

# **Abu Dhabi Islamic Bank PJSC**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2014 (UNAUDITED)**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

<i>Contents</i>	<i>Page</i>
Review report of interim condensed consolidated financial statements	1
Interim consolidated income statement	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 – 40

**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 “Group”) as at 30 September 2014, comprising of the interim consolidated statement of financial position as at 30 September 2014 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.



Signed by  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No. 811

3 November 2014  
Abu Dhabi

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONSOLIDATED INCOME STATEMENT

Three months and nine months ended 30 September 2014 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>OPERATING INCOME</b>					
Income from murabaha, mudaraba and wakala with financial institutions		<b>7,119</b>	12,444	<b>26,320</b>	41,732
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	<b>1,069,098</b>	905,320	<b>2,998,022</b>	2,677,454
Investment income	6	<b>63,719</b>	71,282	<b>197,727</b>	141,394
Share of results of associates and joint ventures		<b>355</b>	5,303	<b>5,814</b>	11,527
Fees and commission income, net	7	<b>173,268</b>	139,602	<b>517,512</b>	434,538
Foreign exchange income		<b>10,849</b>	24,486	<b>34,522</b>	29,328
Income from investment properties		<b>1,723</b>	4,305	<b>9,814</b>	13,177
Other (loss) income		<b>(859)</b>	1,160	<b>1,020</b>	4,307
		<b><u>1,325,272</u></b>	<u>1,163,902</u>	<b><u>3,790,751</u></b>	<u>3,353,457</u>
<b>OPERATING EXPENSES</b>					
Employees' costs	8	<b>(307,665)</b>	(258,777)	<b>(872,932)</b>	(740,272)
General and administrative expenses	9	<b>(162,755)</b>	(133,753)	<b>(430,230)</b>	(380,493)
Depreciation		<b>(32,263)</b>	(34,339)	<b>(98,873)</b>	(98,910)
Amortisation of intangibles	23	<b>(4,563)</b>	-	<b>(4,563)</b>	-
Provision for impairment, net	10	<b>(186,806)</b>	(193,524)	<b>(579,112)</b>	(558,873)
		<b><u>(694,052)</u></b>	<u>(620,393)</u>	<b><u>(1,985,710)</u></b>	<u>(1,778,548)</u>
<b>PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS</b>					
		<b>631,220</b>	543,509	<b>1,805,041</b>	1,574,909
Distribution to depositors and sukuk holders	11	<b>(154,432)</b>	(147,961)	<b>(463,951)</b>	(467,930)
<b>PROFIT FOR THE PERIOD</b>					
		<b><u>476,788</u></b>	<u>395,548</u>	<b><u>1,341,090</u></b>	<u>1,106,979</u>
Attributable to:					
Equity holders of the Bank		<b>475,906</b>	395,362	<b>1,337,946</b>	1,105,573
Non-controlling interest		<b>882</b>	186	<b>3,144</b>	1,406
		<b><u>476,788</u></b>	<u>395,548</u>	<b><u>1,341,090</u></b>	<u>1,106,979</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)					
	12	<b><u>0.159</u></b>	<u>0.132</u>	<b><u>0.387</u></b>	<u>0.317</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 2014 (Unaudited)

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>PROFIT FOR THE PERIOD</b>		<b>476,788</b>	395,548	<b>1,341,090</b>	1,106,979
<b>Other comprehensive income (loss)</b>					
<i>Items that will not be reclassified to consolidated income statement</i>					
Net (loss) gain on valuation of investments carried at fair value through other comprehensive income	29	<b>(5,980)</b>	(6,760)	<b>1,908</b>	(11,314)
Directors' remuneration paid	33	-	-	<b>(4,900)</b>	(4,200)
<i>Items that may be subsequently reclassified to consolidated income statement</i>					
Exchange differences arising on translation of foreign operations	29	<b>(15,568)</b>	26,203	<b>(25,076)</b>	(48,470)
Gain (loss) on hedge of foreign operations	29	<b>13,303</b>	(7,645)	<b>8,093</b>	(3,612)
Fair value gain on cash flow hedge	29	<b>10,726</b>	554	<b>13,659</b>	9,450
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>2,481</b>	12,352	<b>(6,316)</b>	(58,146)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>479,269</b>	407,900	<b>1,334,774</b>	1,048,833
Attributable to:					
Equity holders of the Bank		<b>478,387</b>	407,714	<b>1,331,630</b>	1,047,427
Non-controlling interest		<b>882</b>	186	<b>3,144</b>	1,406
		<b>479,269</b>	407,900	<b>1,334,774</b>	1,048,833

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 2014 (Unaudited)

		<i>30 September</i>	<i>Audited</i>
		<i>2014</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>2013</i>
			<i>AED '000</i>
<b>ASSETS</b>			
Cash and balances with central banks	13	17,145,730	22,220,731
Balances and wakala deposits with			
Islamic banks and other financial institutions	14	3,058,204	3,086,369
Murabaha and mudaraba with financial institutions	15	2,370,827	3,576,624
Murabaha and other Islamic financing	16	33,751,824	28,265,583
Ijara financing	17	37,873,845	33,482,043
Investments	18	7,024,780	6,169,969
Investment in associates and joint ventures	19	808,586	749,406
Investment properties	20	301,295	281,280
Development properties	21	837,381	837,381
Other assets	22	3,757,697	3,070,542
Property and equipment		1,488,125	1,420,558
Goodwill and intangibles	23	<u>543,337</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>108,961,631</u></b>	<b><u>103,160,486</u></b>
<b>LIABILITIES</b>			
Due to financial institutions	24	4,398,379	6,226,864
Depositors' accounts	25	82,935,573	75,523,705
Other liabilities	26	3,598,209	3,745,400
Sukuk financing instruments	27	<u>4,590,625</u>	<u>4,590,625</u>
<b>Total liabilities</b>		<b><u>95,522,786</u></b>	<b><u>90,086,594</u></b>
<b>EQUITY</b>			
Share capital	28	3,000,000	2,364,706
Legal reserve		1,759,597	1,759,597
General reserve		911,695	911,695
Credit risk reserve		400,000	400,000
Retained earnings		1,900,065	744,466
Proposed dividend	37	-	1,360,417
Proposed dividend to charity		-	20,000
Other reserves	29	(169,716)	(168,668)
Tier 1 sukuk	30	<u>5,629,679</u>	<u>5,625,492</u>
<b>Equity attributable to the equity holders of the Bank</b>		<b>13,431,320</b>	<b>13,017,705</b>
Non-controlling interest		<u>7,525</u>	<u>56,187</u>
<b>Total equity</b>		<b><u>13,438,845</u></b>	<b><u>13,073,892</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>108,961,631</u></b>	<b><u>103,160,486</u></b>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	31	<b><u>13,701,887</u></b>	<b><u>12,612,017</u></b>



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 2014 (Unaudited)

