

# **Abu Dhabi Islamic Bank PJSC**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

30 SEPTEMBER 2009 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

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

*Introduction*

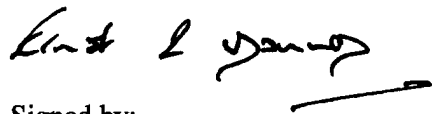
We have reviewed the accompanying interim condensed consolidated financial statements of Abu Dhabi Islamic Bank PJSC (“the Bank”) and its subsidiaries (together “the Group”) as at 30 September 2009, comprising of the interim consolidated balance sheet as at 30 September 2009 and the related interim consolidated 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:  
Richard Mitchell  
Partner  
Ernst & Young  
Registration No. 446

28 October 2009  
Abu Dhabi

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Three months and nine months ended 30 September 2009 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 AED '000	2008 AED '000	2009 AED '000	2008 AED '000
<b>OPERATING INCOME</b>					
Income from Murabaha and Mudaraba with financial institutions, net		61,344	81,816	288,915	320,405
Income from Murabaha, Mudaraba, Ijara and other Islamic financing, net	5	704,109	558,100	2,007,862	1,538,937
Investment income	6	840	9,554	33,712	72,733
Fees, commission and foreign exchange income, net	7	73,299	56,536	166,224	105,532
Income from investment properties		5,235	65,680	38,443	224,481
Income from development properties		-	-	-	19,370
Other income		43	563	2,704	2,707
		<u>844,870</u>	<u>772,249</u>	<u>2,537,860</u>	<u>2,284,165</u>
<b>OPERATING EXPENSES</b>					
Employees' costs		(162,355)	(139,466)	(466,692)	(387,418)
General and administrative expenses		(73,536)	(112,634)	(200,036)	(229,783)
Depreciation		(11,628)	(9,044)	(32,975)	(24,267)
Provision for impairment, net	8	(121,497)	(107,575)	(385,901)	(307,261)
		<u>(369,016)</u>	<u>(368,719)</u>	<u>(1,085,604)</u>	<u>(948,729)</u>
<b>PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS</b>					
		475,854	403,530	1,452,256	1,335,436
Distribution to depositors and sukuk holders		(236,320)	(187,022)	(750,953)	(598,763)
<b>PROFIT FOR THE PERIOD</b>		<u>239,534</u>	<u>216,508</u>	<u>701,303</u>	<u>736,673</u>
Attributable to:					
Equity holders of the Bank		239,289	216,464	701,210	736,185
Non-controllable interest		245	44	93	488
		<u>239,534</u>	<u>216,508</u>	<u>701,303</u>	<u>736,673</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	9	<u>0.106</u>	<u>0.110</u>	<u>0.328</u>	<u>0.374</u>

The attached notes 1 to 31 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months and nine months ended 30 September 2009 (Unaudited)

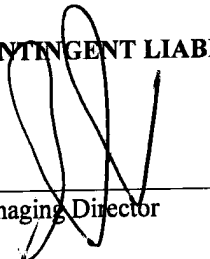
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>Profit for the period</b>	<b>239,534</b>	216,508	<b>701,303</b>	736,673
<b>Other comprehensive income (expense)</b>				
Realised gains on sale of available-for-sale investments, net	-	(10,922)	<b>(9,324)</b>	(41,121)
Net movement in fair values of available-for-sale investments	<b>8,299</b>	(102,161)	<b>12,899</b>	(142,450)
Directors' remuneration paid	-	-	<b>(3,000)</b>	-
Net movement in foreign currency translation reserve	<b>3,067</b>	(6,566)	<b>3,091</b>	19,564
Fair value loss on cash flow hedge, net	<b>(3,797)</b>	-	<b>(3,797)</b>	-
<b>Other comprehensive income (expense) for the period</b>	<b><u>7,569</u></b>	<b>(119,649)</b>	<b><u>(131)</u></b>	<b><u>(164,007)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>247,103</u></b>	<b><u>96,859</u></b>	<b><u>701,172</u></b>	<b><u>572,666</u></b>
Attributable to:				
Equity holders of the Bank	<b>246,858</b>	96,986	<b>701,076</b>	572,458
Non-controllable interest	<b><u>245</u></b>	<b><u>(127)</u></b>	<b><u>96</u></b>	<b><u>208</u></b>
	<b><u>247,103</u></b>	<b><u>96,859</u></b>	<b><u>701,172</u></b>	<b><u>572,666</u></b>


