	16,674
Employees' end of service benefits	1,777	1,755
	<u>19,782</u>	<u>18,429</u>
Board of Directors' remuneration	<u>3,000</u>	<u>3,000</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**35 SEGMENT INFORMATION**

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

Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahats, 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, subsidiaries and associates 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.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2010 (Unaudited)

### 35 SEGMENT INFORMATION continued

Business segments information for the period ended 30 September 2010 were as follows:

	<i>Retail banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
<b>Revenue and results</b>							
Segment revenues, net	1,474,153	472,589	121,524	166,693	3,367	(3,260)	2,235,066
Operating expenses excluding provision for impairment, net	(593,014)	(145,230)	(58,226)	(36,808)	(61,936)	(24,996)	(920,210)
Operating profit (margin)	881,139	327,359	63,298	129,885	(58,569)	(28,256)	1,314,856
Provision for impairment, net	(138,140)	(229,542)	(37,796)	100	-	-	(405,378)
<b>Profit (loss) for the period</b>	<b>742,999</b>	<b>97,817</b>	<b>25,502</b>	<b>129,985</b>	<b>(58,569)</b>	<b>(28,256)</b>	<b>909,478</b>
Non-controlling interest	-	-	-	(156)	-	-	(156)
Profit (loss) for the period attributable to equity holders of the Bank	<u>742,999</u>	<u>97,817</u>	<u>25,502</u>	<u>129,829</u>	<u>(58,569)</u>	<u>(28,256)</u>	<u>909,322</u>
<b>Assets</b>							
Segmental assets	<u>23,091,872</u>	<u>18,116,580</u>	<u>7,044,284</u>	<u>18,952,628</u>	<u>3,168,373</u>	<u>801,681</u>	<u>71,175,418</u>
<b>Liabilities</b>							
Segmental liabilities	<u>20,633,865</u>	<u>19,755,227</u>	<u>7,598,979</u>	<u>14,139,254</u>	<u>628,000</u>	<u>355,817</u>	<u>63,111,142</u>

Business segments information for the period ended 30 September 2009 were as follows:

	<i>Retail banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
<b>Revenue and results</b>							
Segment revenues, net	903,060	423,827	131,542	301,784	23,438	3,256	1,786,907
Operating expenses excluding provision for impairment, net	(419,462)	(112,686)	(44,727)	(35,814)	(65,255)	(21,759)	(699,703)
Operating profit (margin)	483,598	311,141	86,815	265,970	(41,817)	(18,503)	1,087,204
Provision for impairment, net	(72,697)	(294,675)	(3,796)	(13,530)	(1,203)	-	(385,901)
<b>Profit (loss) for the period</b>	<b>410,901</b>	<b>16,466</b>	<b>83,019</b>	<b>252,440</b>	<b>(43,020)</b>	<b>(18,503)</b>	<b>701,303</b>
Non-controlling interest	-	-	-	(93)	-	-	(93)
Profit (loss) for the period attributable to equity holders of the Bank	<u>410,901</u>	<u>16,466</u>	<u>83,019</u>	<u>252,347</u>	<u>(43,020)</u>	<u>(18,503)</u>	<u>701,210</u>
<b>Assets</b>							
Segmental assets	<u>18,565,037</u>	<u>15,082,991</u>	<u>6,879,407</u>	<u>14,140,478</u>	<u>3,157,881</u>	<u>836,918</u>	<u>58,662,712</u>
<b>Liabilities</b>							
Segmental liabilities	<u>17,132,394</u>	<u>12,782,748</u>	<u>6,480,965</u>	<u>13,346,345</u>	<u>627,143</u>	<u>381,892</u>	<u>50,751,487</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010 (Unaudited)

### 36 FINANCIAL RISK MANAGEMENT

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended 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 is disclosed in note 32 to the interim condensed consolidated financial statements.