Attributable to the equity holders of the Bank

Notes	Attributable to the equity holders of the Bank											
	Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit risk reserve AED '000	Retained earnings AED '000	Proposed 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 2014 - audited	2,364,706	1,759,597	911,695	400,000	744,466	1,360,417	20,000	(168,668)	5,625,492	13,017,705	56,187	13,073,892
Profit for the period	-	-	-	-	1,337,946	-	-	-	-	1,337,946	3,144	1,341,090
Other comprehensive loss	-	-	-	-	(4,900)	-	-	(1,416)	-	(6,316)	-	(6,316)
Loss on disposal of investments carried at fair value through other comprehensive income	29	-	-	-	(368)	-	-	368	-	-	-	-
Profit paid on Tier 1 sukuk	30	-	-	-	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	30	-	-	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Movement in Tier 1 sukuk		-	-	-	-	-	-	-	4,187	4,187	-	4,187
Bonus shares issued	37	635,294	-	-	-	(635,294)	-	-	-	-	-	-
Dividends paid	37	-	-	-	-	(725,123)	-	-	-	(725,123)	-	(725,123)
Dividends paid to charity		-	-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Movement in non-controlling interest		-	-	-	-	-	-	-	-	-	(51,806)	(51,806)
Balance at 30 September 2014 - unaudited	<b>3,000,000</b>	<b>1,759,597</b>	<b>911,695</b>	<b>400,000</b>	<b>1,900,065</b>	<b>-</b>	<b>-</b>	<b>(169,716)</b>	<b>5,629,679</b>	<b>13,431,320</b>	<b>7,525</b>	<b>13,438,845</b>
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	<b>2,364,706</b>	<b>1,756,679</b>	<b>739,030</b>	<b>400,000</b>	<b>2,135,289</b>	<b>-</b>	<b>-</b>	<b>(139,996)</b>	<b>5,631,001</b>	<b>12,886,709</b>	<b>55,181</b>	<b>12,941,890</b>

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

# Abu Dhabi Islamic Bank PJSC

## CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2014 (Unaudited)

	<i>Notes</i>	<i>Nine months ended 30 September 2014 AED '000</i>	<i>Nine months ended 30 September 2013 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>1,341,090</b>	1,106,979
Adjustments for:			
Depreciation on investment properties	20	9,288	8,958
Depreciation on property and equipment		89,585	89,952
Amortisation of intangibles	23	4,563	-
Share of results of associates and joint ventures		(5,814)	(11,527)
Dividend income	6	(5,786)	(7,347)
Realised (gain) loss on sale of investments carried at fair value through profit and loss	6	(22,168)	22,937
Unrealised loss on investments carried at fair value through profit and loss	6	2,126	588
Provision for impairment, net	10	579,112	558,873
Gain on sale of investment properties		-	(1,479)
Operating profit before changes in operating assets and liabilities		<b>1,991,996</b>	1,767,934
Decrease (increase) in balances with central banks		<b>4,045,748</b>	(610,989)
Increase in balances and wakala deposits with			
Islamic banks and other financial institutions		(619,229)	(100,058)
(Increase) decrease in murabaha and mudaraba with financial institutions		(219,411)	1,047,373
Increase in murabaha and other Islamic financing		(4,921,754)	(3,234,254)
Increase in ijara financing		(3,587,410)	(4,862,960)
Purchase of investments carried at fair value through profit and loss		(3,644,563)	(3,140,714)
Proceeds from sale of investments carried at fair value through profit and loss		3,187,503	3,314,597
Increase in other assets		(699,250)	(350,259)
(Decrease) increase in due to financial institutions		(81,900)	-
Increase in depositors' accounts		6,102,056	8,837,757
(Decrease) increase in other liabilities		(131,027)	431,247
Cash from operations		<b>1,422,759</b>	3,099,674
Directors' remuneration paid	33	(4,900)	(4,200)
Net cash from operating activities		<b>1,417,859</b>	3,095,474
<b>INVESTING ACTIVITIES</b>			
Dividend received	6	5,786	7,347
Proceeds from sale of investments carried at fair value through other comprehensive income		34,226	9,551
Purchase of investments carried at amortised cost		(491,891)	(2,197,723)
Redemption proceeds from investments carried at amortised cost		65,263	381,128
Additions to associates and joint ventures		(23,340)	(20,338)
Dividends received from associates and joint ventures		6,343	5,154
Proceed from sale of investment properties		-	6,313
Additions to investment properties	20	(18,481)	-
Purchase of property and equipment		(160,056)	(246,199)
Net cash used in investing activities		<b>(582,150)</b>	(2,054,767)
<b>FINANCING ACTIVITIES</b>			
Profit paid on Tier 1 sukuk	30	(117,079)	(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		-	(2,207,408)
Consideration paid for acquisition of business	39	(1,347,033)	-
Purchase of own Tier 1 sukuk		4,187	1,836
Proceeds of sukuk assets - second issue		-	119,723
Dividends paid		(697,194)	(575,626)
Net cash used in financing activities		<b>(2,217,119)</b>	(2,817,070)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,381,410)</b>	(1,776,363)
Cash and cash equivalents at 1 January		<b>9,467,096</b>	12,610,737
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	32	<b>8,085,686</b>	10,834,374
Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, Islamic sukuk and customer deposits are as follows:			
Profit received		<b>3,205,584</b>	2,524,499
Profit paid to depositors and sukuk holders		<b>327,629</b>	400,826

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 2014 (Unaudited)

### 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 as determined by the Fatwa and Shari’a Supervisory Board of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 85 branches in UAE and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE and the United Kingdom. The interim condensed consolidated financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

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

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 3 November 2014.

### 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 2014 (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 (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 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>	
			<i>2014</i>	<i>2013</i>
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
MPM Properties LLC	Real estate services	United Arab Emirates	100%	-
ADIB Invest I	Equity brokerage services	BVI	100%	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	100%	100%
Saudi Installment House (note 19)	Retail finance	Kingdom of Saudi Arabia	-	51%
ADIB (UK) Limited	Islamic banking	United Kingdom	100%	100%
ADIB Holdings (Jersey) Ltd*	Special purpose vehicle	British Channel Islands	-	-
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest I Ltd*	Special purpose vehicle	Cayman Island	-	-

\* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**3 BASIS OF PREPARATION** continued

**3.1 (c) Basis of consolidation** continued

Under IFRS 10, the only basis for consolidation is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Bank controls the investee on the basis of de facto circumstances. The management has assessed the impact of new standard and concluded that it has no effect on the Group's financial position, performance or its disclosures.

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

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

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

**3.2 Significant judgements and estimates**

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

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**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 2013. In addition, results for the nine months ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013, except as below:

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates of amortisation are based upon the following estimated useful lives:

- Customer relationship 8 years
- Core deposit intangible 8 years

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 applied, for the first time, certain standards and amendments that require restatement of previous financial statements. However, they do not impact the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

**Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

**Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36**

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

**IFRIC 21 Levies**

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. Adoption of IFRIC 21 had no effect on the Group's financial position or performance.

**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.

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

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

***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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial Instruments** continued

**Classification** continued

*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.

*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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial Instruments** continued

**Measurement** continued

*Financial assets or financial liabilities carried at amortised cost* continued

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.