The attached notes 1 to 31 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION At 30 September 2009 (Unaudited)

		<i>30 September</i>	<i>Audited</i>
		<i>2009</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>2008</i>
			<i>AED '000</i>
<b>ASSETS</b>			
Cash and balances with Central Bank	10	3,523,224	2,823,951
Balances and deposits with banks and other financial institutions	11	1,720,444	1,343,237
Murabaha and Mudaraba with financial institutions	12	8,619,186	7,553,729
Murabaha and other Islamic financing	13	20,721,292	18,338,318
Ijara financing	14	18,531,444	15,840,298
Investments	15	1,196,310	1,392,659
Investment in associates		736,112	797,086
Investment properties	16	219,239	220,215
Development properties	17	797,812	688,623
Other assets	18	2,230,530	1,890,391
Property and equipment		<u>367,119</u>	<u>321,549</u>
<b>TOTAL ASSETS</b>		<b><u>58,662,712</u></b>	<b><u>51,210,056</u></b>
<b>LIABILITIES</b>			
Due to financial institutions	19	1,830,102	3,575,768
Depositors' accounts	20	43,998,695	37,486,246
Other liabilities		1,984,690	1,573,330
Sukuk payable		<u>2,938,000</u>	<u>2,938,000</u>
<b>Total liabilities</b>		<b><u>50,751,487</u></b>	<b><u>45,573,344</u></b>
<b>EQUITY</b>			
Share capital	21	1,970,588	1,970,588
Legal reserve		1,753,990	1,753,990
General reserve		309,704	309,704
Retained earnings		1,815,288	1,117,078
Proposed dividends		-	425,631
Proposed dividends to charity		-	1,028
Other reserves	22	<u>58,955</u>	<u>56,089</u>
<b>Equity attributable to the equity holders of the Bank</b>		<b>5,908,525</b>	<b>5,634,108</b>
Tier 1 sukuk	23	2,000,000	-
Non – controllable interest		<u>2,700</u>	<u>2,604</u>
<b>Total equity</b>		<b><u>7,911,225</u></b>	<b><u>5,636,712</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>58,662,712</u></b>	<b><u>51,210,056</u></b>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	24	<b><u>17,750,500</u></b>	<b><u>19,507,484</u></b>

  
Managing Director

  
Chief Executive Officer

The attached notes 1 to 31 form part of these interim condensed consolidated financial statements.

# Abu Dhabi Islamic Bank PJSC

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2009 (Unaudited)