	<i>Murabaha and mudaraba with financial institutions</i>		<i>Murabaha and other islamic financing</i>		<i>Ijara financing</i>		<i>Investments</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Individually impaired</b>								
Substandard	<b>110,940</b>	-	<b>409,049</b>	360,929	<b>600,238</b>	578,863	<b>14,077</b>	6,421
Doubtful	<b>78,230</b>	119,599	<b>758,100</b>	717,112	<b>526,501</b>	297,354	<b>92,645</b>	68,651
Loss	<b>132,449</b>	128,538	<b>619,673</b>	588,749	<b>116,293</b>	61,291	<b>9,571</b>	9,571
Gross amount	<b>321,619</b>	248,137	<b>1,786,822</b>	1,666,790	<b>1,243,032</b>	937,508	<b>116,293</b>	84,643
Profit suspended	<b>(5,332)</b>	(2,848)	<b>(39,818)</b>	(29,727)	<b>(65,323)</b>	(47,546)	-	-
Net impaired amount	<b>316,287</b>	245,289	<b>1,747,004</b>	1,637,063	<b>1,177,709</b>	889,962	<b>116,293</b>	84,643
Specific allowance for impairment	<b>(175,195)</b>	(186,298)	<b>(1,170,870)</b>	(1,088,461)	<b>(206,473)</b>	(144,737)	<b>(79,719)</b>	(57,770)
	<b>141,092</b>	58,991	<b>576,134</b>	548,602	<b>971,236</b>	745,225	<b>36,574</b>	26,873
<b>Past due but not impaired</b>								
Gross amount	-	124,865	<b>891,703</b>	770,410	<b>876,525</b>	1,101,765	-	-
Profit suspended	-	-	<b>(38,763)</b>	(58,292)	<b>(100,720)</b>	(54,572)	-	-
	-	124,865	<b>852,940</b>	712,118	<b>775,805</b>	1,047,193	-	-
<b>Neither past due nor impaired</b>	<b>11,603,033</b>	12,006,089	<b>22,030,243</b>	19,931,864	<b>22,654,925</b>	18,006,498	<b>1,186,201</b>	983,151
<b>Collective allowance for impairment</b>	-	-	<b>(409,821)</b>	(281,694)	<b>(292,884)</b>	(235,906)	-	-
<b>Carrying amount</b>	<b>11,744,125</b>	12,189,945	<b>23,049,496</b>	20,910,890	<b>24,109,082</b>	19,563,010	<b>1,222,775</b>	1,010,024

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**37 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 2010 and 31 December 2009 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	Basel I		Basel II	
	30 September 2010 AED 000	Audited 31 December 2009 AED 000	30 September 2010 AED 000	Audited 31 December 2009 AED 000
<b>Tier 1 capital</b>				
Share capital	2,364,706	1,970,588	2,364,706	1,970,588
Legal reserve	1,754,475	1,754,475	1,754,475	1,754,475
General reserve	321,297	321,297	321,297	321,297
Retained earnings	1,570,954	724,632	1,570,954	724,632
Proposed dividends	-	394,118	-	394,118
Proposed dividends to charity	-	1,028	-	1,028
Tier 1 sukuk	2,000,000	2,000,000	2,000,000	2,000,000
Non-controlling interest	<u>3,011</u>	<u>2,855</u>	<u>3,011</u>	<u>2,855</u>
<b>Total</b>	<b><u>8,014,443</u></b>	<b><u>7,168,993</u></b>	<b><u>8,014,443</u></b>	<b><u>7,168,993</u></b>
<b>Tier 2 capital</b>				
Tier 2 wakala capital	2,207,408	2,207,408	2,207,408	2,207,408
Cumulative changes in fair value	(83,667)	(167,560)	(83,667)	(167,560)
Collective impairment provision for financing assets	<u>-</u>	<u>-</u>	<u>702,705</u>	<u>517,600</u>
<b>Total</b>	<b><u>2,123,741</u></b>	<b><u>2,039,848</u></b>	<b><u>2,826,446</u></b>	<b><u>2,557,448</u></b>
<b>Total tier 1 and tier 2 capital</b>	<b>10,138,184</b>	<b>9,208,841</b>	<b>10,840,889</b>	<b>9,726,441</b>
Deductions for Tier 1 and Tier 2 capital	<u>(833,626)</u>	<u>(738,132)</u>	<u>(833,626)</u>	<u>(738,132)</u>
<b>Total capital base</b>	<b><u>9,304,558</u></b>	<b><u>8,470,709</u></b>	<b><u>10,007,263</u></b>	<b><u>8,988,309</u></b>
<b>Risk weighted assets</b>				
On balance sheet	53,356,821	46,226,456	-	-
Off balance sheet	4,289,556	3,289,496	-	-
Credit risk	-	-	57,125,659	50,101,278
Market risk	-	-	883,208	585,580
Operational risk	<u>-</u>	<u>-</u>	<u>2,565,177</u>	<u>2,323,706</u>
<b>Total risk weighted assets</b>	<b><u>57,646,377</u></b>	<b><u>49,515,952</u></b>	<b><u>60,574,044</u></b>	<b><u>53,010,564</u></b>
<b>Capital ratios</b>				
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>16.14%</u>	<u>17.11%</u>	<u>16.52%</u>	<u>16.96%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>13.90%</u>	<u>14.48%</u>	<u>13.23%</u>	<u>13.52%</u>

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 30 September 2010 (31 December 2009 – 11%) as stipulated by the UAE Central Bank.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2010 (Unaudited)

**38 DIVIDENDS**

Bonus shares of 20% of the paid up capital relating to year ended 31 December 2009 amounting to AED 394,118 thousand issued after the approval by the shareholders in the Annual General Assembly held on 21 April 2010.

**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.