*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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Vehicle murabaha	<b>91,607</b>	103,782	<b>282,209</b>	320,423
Goods murabaha	<b>118,798</b>	71,001	<b>312,191</b>	193,444
Share murabaha	<b>264,129</b>	225,234	<b>753,211</b>	657,275
Commodities murabaha – Al Khair	<b>57,701</b>	54,921	<b>180,483</b>	186,906
Other murabaha	<b>34,099</b>	13,244	<b>62,882</b>	35,339
<b>Total murabaha</b>	<b>566,334</b>	468,182	<b>1,590,976</b>	1,393,387
Mudaraba	<b>20,668</b>	22,670	<b>73,148</b>	68,773
Ijara	<b>410,325</b>	352,810	<b>1,127,688</b>	1,042,737
Islamic covered cards (murabaha)	<b>67,267</b>	57,032	<b>194,880</b>	161,672
Istisna'a	<b>4,504</b>	4,626	<b>11,330</b>	10,885
	<b><u>1,069,098</u></b>	<u>905,320</u>	<b><u>2,998,022</u></b>	<u>2,677,454</u>

**6 INVESTMENT INCOME**

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Income from Islamic sukuk	<b>56,781</b>	52,762	<b>160,979</b>	142,350
Income from other investment assets	<b>3,473</b>	10,536	<b>10,920</b>	15,222
Dividend income	<b>1,142</b>	1,904	<b>5,786</b>	7,347
Realised gain (loss) on sale of investments carried at fair value through profit and loss	<b>7,912</b>	(11,899)	<b>22,168</b>	(22,937)
Unrealised (loss) gain on investments carried at fair value through profit and loss	<b>(5,589)</b>	17,979	<b>(2,126)</b>	(588)
	<b><u>63,719</u></b>	<u>71,282</u>	<b><u>197,727</u></b>	<u>141,394</u>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 7 FEES AND COMMISSION INCOME, NET

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Fees and commission income</b>				
Fees and commission income on cards	<b>116,787</b>	89,740	<b>304,440</b>	237,864
Trade related fees and commission	<b>35,207</b>	28,328	<b>96,811</b>	79,828
Accounts services fees	<b>6,596</b>	9,851	<b>25,884</b>	31,722
Projects and property management fees	<b>11,868</b>	9,206	<b>33,185</b>	31,996
Risk participation and arrangement fees	<b>51,295</b>	23,330	<b>124,945</b>	116,280
Brokerage fees and commission	<b>19,498</b>	12,154	<b>69,438</b>	29,404
Other fees and commissions	<b><u>32,948</u></b>	<u>29,975</u>	<b><u>99,050</u></b>	<u>73,750</u>
Total fees and commission income	<b><u>274,199</u></b>	<u>202,584</u>	<b><u>753,753</u></b>	<u>600,844</u>
<b>Fees and commission expenses</b>				
Card related fees and commission expenses	<b>(88,491)</b>	(53,579)	<b>(201,073)</b>	(139,243)
Other fees and commission expenses	<b><u>(12,440)</u></b>	<u>(9,403)</u>	<b><u>(35,168)</u></b>	<u>(27,063)</u>
Total fees and commission expenses	<b><u>(100,931)</u></b>	<u>(62,982)</u>	<b><u>(236,241)</u></b>	<u>(166,306)</u>
Fees and commission income, net	<b><u>173,268</u></b>	<u>139,602</u>	<b><u>517,512</u></b>	<u>434,538</u>

### 8 EMPLOYEES' COSTS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Salaries and wages	<b>271,804</b>	231,345	<b>781,478</b>	673,566
End of service benefits	<b>17,933</b>	16,738	<b>51,447</b>	43,065
Other staff expenses	<b><u>17,928</u></b>	<u>10,694</u>	<b><u>40,007</u></b>	<u>23,641</u>
	<b><u>307,665</u></b>	<u>258,777</u>	<b><u>872,932</u></b>	<u>740,272</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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Legal and professional expenses	<b>24,324</b>	24,559	<b>52,846</b>	50,333
Premises expenses	<b>43,790</b>	38,774	<b>125,689</b>	116,736
Marketing and advertising expenses	<b>31,574</b>	20,832	<b>77,933</b>	61,113
Communication expenses	<b>15,067</b>	14,888	<b>43,119</b>	44,509
Technology related expenses	<b>18,122</b>	13,443	<b>48,628</b>	42,144
Other operating expenses	<b><u>29,878</u></b>	<u>21,257</u>	<b><u>82,015</u></b>	<u>65,658</u>
	<b><u>162,755</u></b>	<u>133,753</u>	<b><u>430,230</u></b>	<u>380,493</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 10 PROVISION FOR IMPAIRMENT, NET

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and mudaraba with financial institutions	15	-	1,227	-	37,086
Murabaha and other Islamic financing	16	<b>138,084</b>	159,855	<b>314,653</b>	327,098
Ijara financing	17	<b>48,347</b>	(9,987)	<b>240,436</b>	87,856
Direct write-off		<b>375</b>	1,409	<b>3,739</b>	2,265
Investments	18	-	-	<b>16,969</b>	-
Investment in associates and joint ventures	19	-	-	-	(4,284)
Investment properties	20	-	6,535	-	6,535
Other assets	22	-	34,485	<b>3,315</b>	102,317
		<b><u>186,806</u></b>	<b><u>193,524</u></b>	<b><u>579,112</u></b>	<b><u>558,873</u></b>

The above provision for impairment includes AED 3,315 thousand (30 September 2013: AED 108,852 thousand) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank.

### 11 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

		<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Saving accounts		<b>36,236</b>	27,362	<b>99,725</b>	78,652
Investment accounts		<b>75,055</b>	77,459	<b>235,174</b>	231,313
Sukuk holders and Tier 2 wakala capital		<b><u>43,141</u></b>	<u>43,140</u>	<b><u>129,052</u></b>	<u>157,965</u>
		<b><u>154,432</u></b>	<u>147,961</u>	<b><u>463,951</u></b>	<u>467,930</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**12 BASIC AND DILUTED EARNINGS PER SHARE**

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

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

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

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Profit for the period attributable to equity holders (AED '000)		<b>475,906</b>	395,362	<b>1,337,946</b>	1,105,573
Less: profit attributable to Tier 1 sukuk holder (AED '000)	30	-	-	<b>(117,079)</b>	(95,595)
Less: profit attributable to Tier 1 sukuk holder – Government of Abu Dhabi (AED '000)	30	<u>-</u>	<u>-</u>	<u><b>(60,000)</b></u>	<u>(60,000)</u>
Profit for the period attributable to ordinary shareholders after deducting profit relating to Tier 1 sukuk (AED '000)		<u><b>475,906</b></u>	<u>395,362</u>	<u><b>1,160,867</b></u>	<u>949,978</u>
Weighted average number of ordinary shares at the beginning of the period in issue (000's)		<b>2,364,706</b>	2,364,706	<b>2,364,706</b>	2,364,706
Bonus shares issued (000's)	37	<u><b>635,294</b></u>	<u>635,294</u>	<u><b>635,294</b></u>	<u>635,294</u>
Weighted average number of ordinary shares at the end of the period in issue (000's)		<u><b>3,000,000</b></u>	<u>3,000,000</u>	<u><b>3,000,000</b></u>	<u>3,000,000</u>
Basic and diluted earnings per share (AED)		<u><b>0.159</b></u>	<u>0.132</u>	<u><b>0.387</b></u>	<u>0.317</u>