*Attributable to the equity holders of the Bank*

	Notes	Share capital AED '000	Convertible islamic sukuk AED '000	Legal reserve AED '000	General reserve AED '000	Retained earnings AED '000	Proposed dividends AED '000	Proposed dividends to charity AED '000	Other reserves AED '000	Total AED '000	Tier 1 Sukuk AED '000	Non- controllable interest AED '000	Total equity AED '000
Balance at 1 January 2009 (audited)		1,970,588	-	1,753,990	309,704	1,117,078	425,631	1,028	56,089	5,634,108	-	2,604	5,636,712
Total comprehensive income		-	-	-	-	698,210	-	-	2,866	701,076	-	96	701,172
Tier 1 sukuk issued to Government of Abu Dhabi	23	-	-	-	-	-	-	-	-	-	2,000,000	-	2,000,000
Dividends paid	28	-	-	-	-	-	(425,631)	-	-	(425,631)	-	-	(425,631)
Dividends paid to charity		-	-	-	-	-	-	(1,028)	-	(1,028)	-	-	(1,028)
Balance at 30 September 2009 (unaudited)		<u>1,970,588</u>	-	<u>1,753,990</u>	<u>309,704</u>	<u>1,815,288</u>	-	-	<u>58,955</u>	<u>5,908,525</u>	<u>2,000,000</u>	<u>2,700</u>	<u>7,911,225</u>
Balance at 1 January 2008 (audited)		1,500,000	2,000,000	224,578	224,578	871,719	300,000	1,028	295,942	5,417,845	-	3,033	5,420,878
Total comprehensive income (expense)		-	-	-	-	736,185	-	-	(163,727)	572,458	-	208	572,666
Islamic sukuk converted to shares		470,588	(470,588)	-	-	-	-	-	-	-	-	-	-
Share premium on conversion of sukuk transferred to legal reserve		-	(1,529,412)	1,529,412	-	-	-	-	-	-	-	-	-
Dividends paid	28	-	-	-	-	(94,118)	(300,000)	-	-	(394,118)	-	-	(394,118)
Dividends paid to charity		-	-	-	-	-	-	(1,028)	-	(1,028)	-	-	(1,028)
Balance at 30 September 2008 (unaudited)		<u>1,970,588</u>	-	<u>1,753,990</u>	<u>224,578</u>	<u>1,513,786</u>	-	-	<u>132,215</u>	<u>5,595,157</u>	-	<u>3,241</u>	<u>5,598,398</u>

The attached notes 1 to 31 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Nine months ended 30 September 2009 (Unaudited)

	<i>Notes</i>	<i>Nine months ended 30 September 2009 AED '000</i>	<i>Nine months ended 30 September 2008 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		701,303	736,673
Adjustments for:			
Depreciation on investment properties		2,799	-
Depreciation on property and equipment		30,176	24,267
Share of results of associates		12,275	23,563
Revaluation of investment through income statement		-	2,837
Gain on sale of investments		(11,639)	(41,121)
Gain on disposal of property and equipment		(49)	(22)
Provision for impairment, net		385,901	307,261
Gain on sale of investment properties		(38,350)	(136,630)
Gain on sale of development properties		-	(19,370)
Operating profit before changes in operating assets and liabilities		<u>1,082,416</u>	897,458
Murabaha and Mudaraba with financial institutions		(859,619)	1,779,667
Murabaha and other Islamic financing		(2,799,900)	(3,835,456)
Ijara financing		(2,645,388)	(4,134,978)
Other assets		(362,147)	(1,687,689)
Due to financial institutions		(699,083)	(520,195)
Depositors' accounts		6,512,449	4,020,690
Other liabilities		<u>411,360</u>	<u>1,011,776</u>
Cash from (used in) operations		640,088	(2,468,727)
Directors' remuneration paid		<u>(3,000)</u>	<u>(3,500)</u>
Net cash from (used in) operating activities		<u>637,088</u>	<u>(2,472,227)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(77,841)	(1,099,711)
Proceeds from sale of investments		277,685	543,763
Investment in associates		51,790	(330,446)
Additions to investment properties	16	(1,468)	(120,570)
Proceeds from sale of investment properties		53,192	510,796
Additions to development properties	17	(109,189)	(104,709)
Proceeds from sale of development properties		-	147,924
Purchase of property and equipment		(75,983)	(44,939)
Proceeds from disposal of property and equipment		<u>286</u>	<u>34,701</u>
Net cash from (used in) investing activities		<u>118,472</u>	<u>(463,191)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of Tier 1			
sukuk to Government of Abu Dhabi	23	2,000,000	-
Dividends paid	28	(425,631)	(394,118)
Dividends to charity paid		<u>(1,028)</u>	<u>(1,028)</u>
Net cash from (used in) financing activities		<u>1,573,341</u>	<u>(395,146)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,328,901</b>	<b>(3,330,564)</b>
Cash and cash equivalents at 1 January		<u>6,714,955</u>	<u>7,943,269</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>25</b>	<b><u>9,043,856</u></b>	<b><u>4,612,705</u></b>

The attached notes 1 to 31 form part of these interim condensed consolidated financial statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2009 (Unaudited)

### 1 ACTIVITIES

Abu Dhabi Islamic Bank PJSC (“the Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates, 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, Wakala, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Sharia’a, which prohibits usury, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its branches in the U.A.E. The interim condensed consolidated financial statements combine the activities of the Bank’s head office, its branches, subsidiaries and associates.