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.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 13 CASH AND BALANCES WITH CENTRAL BANKS

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Cash on hand	<b>1,431,764</b>	1,596,784
Balances with central banks:		
- Current accounts	<b>270,511</b>	384,587
- Statutory reserve	<b>7,690,527</b>	6,129,940
- Islamic certificate of deposits	<b><u>7,752,928</u></b>	<u>14,109,420</u>
	<b><u>17,145,730</u></b>	<u>22,220,731</u>

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

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
UAE	<b>16,865,005</b>	22,012,055
Rest of the Middle East	<b>187,051</b>	83,618
Europe	<b>602</b>	430
Others	<b><u>93,072</u></b>	<u>124,628</u>
	<b><u>17,145,730</u></b>	<u>22,220,731</u>

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Current accounts	<b>213,427</b>	265,657
Wakala deposits	<b><u>2,844,777</u></b>	<u>2,820,712</u>
	<b><u>3,058,204</u></b>	<u>3,086,369</u>

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

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

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
UAE	1,327,762	1,320,533
Rest of the Middle East	269,354	129,110
Europe	128,968	148,050
Others	<u>1,332,120</u>	<u>1,488,676</u>
	<u><b>3,058,204</b></u>	<u><b>3,086,369</b></u>

**15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Murabaha	2,329,862	3,523,931
Mudaraba	<u>170,776</u>	<u>182,504</u>
	<b>2,500,638</b>	3,706,435
Less: provision for impairment	<u>(129,811)</u>	<u>(129,811)</u>
	<u><b>2,370,827</b></u>	<u><b>3,576,624</b></u>

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

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
At the beginning of the period	129,811	129,811
Charge for the period	-	37,086
Written off during the period	<u>-</u>	<u>(37,086)</u>
At the end of the period	<u><b>129,811</b></u>	<u><b>129,811</b></u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 15 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS continued

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
UAE	1,980,849	3,333,628
Rest of the Middle East	294,072	221,191
Europe	-	60,830
Others	<u>225,717</u>	<u>90,786</u>
	<u><b>2,500,638</b></u>	<u><b>3,706,435</b></u>

### 16 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Vehicle murabaha	6,388,466	6,594,148
Goods murabaha	7,734,462	5,396,213
Share murabaha	14,955,008	12,606,796
Commodities murabaha / advance murabaha – Al Khair	4,730,897	4,258,642
Other murabaha	<u>3,167,130</u>	<u>2,953,613</u>
Total murabaha	36,975,963	31,809,412
Mudaraba	1,566,121	1,884,140
Islamic covered cards (murabaha / advance murabaha)	8,719,662	6,678,090
Istisna'a	245,367	206,858
Other financing receivables	<u>148,259</u>	<u>179,876</u>
Total murabaha and other Islamic financing	47,655,372	40,758,376
Less: deferred income on murabaha	<u>(11,969,644)</u>	<u>(10,375,064)</u>
	35,685,728	30,383,312
Less: provision for impairment	<u>(1,933,904)</u>	<u>(2,117,729)</u>
	<u><b>33,751,824</b></u>	<u><b>28,265,583</b></u>

The above balances include advance under murabaha amounting to AED 969,250 thousand paid as part of acquisition of retail banking business (note 39).

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

	<i>30 September 2014</i>			<i>Audited 31 December 2013</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	1,662,499	455,230	2,117,729	1,588,375	408,085	1,996,460
Charge for the period (note 10)	164,378	150,275	314,653	357,306	47,145	404,451
Acquisition of business (note 39)	10,119	-	10,119	-	-	-
Written off during the period	<u>(508,597)</u>	<u>-</u>	<u>(508,597)</u>	<u>(283,182)</u>	<u>-</u>	<u>(283,182)</u>
At the end of the period	<u><b>1,328,399</b></u>	<u><b>605,505</b></u>	<u><b>1,933,904</b></u>	<u><b>1,662,499</b></u>	<u><b>455,230</b></u>	<u><b>2,117,729</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**16 MURABAHA AND OTHER ISLAMIC FINANCING** continued

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
<b>Industry sector:</b>		
Government	17,260	19,164
Public sector	522,327	519,488
Corporates	7,362,482	5,979,483
Financial institutions	510,272	526,687
Individuals	25,077,626	21,573,988
Small and medium enterprises	<u>2,195,761</u>	<u>1,764,502</u>
	<b><u>35,685,728</u></b>	<b><u>30,383,312</u></b>
<b>Geographic region:</b>		
UAE	33,837,744	28,708,626
Rest of the Middle East	1,367,124	1,268,312
Europe	306,742	388,346
Others	<u>174,118</u>	<u>18,028</u>
	<b><u>35,685,728</u></b>	<b><u>30,383,312</u></b>

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	9,384,748	9,458,129
Due in the second to fifth year	20,131,057	19,300,619
Due after five years	<u>19,783,713</u>	<u>14,807,489</u>
Total ijara financing	49,299,518	43,566,237
Less: deferred income	<u>(10,075,865)</u>	<u>(8,840,944)</u>
Net present value of minimum lease payments receivable	39,223,653	34,725,293
Less: provision for impairment	<u>(1,349,808)</u>	<u>(1,243,250)</u>
	<b><u>37,873,845</u></b>	<b><u>33,482,043</u></b>

The above balance include advance under ijara amounting to AED 1,146,240 thousand paid as part of acquisition of retail banking business (note 39).

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 17 IJARA FINANCING continued

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

	30 September 2014			Audited 31 December 2013		
	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	774,631	468,619	1,243,250	693,655	407,614	1,101,269
Charge for the period (note 10)	124,390	116,046	240,436	98,783	61,005	159,788
Acquisition of business (note 39)	360	-	360	-	-	-
Written off during the period	(134,238)	-	(134,238)	(17,807)	-	(17,807)
At the end of the period	<u>765,143</u>	<u>584,665</u>	<u>1,349,808</u>	<u>774,631</u>	<u>468,619</u>	<u>1,243,250</u>

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

	30 September 2014 AED '000	Audited 31 December 2013 AED '000
<b>Industry sector:</b>		
Government	35,767	38,705
Public sector	4,372,772	4,839,089
Corporates	17,944,747	15,591,560
Financial institutions	158,811	228,038
Individuals	16,238,153	13,589,343
Small and medium enterprises	372,306	359,306
Non-profit organisations	101,097	79,252
	<u>39,223,653</u>	<u>34,725,293</u>
<b>Geographic region:</b>		
UAE	38,030,524	33,848,070
Rest of the Middle East	906,773	518,922
Others	286,356	358,301
	<u>39,223,653</u>	<u>34,725,293</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

18 INVESTMENTS

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
<i>Investments carried at fair value through profit or loss</i>		
Equities	<b>15,859</b>	29,975
Sukuk	<b><u>1,621,513</u></b>	<u>1,130,295</u>
	<b><u>1,637,372</u></b>	<u>1,160,270</u>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	<b><u>960</u></b>	<u>19,302</u>
Unquoted investments		
Funds	<b>66,884</b>	71,151
Private equities	<b><u>147,805</u></b>	<u>157,146</u>
	<b><u>214,689</u></b>	<u>228,297</u>
	<b><u>215,649</u></b>	<u>247,599</u>
<i>Investments carried at amortised cost</i>		
Sukuk	<b><u>5,171,759</u></b>	<u>4,762,100</u>
Total investments	<b><u>7,024,780</u></b>	<u>6,169,969</u>

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
At the beginning of the period	<b>81,308</b>	81,308
Charge for the period (note 10)	<b><u>16,969</u></b>	<u>-</u>
At the end of the period	<b><u><u>98,277</u></u></b>	<u><u>81,308</u></u>

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

UAE	<b>4,519,348</b>	4,430,346
Rest of the Middle East	<b>1,273,633</b>	1,215,316
Europe	<b>83,702</b>	185
Others	<b><u>1,246,374</u></b>	<u>605,430</u>
	<b><u>7,123,057</u></b>	<u>6,251,277</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 19 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Cost of investment	<b>931,606</b>	851,401
Share of results	<b>39,548</b>	33,734
Dividend received	<b>(15,994)</b>	(9,651)
Foreign currency translation	<b>(146,574)</b>	(126,078)
	<b><u>808,586</u></b>	<u>749,406</u>

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

At the beginning of the period	-	4,284
Reversal during the period	<u>-</u>	<u>(4,284)</u>
At the end of the period	<u>-</u>	<u>-</u>

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

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<i>2014 %</i>	<i>2013 %</i>	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	<b>42</b>	40	Islamic insurance
Bosna Bank International D.D	Bosnia	<b>27</b>	27	Islamic banking
<i>Joint ventures</i>				
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	<b>49</b>	49	Banking (under conversion to Islamic bank)
Saudi Installment House*	Kingdom of Saudi Arabia	<b>51</b>	-	Retail Finance
Arab Link Money Transfer PSC **	UAE	<b>51</b>	-	Currency Exchange

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
UAE	<b>163,872</b>	142,442
Rest of the Middle East	<b>57,070</b>	-
Europe	<b>55,816</b>	59,603
Others	<b><u>531,828</u></b>	<u>547,361</u>
	<b><u>808,586</u></b>	<u>749,406</u>

\* Effective 1 January 2014, the Group has entered into joint venture agreement to manage Saudi Installment House (SIH), previously SIH was controlled by the Group.

\*\* Effective 17 February 2014, the Group has acquired Arab Link Money Transfer PSC, a private joint stock company incorporated in United Arab Emirates ("the Company") as a joint venture for a consideration of AED 10.2 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**20 INVESTMENT PROPERTIES**

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Cost:		
Balance at the beginning of the period	333,731	338,995
Additions during the period	18,481	-
Transfer from other assets	10,822	-
Disposals	<u>-</u>	<u>(5,264)</u>
Gross balance at the end of the period	363,034	333,731
Less: provision for impairment	<u>(24,111)</u>	<u>(24,111)</u>
Net balance at the end of the period	<u>338,923</u>	<u>309,620</u>
Accumulated depreciation:		
Balance at the beginning of the period	28,340	16,638
Charge for the period	9,288	11,895
Relating to disposals	<u>-</u>	<u>(193)</u>
Balance at the end of the period	<u>37,628</u>	<u>28,340</u>
Net book value at the end of the period	<u>301,295</u>	<u>281,280</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 9,814 thousand (30 September 2013: AED 11,698 thousand) for the nine months period ended 30 September 2014.

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Balance at the beginning of the period	24,111	16,183
Charge for the period	-	8,165
Relating to disposals	<u>-</u>	<u>(237)</u>
Balance at the end of the period	<u>24,111</u>	<u>24,111</u>

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

UAE	317,192	297,177
Rest of the Middle East	<u>8,214</u>	<u>8,214</u>
	<u>325,406</u>	<u>305,391</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**21 DEVELOPMENT PROPERTIES**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Balance at the beginning and at the end of the period	<u><b>837,381</b></u>	<u>837,381</u>

Development properties include land with a carrying value of AED 800,000 thousand (2013: AED 800,000 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

**22 OTHER ASSETS**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Advances against purchase of properties	<b>1,385,499</b>	1,266,602
Acceptances	<b>1,036,285</b>	1,067,512
Assets acquired in satisfaction of claims	<b>207,804</b>	106,392
Trade receivables	<b>350,852</b>	195,978
Prepaid expenses	<b>540,345</b>	392,208
Accrued profit	<b>101,414</b>	71,086
Advance to contractors	<b>624</b>	1,495
Advance for investments	<b>183,625</b>	183,625
Others	<u><b>270,602</b></u>	<u>125,219</u>
	<b>4,077,050</b>	3,410,117
Less: provision for impairment	<u><b>(319,353)</b></u>	<u>(339,575)</u>
	<u><b>3,757,697</b></u>	<u>3,070,542</u>

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

	<i>Advances against purchase of properties AED '000</i>	<i>Trade receivables AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
At 1 January 2014 - audited	<b>285,866</b>	<b>29,826</b>	<b>23,883</b>	<b>339,575</b>
Charge for the period (note 10)	<b>3,315</b>	-	-	<b>3,315</b>
Written off during the period	<u><b>(4,661)</b></u>	<u><b>(18,876)</b></u>	-	<u><b>(23,537)</b></u>
At 30 September 2014 - unaudited	<u><b>284,520</b></u>	<u><b>10,950</b></u>	<u><b>23,883</b></u>	<u><b>319,353</b></u>
At 1 January 2013 - audited	353,268	29,826	23,883	406,977
Charge for the year	170,528	-	-	170,528
Written off during the year	<u>(237,930)</u>	-	-	<u>(237,930)</u>
At 31 December 2013 - audited	<u>285,866</u>	<u>29,826</u>	<u>23,883</u>	<u>339,575</u>

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

23 GOODWILL AND INTANGIBLES

	<i>Other intangible assets</i>			<i>Total AED '000</i>
	<i>Goodwill AED '000</i>	<i>Customer relationship AED '000</i>	<i>Core deposit AED '000</i>	
Amounts recognized on acquisition of business (note 39)	<b>109,888</b>	<b>364,797</b>	<b>73,215</b>	<b>547,900</b>
Amortisation during the period	<u>-</u>	<u>(3,800)</u>	<u>(763)</u>	<u>(4,563)</u>
At 30 September 2014 - unaudited	<b><u>109,888</u></b>	<b><u>360,997</u></b>	<b><u>72,452</u></b>	<b><u>543,337</u></b>

On 6 April 2014, the Bank acquired retail banking business of Barclays Bank in the U.A.E. The customers of the business shall be transferred to the Bank in a Shari'a compliant manner. During the second quarter 2014, the acquisition was approved from the Central Bank of the UAE. Based on the provisional purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible asset and AED 109,888 as goodwill (note 39).