The registered office of the Bank is at P O Box 313, Abu Dhabi, United Arab Emirates (U.A.E).

The interim condensed consolidated financial statements of the Group were authorised for issue by the Management on 28 October 2009.

### 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, instalments 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 currently existing or to be constructed in the future (Forward Lease) for a specific period of time at specified rental instalments. The lease contract could be ended by transferring the ownership of the leased physical asset through an independent mode to the lessee.

#### **Qard Hasan**

A non-bearing profit loan which 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 an 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (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 receivable, 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 receivable, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

**3.2 Accounting convention**

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for investment securities (other than held to maturity investments and certain unquoted investments), which have been measured at fair value.

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

**3.3 Significant judgements and estimates**

The Group makes judgements, estimates and assumptions that affect the reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable on the circumstances. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows in order to determine the level of impairment provisions required by non-performing financing as well as non-trading investments. As estimates are based on judgements, actual results may differ, resulting in future changes in such provisions.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

**3 BASIS OF PREPARATION** continued

**3.4 Basis of consolidation**

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

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			<b>2009</b>	<b>2008</b>
Abu Dhabi Islamic Financial Services LLC	Equity brokerage services	United Arab Emirates	<b>95%</b>	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	<b>100%</b>	100%
ADIB Invest 1	Equity brokerage services	BVI	<b>100%</b>	100%
ADIB Sukuk Company Ltd	Issuance of Sukuk	Cayman Island	<b>100%</b>	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	<b>100%</b>	100%

**4 ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008, except as noted below:

**Shari'a compliant alternatives of derivative financial instruments**

The Bank enters into a Shari'a compliant alternatives of derivative financial instruments to manage the exposure to profit rate risks, including unilateral promise to buy/sell Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

For the purpose of hedge accounting, the Bank classifies hedges into cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognized immediately in the consolidated income statement as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a nonfinancial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a nonfinancial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement and classified as trading revenue/loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

4 ACCOUNTING POLICIES continued

*Cash flow hedges* continued

During the period, the Bank has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in equity) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

The interim condensed consolidated financial statements do not contain all information and disclosures for full 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 2008. In addition, results for the nine months ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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 year end consolidated financial statements are provided in (a) below:

(a) **Financial instruments**

(i) *Classification*

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

*Financial assets or financial liabilities at fair value through profit or loss*

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

*Murabaha, Ijara, Mudaraba and certain other Islamic financing*

Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or determinable payments that 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.

*Held to maturity*

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

*Available for sale*

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

**4 ACCOUNTING POLICIES** continued

**(a) Financial instruments** continued

*(ii) Recognition / De-recognition*

The Group initially recognises financial assets held for trading, financial assets at fair value through profit or loss, financial assets held to maturity and financial assets available for sale on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

*(iii) Offsetting of financial instruments*

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

**(b) Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired.

If such evidence exists, any impairment loss, is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at amortised cost, impairment is based on estimated cash flows discounted at the original effective profit rate.
- (b) For assets carried at fair value, impairment is the difference between cost and fair value.
- (c) For assets carried at cost, impairment is based on the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

4 ACCOUNTING POLICIES continued

(c) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha	377,735	306,332	1,069,302	840,288
Mudaraba	43,654	44,344	130,007	106,459
Ijara	276,232	195,734	786,484	566,041
Istisna'a	<u>6,488</u>	<u>11,690</u>	<u>22,069</u>	<u>26,149</u>
	<u>704,109</u>	<u>558,100</u>	<u>2,007,862</u>	<u>1,538,937</u>