**Other intangible assets**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**24 DUE TO FINANCIAL INSTITUTIONS**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Current accounts	757,031	518,313
Investment deposits	3,641,348	5,633,719
Murabaha payable	<u>-</u>	<u>74,832</u>
	<b><u>4,398,379</u></b>	<b><u>6,226,864</u></b>

**25 DEPOSITORS' ACCOUNTS**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Current accounts	27,358,695	20,920,478
Investment accounts	55,248,803	54,327,154
Profit equalisation reserve	<u>328,075</u>	<u>276,073</u>
	<b><u>82,935,573</u></b>	<b><u>75,523,705</u></b>

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

At the beginning of the period	276,073	223,594
Share of profit for the period	<u>52,002</u>	<u>52,479</u>
At the end of the period	<b><u>328,075</u></b>	<b><u>276,073</u></b>

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Government	9,570,111	9,900,900
Public sector	10,642,536	12,649,380
Corporates	9,196,769	5,380,645
Financial institutions	841,490	2,761,380
Individuals	41,996,612	36,317,865
Small and medium enterprises	7,320,170	5,623,091
Non-profit organisations	<u>3,367,885</u>	<u>2,890,444</u>
	<b><u>82,935,573</u></b>	<b><u>75,523,705</u></b>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**26 OTHER LIABILITIES**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Accounts payable	488,749	644,458
Acceptances	1,036,285	1,067,512
Payable for purchase of properties	22,160	22,160
Accrued profit for distribution to depositors and sukuk holders	263,124	178,804
Bankers' cheques	508,766	470,479
Provision for staff benefits and other expenses	270,641	284,184
Retentions payable	47,429	83,160
Advances from customers	129,662	107,974
Accrued expenses	171,348	163,800
Unclaimed dividends	156,279	128,350
Deferred income	192,860	160,114
Charity account	8,009	8,435
Donation account	11,876	73
Negative fair value on Shari'a compliant alternatives of derivative financial instruments	5,826	19,676
Others	<u>285,195</u>	<u>406,221</u>
	<u><b>3,598,209</b></u>	<u><b>3,745,400</b></u>

**27 SUKUK FINANCING INSTRUMENTS**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Second issue	2,754,375	2,754,375
Third issue	<u>1,836,250</u>	<u>1,836,250</u>
	<u><b>4,590,625</b></u>	<u><b>4,590,625</b></u>

**Second issue - USD 750 million**

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

**Third issue - USD 500 million**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**27 SUKUK FINANCING INSTRUMENTS** continued

**Terms of arrangement**

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

The issuer will pay the quarterly distribution amount from returns received in respect of the Co-Owned Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at an exercise price which equals the value of the Issuer's co-ownership interest in the unpaid rental installments due and payable in respect of the Co-Owned Assets, which may equal the amount of AED 4,590,625 thousand (USD 1,250 million) (31 December 2013: AED 4,590,625 thousand (USD 1,250 million)).

**28 SHARE CAPITAL**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
<i>Authorised share capital:</i>		
3,000,000 thousand (2013: 3,000,000 thousand) ordinary shares of AED 1 each (2013: AED 1 each)	<b><u>3,000,000</u></b>	<b><u>3,000,000</u></b>
<i>Issued and fully paid share capital:</i>		
At the beginning of the period 2,364,706 thousand (2013: 2,364,706 thousand) ordinary shares of AED 1 each (2013: AED 1 each)	<b>2,364,706</b>	2,364,706
Bonus shares issued (note 37)	<b><u>635,294</u></b>	-
At the end of the period 3,000,000 thousand (2013: 2,364,706 thousand) ordinary shares of AED 1 each (2013: AED 1 each)	<b><u>3,000,000</u></b>	<b><u>2,364,706</u></b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**29 OTHER RESERVES**

	<i>Cumulative changes in fair values AED '000</i>	<i>Land revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserve AED '000</i>	<i>Total AED '000</i>
At 1 January 2014 - audited	<b>(158,060)</b>	<b>143,000</b>	<b>(132,882)</b>	<b>(20,726)</b>	<b>(168,668)</b>
Net gain on valuation of investments carried at FVTOCI	<b>1,908</b>	-	-	-	<b>1,908</b>
Loss on disposal of investments carried at FVTOCI	<b>368</b>	-	-	-	<b>368</b>
Exchange differences arising on translation of foreign operations, net	-	-	<b>(25,076)</b>	-	<b>(25,076)</b>
Gain on hedge of foreign operations	-	-	<b>8,093</b>	-	<b>8,093</b>
Fair value gain on cash flow hedges	-	-	-	<b>13,659</b>	<b>13,659</b>
At 30 September 2014 - unaudited	<b>(155,784)</b>	<b>143,000</b>	<b>(149,865)</b>	<b>(7,067)</b>	<b>(169,716)</b>
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, net	-	-	(48,470)	-	(48,470)
Loss on hedge of foreign operations	-	-	(3,612)	-	(3,612)
Fair value gain on cash flow hedge	-	-	-	<u>9,450</u>	<u>9,450</u>
At 30 September 2013 - unaudited	<u>(139,493)</u>	<u>143,000</u>	<u>(125,432)</u>	<u>(18,071)</u>	<u>(139,996)</u>

**30 TIER 1 SUKUK**

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
Tier 1 sukuk	<b>3,629,679</b>	3,625,492
Tier 1 sukuk – Government of Abu Dhabi	<b><u>2,000,000</u></b>	<u>2,000,000</u>
	<b><u>5,629,679</u></b>	<u>5,625,492</u>

**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 2014, sukuk with a face value of AED 42,821 thousand (USD 11.7 million) were repurchased by the Bank (31 December 2013: AED 47,008 thousand (USD 12.8 million). Issuance costs 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 6<sup>th</sup> 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**30 TIER 1 SUKUK** continued

**Tier 1 sukuk** continued

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, which are designed to meet the requirements of the Bank's customers.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**31 CONTINGENT LIABILITIES AND COMMITMENTS** continued

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

	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
<b><i>Contingent liabilities</i></b>		
Letters of credit	<b>3,257,516</b>	2,467,324
Letters of guarantee	<b><u>9,469,591</u></b>	<u>9,190,144</u>
	<b><u>12,727,107</u></b>	<u>11,657,468</u>
<b><i>Commitments</i></b>		
Undrawn facilities commitments	<b>411,948</b>	226,210
Future capital expenditure	<b>79,086</b>	103,006
Investment and development properties	<b><u>483,746</u></b>	<u>625,333</u>
	<b><u>974,780</u></b>	<u>954,549</u>
	<b><u>13,701,887</u></b>	<u>12,612,017</u>

**32 CASH AND CASH EQUIVALENTS**

	<i>30 September 2014 AED '000</i>	<i>30 September 2013 AED '000</i>
Cash and balances with central banks, short term	<b>8,452,387</b>	4,682,137
Balances and wakala deposits with Islamic banks and other financial institutions, short term	<b>1,994,956</b>	3,141,643
Murabaha and mudaraba with financial institutions, short term	<b>2,000,359</b>	9,361,603
Due to financial institutions, short term	<b><u>(4,362,016)</u></b>	<u>(6,351,009)</u>
	<b><u>8,085,686</u></b>	<u>10,834,374</u>

**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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**33 RELATED PARTY TRANSACTIONS** continued

Profit rates earned on balances and wakala deposits with banks and financial institutions, Murabaha and mudaraba with financial institutions and customer financing extended to related parties during the period has ranged from 0% to 9% (2013: 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 (2013: 0% to 2.3% per annum).

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates &amp; joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2014 - unaudited</b>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>1,157</u>	<u>—</u>	<u>1,157</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>53,908</u>	<u>1,137</u>	<u>—</u>	<u>91,996</u>	<u>147,041</u>
Investment income	<u>782</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>782</u>
Fees and commissions, net	<u>281</u>	<u>12</u>	<u>382</u>	<u>3,204</u>	<u>3,879</u>
Operating expenses	<u>—</u>	<u>324</u>	<u>—</u>	<u>—</u>	<u>324</u>
Distribution to depositors and sukuk holders	<u>—</u>	<u>26</u>	<u>188</u>	<u>132</u>	<u>346</u>
<b>30 September 2013 - unaudited</b>					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>662</u>	<u>—</u>	<u>662</u>
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	<u>53,730</u>	<u>829</u>	<u>—</u>	<u>96,954</u>	<u>151,513</u>
Investment income	<u>8,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,000</u>
Fees and commissions, net	<u>281</u>	<u>51</u>	<u>707</u>	<u>3,251</u>	<u>4,290</u>
Operating expenses	<u>—</u>	<u>351</u>	<u>—</u>	<u>—</u>	<u>351</u>
Distribution to depositors and sukuk holders	<u>69</u>	<u>27</u>	<u>179</u>	<u>157</u>	<u>432</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 33 RELATED PARTY TRANSACTIONS continued

The related party 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 &amp; joint ventures AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<b>30 September 2014 - unaudited</b>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,288,946	-	1,288,946
Murabaha and mudaraba with financial institutions	-	-	78,422	-	78,422
Murabaha, mudaraba, ijara and other Islamic financing	2,494,269	36,083	-	3,271,657	5,802,009
Other assets	-	-	-	183,625	183,625
	<u>2,494,269</u>	<u>36,083</u>	<u>1,367,368</u>	<u>3,455,282</u>	<u>7,353,002</u>
Due to financial institutions	-	-	7,672	-	7,672
Depositors' accounts	678	20,386	55,819	266,619	343,502
Other liabilities	-	186	11	157	354
	<u>678</u>	<u>20,572</u>	<u>63,502</u>	<u>266,776</u>	<u>351,528</u>
Undrawn facilities commitments	-	-	-	-	-
<b>31 December 2013 - audited</b>					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	1,276,073	-	1,276,073
Murabaha, mudaraba, ijara and other Islamic financing	2,433,573	32,554	-	3,248,898	5,715,025
Other assets	-	-	-	183,625	183,625
	<u>2,433,573</u>	<u>32,554</u>	<u>1,276,073</u>	<u>3,432,523</u>	<u>7,174,723</u>
Due to financial institutions	-	-	41,332	-	41,332
Depositors' accounts	168	12,524	41,279	68,852	122,823
Other liabilities	-	174	336	163	673
	<u>168</u>	<u>12,698</u>	<u>82,947</u>	<u>69,015</u>	<u>164,828</u>
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:

	<i>Nine months ended 30 September 2014 AED '000</i>	<i>Nine months ended 30 September 2013 AED '000</i>
Salaries and other benefits	22,733	22,033
Employees' end of service benefits	<u>2,200</u>	<u>2,249</u>
	<u>24,933</u>	<u>24,282</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

**33 RELATED PARTY TRANSACTIONS** continued

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

Board of Directors remuneration for the year ended 31 December 2013 amounting to AED 4,900 thousand has been paid after the approval by the shareholders in the Annual General Assembly held on 26 March 2014. During 2013, AED 4,200 thousand was paid to Board of Directors pertaining to the year ended 31 December 2012 after the approval by the shareholders in the Annual General Assembly held on 28 March 2013.

**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.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 34 SEGMENT INFORMATION continued

Business segments information for the period ended 30 September 2014 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	2,156,516	899,489	135,374	105,653	51,117	(21,349)	3,326,800
Operating expenses excluding provision for impairment, net	<u>(933,395)</u>	<u>(206,360)</u>	<u>(71,825)</u>	<u>(47,786)</u>	<u>(60,762)</u>	<u>(86,470)</u>	<u>(1,406,598)</u>
Operating profit (margin)	1,223,121	693,129	63,549	57,867	(9,645)	(107,819)	1,920,202
Provision for impairment, net	<u>(285,837)</u>	<u>(257,566)</u>	<u>(20,957)</u>	<u>-</u>	<u>(3,315)</u>	<u>(11,437)</u>	<u>(579,112)</u>
<b>Profit (loss) for the period</b>	<b><u>937,284</u></b>	<b><u>435,563</u></b>	<b><u>42,592</u></b>	<b><u>57,867</u></b>	<b><u>(12,960)</u></b>	<b><u>(119,256)</u></b>	<b><u>1,341,090</u></b>
Non-controlling interest	-	-	-	(3,144)	-	-	(3,144)
Profit (loss) for the period attributable to equity holders of the Bank	<u>937,284</u>	<u>435,563</u>	<u>42,592</u>	<u>54,723</u>	<u>(12,960)</u>	<u>(119,256)</u>	<u>1,337,946</u>
<b>Asset</b>							
Segmental assets	<u>39,728,297</u>	<u>30,081,645</u>	<u>5,508,920</u>	<u>27,309,638</u>	<u>2,732,023</u>	<u>3,601,108</u>	<u>108,961,631</u>
<b>Liabilities</b>							
Segmental liabilities	<u>45,875,310</u>	<u>22,140,154</u>	<u>2,667,098</u>	<u>18,596,443</u>	<u>318,818</u>	<u>5,924,963</u>	<u>95,522,786</u>

Business segments information for the period ended 30 September 2013 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	1,892,913	760,467	141,065	75,896	1,775	13,411	2,885,527
Operating expenses excluding provision for impairment, net	<u>(803,329)</u>	<u>(166,115)</u>	<u>(68,345)</u>	<u>(45,275)</u>	<u>(51,265)</u>	<u>(85,346)</u>	<u>(1,219,675)</u>
Operating profit (margin)	1,089,584	594,352	72,720	30,621	(49,490)	(71,935)	1,665,852
Provision for impairment, net	<u>(242,935)</u>	<u>(164,157)</u>	<u>(38,740)</u>	<u>4,284</u>	<u>(108,852)</u>	<u>(8,473)</u>	<u>(558,873)</u>
<b>Profit (loss) for the period</b>	<b><u>846,649</u></b>	<b><u>430,195</u></b>	<b><u>33,980</u></b>	<b><u>34,905</u></b>	<b><u>(158,342)</u></b>	<b><u>(80,408)</u></b>	<b><u>1,106,979</u></b>
Non-controlling interest	-	-	-	(1,019)	-	(387)	(1,406)
Profit (loss) for the period attributable to equity holders of the Bank	<u>846,649</u>	<u>430,195</u>	<u>33,980</u>	<u>33,886</u>	<u>(158,342)</u>	<u>(80,795)</u>	<u>1,105,573</u>
<b>Assets</b>							
Segmental assets	<u>30,988,009</u>	<u>25,593,986</u>	<u>5,319,954</u>	<u>29,816,654</u>	<u>2,703,623</u>	<u>2,727,466</u>	<u>97,149,692</u>
<b>Liabilities</b>							
Segmental liabilities	<u>36,909,561</u>	<u>17,673,591</u>	<u>2,416,300</u>	<u>22,855,481</u>	<u>285,366</u>	<u>4,067,503</u>	<u>84,207,802</u>

### 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, joint ventures 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

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.