6 INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Dividend income	152	9,841	8,686	25,098
Income from Islamic sukuks	4,447	5,508	16,907	14,518
Income from other investing assets	1,816	6,206	8,755	18,396
Realised gains on sale of available-for sale investments	1,928	10,922	18,225	41,121
Realised losses on sale of trading investments	-	-	(6,586)	-
Unrealised loss on trading investments	-	(2,837)	-	(2,837)
Share of results of associates	<u>(7,503)</u>	<u>(20,086)</u>	<u>(12,275)</u>	<u>(23,563)</u>
	<u>840</u>	<u>9,554</u>	<u>33,712</u>	<u>72,733</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

7 FEES, COMMISSION AND FOREIGN EXCHANGE INCOME, NET

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Trade related fees and commission	10,804	9,101	34,921	25,556
Fees and commission income on cards, net	10,110	7,242	21,757	11,831
Projects and property management fees	6,262	7,030	23,385	22,343
Brokerage fees and commission	5,662	4,714	16,118	16,912
Foreign exchange income	6,455	19,269	30,696	5,343
Other fees and commissions, net	<u>34,006</u>	<u>9,180</u>	<u>39,347</u>	<u>23,547</u>
	<u>73,299</u>	<u>56,536</u>	<u>166,224</u>	<u>105,532</u>

8 PROVISION FOR IMPAIRMENT, NET

	<i>Notes</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Murabaha and other islamic financing	13	141,793	56,026	416,926	185,924
Ijara financing	14	(17,793)	(1,646)	(45,758)	27,185
Investments, net	15	-	-	11,719	(12,240)
Other assets	18	<u>(2,503)</u>	<u>53,195</u>	<u>3,014</u>	<u>106,392</u>
		<u>121,497</u>	<u>107,575</u>	<u>385,901</u>	<u>307,261</u>

9 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Profit for the period attributable to equity holders (AED '000)	239,289	216,464	701,210	736,185
Less: profit attributable to Tier 1 sukuk	<u>(30,000)</u>	-	<u>(55,000)</u>	-
Profit for the period attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)	<u>209,289</u>	<u>216,464</u>	<u>646,210</u>	<u>736,185</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,970,588</u>	<u>1,970,588</u>	<u>1,970,588</u>	<u>1,970,588</u>
Basic and diluted earnings per share (AED)	<u>0.106</u>	<u>0.110</u>	<u>0.328</u>	<u>0.374</u>

As of 30 September 2009, the Bank has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**10 CASH AND BALANCES WITH CENTRAL BANK**

	<i>30 September 2008 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Cash on hand	385,323	298,246
Balances with UAE Central Bank		
- Current accounts	251,186	2,865
- Reserve requirements	<u>2,886,715</u>	<u>2,522,840</u>
	<u>3,523,224</u>	<u>2,823,951</u>

The reserve requirements are kept with Central Bank of UAE in UAE Dirham and US Dollar. These reserves are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes every month in accordance with requirements of the Central Bank's directives.

**11 BALANCES AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	1,166,556	1,173,535
Outside UAE	<u>553,888</u>	<u>169,702</u>
	<u>1,720,444</u>	<u>1,343,237</u>

**12 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS**

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	7,658,092	4,841,274
Outside UAE	<u>961,094</u>	<u>2,712,455</u>
	<u>8,619,186</u>	<u>7,553,729</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

13 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>30 September</i> <i>2009</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED '000</i>
Murabaha	20,693,457	17,395,976
Mudaraba	3,330,372	3,170,509
Islamic covered cards	2,937,086	1,797,443
Istisna'a	308,092	328,667
Other financing receivables	<u>105,567</u>	<u>136,845</u>
<b>Total Murabaha and other Islamic financing</b>	<b>27,374,574</b>	<b>22,829,440</b>
Less: deferred income	<u>(5,827,212)</u>	<u>(4,081,500)</u>
	<b>21,547,362</b>	<b>18,747,940</b>
Less: provision for impairment	<u>(826,070)</u>	<u>(409,622)</u>
	<b><u>20,721,292</u></b>	<b><u>18,338,318</u></b>

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

At the beginning of the period	409,622	332,966
Charge for the period (note 8)	416,926	77,428
Written off during the period	<u>(478)</u>	<u>(772)</u>
At the end of the period	<b><u>826,070</u></b>	<b><u>409,622</u></b>

The distribution of the gross murabaha and other islamic financing by geographic region is as follows:

Within UAE	20,618,483	17,917,283
Outside UAE	<u>928,879</u>	<u>830,657</u>
	<b><u>21,547,362</u></b>	<b><u>18,747,940</u></b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

14 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 lease agreements stipulate that the lessor undertakes to transfer the leased assets to the lessee upon receiving the final rental payment.