	<i>Balances and wakala deposits with Islamic banks and other financial institutions</i>		<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 2014</i>	<i>31 December 2013</i>	<i>30 September 2014</i>	<i>31 December 2013</i>	<i>30 September 2014</i>	<i>31 December 2013</i>	<i>30 September 2014</i>	<i>31 December 2013</i>	<i>30 September 2014</i>	<i>31 December 2013</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>
<b>Individually impaired</b>										
Substandard	-	-	-	-	136,024	372,421	854,745	647,266	-	12,802
Doubtful	-	-	-	-	703,825	605,563	1,054,764	1,410,713	12,802	91,813
Loss	-	-	129,811	129,811	701,470	974,529	121,200	198,985	91,813	-
Gross amount	-	-	129,811	129,811	1,541,319	1,952,513	2,030,709	2,256,964	104,615	104,615
Provision for individual impairment	-	-	(129,811)	(129,811)	(1,328,399)	(1,662,499)	(765,143)	(774,631)	(98,277)	(81,308)
	-	-	-	-	212,920	290,014	1,265,566	1,482,333	6,338	23,307
<b>Past due but not impaired</b>										
Less than 90 days	-	-	-	-	223,624	129,380	80,587	198,895	-	-
More than 90 days	-	-	-	-	291,842	337,318	746,870	831,747	-	-
	-	-	-	-	515,466	466,698	827,457	1,030,642	-	-
<b>Neither past due nor impaired</b>	3,058,204	3,086,369	2,370,827	3,576,624	33,628,943	27,964,101	36,365,487	31,437,687	7,018,442	6,146,662
<b>Collective allowance for impairment</b>	-	-	-	-	(605,505)	(455,230)	(584,665)	(468,619)	-	-
<b>Carrying amount</b>	<u>3,058,204</u>	<u>3,086,369</u>	<u>2,370,827</u>	<u>3,576,624</u>	<u>33,751,824</u>	<u>28,265,583</u>	<u>37,873,845</u>	<u>33,482,043</u>	<u>7,024,780</u>	<u>6,169,969</u>



# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

### 36 CAPITAL ADEQUACY RATIO

The table below summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 30 September 2014 and 31 December 2013 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	<i>Basel II</i>	
	<i>30 September 2014 AED '000</i>	<i>Audited 31 December 2013 AED '000</i>
<b>Tier 1 capital</b>		
Share capital	3,000,000	2,364,706
Legal reserve	1,759,597	1,759,597
General reserve	911,695	911,695
Credit risk reserve	400,000	400,000
Retained earnings	1,900,065	744,466
Proposed dividends	-	1,360,417
Proposed dividends to charity	-	20,000
Foreign currency translation reserve	(149,865)	(132,882)
Tier 1 sukuk	5,629,679	5,625,492
Non-controlling interest	<u>7,525</u>	<u>56,187</u>
	<b>13,458,696</b>	<b>13,109,678</b>
Goodwill and intangibles	(543,337)	-
Deductions for Tier 1 capital	<u>(404,293)</u>	<u>(374,703)</u>
<b>Total Tier 1</b>	<b><u>12,511,066</u></b>	<b><u>12,734,975</u></b>
<b>Tier 2 capital</b>		
Cumulative changes in fair value	(162,851)	(178,786)
Collective impairment provision for financing assets	<u>1,010,522</u>	<u>896,135</u>
	<b>847,671</b>	<b>717,349</b>
Deductions for Tier 2 capital	<u>(404,293)</u>	<u>(374,703)</u>
<b>Total Tier 2</b>	<b><u>443,378</u></b>	<b><u>342,646</u></b>
<b>Total capital base</b>	<b><u>12,954,444</u></b>	<b><u>13,077,621</u></b>
<b>Risk weighted assets</b>		
Credit risk	80,840,306	71,690,770
Market risk	2,654,770	1,683,208
Operational risk	<u>6,826,723</u>	<u>4,193,937</u>
<b>Total risk weighted assets</b>	<b><u>90,321,799</u></b>	<b><u>77,567,915</u></b>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>14.34%</u>	<u>16.86%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>13.85%</u>	<u>16.42%</u>

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 30 September 2014 (31 December 2013 – 12%) as stipulated by the Central Bank of the United Arab Emirates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2014 (Unaudited)

**37 DIVIDENDS**

Cash dividend of 30.66% of the paid up capital relating to year ended 31 December 2013 amounting to AED 725,123 thousand and bonus share dividend of 26.87% of the paid up capital relating to the year ended 31 December 2013 amounting to AED 635,294 thousand was paid to the shareholders after the approval by the shareholders in the Annual General Assembly held on 26 March 2014.

Cash dividend of 24.42% 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.

**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.

**39 BUSINESS COMBINATION**

On 6 April 2014, the Bank acquired retail banking business (the "business") of Barclays Bank in the U.A.E. The customers of the business shall be transferred to the Bank in a Shari'a compliant manner. During the second quarter 2014, the acquisition was approved from the Central Bank of the UAE. Based on the provisional purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible assets and AED 109,888 as goodwill (note 23).

The acquisition would provide opportunities for the Bank to grow its retail business and is in line with the strategy for the expansion in the expatriate market segment without disrupting the existing customer base.

The fair value of the identifiable assets and liabilities of the business as at the acquisition date was assessed as follows:

	<i>Recognised on acquisition</i>
	<i>AED '000</i>
Advanced for financing assets (to be migrated to ijara)	1,146,240
Advanced for financing assets (to be migrated to commodities murabaha related to covered cards)	778,105
Advanced for financing assets (to be migrated to commodities murabaha related to Al Khair financing)	191,145
Property and equipment	1,974
Identifiable intangible assets	<u>438,012</u>
<b>Total assets</b>	<b>2,555,476</b>
Customers' deposits	(1,304,863)
Other liabilities	<u>(13,468)</u>
<b>Total liabilities</b>	<b>(1,318,331)</b>
<b>Fair value of identifiable net assets</b>	<b>1,237,145</b>
Goodwill arising on acquisition	<u>109,888</u>
<b>Consideration for acquisition - cash</b>	<b><u>1,347,033</u></b>