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
The future lease receivable payments in the aggregate are as follows:		
Due within one year	1,548,066	1,182,879
Due in the second to fifth year	5,980,821	6,555,904
Due after five years	<u>11,151,059</u>	<u>8,301,049</u>
Total ijara financing	18,679,946	16,039,832
Less: deferred income	<u>(14,780)</u>	<u>(19,880)</u>
	18,665,166	16,019,952
Less: provision for impairment	<u>(133,722)</u>	<u>(179,654)</u>
Net value of minimum lease payments receivable	<u>18,531,444</u>	<u>15,840,298</u>
The movement in the provision for impairment during the period was as follows:		
At the beginning of the period	179,654	20,889
Charge (reversal) for the period (note 8)	(45,758)	158,765
Written off during the period	<u>(174)</u>	<u>-</u>
At the end of the period	<u>133,722</u>	<u>179,654</u>
The distribution of the gross ijara financing by geographic region is as follows:		
Within UAE	17,662,824	15,031,420
Outside UAE	<u>1,002,342</u>	<u>988,532</u>
	<u>18,665,166</u>	<u>16,019,952</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

15 INVESTMENTS

	<i>30 September</i> <i>2009</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED '000</i>
<b>Trading Investments</b>		
Equities – Quoted	<u>-</u>	<u>13,370</u>
<b>Non-trading Investments</b>		
<i>Available-for-sale at fair value</i>		
<i>Quoted Investments</i>		
Equities	5,158	213,062
Sukuks	<u>356,140</u>	<u>347,216</u>
	361,298	560,278
Less: provision for impaired investments	<u>(7,446)</u>	<u>(125,065)</u>
	<u>353,852</u>	<u>435,213</u>
<i>Unquoted investments</i>		
Funds	233,330	207,872
Private equities	549,405	561,093
Musharaka	57,700	57,700
Less: provision for impaired investments	<u>(4,414)</u>	<u>(4,414)</u>
	<u>836,021</u>	<u>822,251</u>
<b>Total non-trading investments</b>	<u>1,189,873</u>	<u>1,257,464</u>
<i>Held to maturity investments</i>		
Sukuk	6,437	-
Forfeiting deals	<u>-</u>	<u>121,825</u>
	<u>6,437</u>	<u>121,825</u>
	<u>1,196,310</u>	<u>1,392,659</u>

All unquoted available-for-sale equities are recorded at their fair values except for investments amounting to AED 323,401 thousand (31 December 2008: AED 355,670 thousand) which are recorded at cost since their fair values cannot be reliably estimated. There is no active market for these investments and the Group intends to hold them for the long term.

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

	<i>30 September</i> <i>2009</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED '000</i>
At the beginning of the period	129,479	16,654
Charge for the period, net (note 8)	11,719	112,825
Reversal of provision	<u>(129,338)</u>	<u>-</u>
At the end of the period	<u>11,860</u>	<u>129,479</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

**15 INVESTMENTS** continued

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

	<i>30 September</i> 2009 AED '000	<i>Audited</i> 31 December 2008 AED '000
Within UAE	743,335	849,613
Outside UAE	<u>464,835</u>	<u>672,525</u>
	<u>1,208,170</u>	<u>1,522,138</u>

**16 INVESTMENT PROPERTIES**

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

	<i>30 September</i> 2009 AED '000	<i>Audited</i> 31 December 2008 AED '000
<b>Cost:</b>		
Balance at the beginning of the period	224,963	910,876
Additions during the period	1,468	95,798
Transfer from other assets	15,197	-
Transfer to development properties	-	(407,486)
Disposals during the period	<u>(14,842)</u>	<u>(374,225)</u>
Balance at end of the period	<u>226,786</u>	<u>224,963</u>
<b>Accumulated depreciation:</b>		
Balance at the beginning of the period	4,748	-
Charge for the period	<u>2,799</u>	<u>4,748</u>
Balance at the end of the period	<u>7,547</u>	<u>4,748</u>
Net book value at the end of the period	<u>219,239</u>	<u>220,215</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 3,825 thousand (2008: AED 5,792 thousand), for the nine months period ended 30 September 2009.

Investment properties include land amounting to AED 36,815 thousand (31 December 2008: AED 36,815 thousand) pertaining to a subsidiary of the Bank.

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

Within UAE	210,682	211,853
Outside UAE	<u>8,557</u>	<u>8,362</u>
	<u>219,239</u>	<u>220,215</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

**17 DEVELOPMENT PROPERTIES**

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

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Balance at the beginning of the period	688,623	301,214
Additions during the period	109,189	108,476
Transfers from investment properties	-	407,486
Disposals during the period	<u>-</u>	<u>(128,553)</u>
Balance at the end of the period	<u>797,812</u>	<u>688,623</u>

The above balance includes land amounting to AED 670,578 thousand (31 December 2008: AED 670,578 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in UAE region.

**18 OTHER ASSETS**

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Advances against purchase of investment and development properties	1,208,977	959,249
Trade receivables	529,276	628,245
Cheques for collection	71,195	128,904
Prepaid expenses	105,823	65,154
Income receivable	18,587	9,365
Advance to contractors	39,269	16,871
Advance for investment	106,392	106,392
Others	<u>264,536</u>	<u>86,973</u>
	2,344,055	2,001,153
Less: provision for impairment	<u>(113,525)</u>	<u>(110,762)</u>
	<u>2,230,530</u>	<u>1,890,391</u>

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

At the beginning of the period	110,762	100
Charge for the period, net	5,517	110,662
Reversal of provision (note 8)	(2,503)	-
Written off during the period	<u>(251)</u>	<u>-</u>
At the end of the period	<u>113,525</u>	<u>110,762</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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19 DUE TO FINANCIAL INSTITUTIONS

	<i>30 September</i> <i>2009</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED '000</i>
Within UAE	567,306	1,719,820
Outside UAE	<u>1,262,796</u>	<u>1,855,948</u>
	<u><b>1,830,102</b></u>	<u><b>3,575,768</b></u>

20 DEPOSITORS' ACCOUNTS

	<i>30 September</i> <i>2009</i> <i>AED '000</i>	<i>Audited</i> <i>31 December</i> <i>2008</i> <i>AED '000</i>
<i>By type:</i>		
Current accounts	10,543,046	9,108,168
Saving accounts	6,193,723	4,465,638
Investment deposits	27,212,401	23,912,440
Profit equalisation provision	<u>49,525</u>	<u>-</u>
	<u><b>43,998,695</b></u>	<u><b>37,486,246</b></u>
<i>By geographic region:</i>		
Within UAE	43,535,236	37,245,336
Outside UAE	<u>463,459</u>	<u>240,910</u>
	<u><b>43,998,695</b></u>	<u><b>37,486,246</b></u>

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

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

As of 30 September 2009, depositors' accounts also include deposits of AED 2,207,408 thousand (31 December 2008: AED 2,207,408 thousand) placed by the U.A.E. Federal Government for a period of 3 - 5 years which are subject to the Bank meeting certain minimum capital ratios and other Central Bank compliance requirements. In the Extraordinary General Meeting held on 22 March 2009, the shareholders approved to convert these deposits into a Tier 2 capital instrument to be issued to the U.A.E. Federal Government. The Bank is in the process of finalizing the formalities for conversion of these deposits to a capital instrument which is eligible for inclusion as Tier 2 capital for capital adequacy purposes.

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2009 (Unaudited)

### 21 SHARE CAPITAL

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Authorised, issued and fully paid 1,970,588 thousand (31 December 2008: 1,970,588 thousand) ordinary shares of AED 1 each (31 December 2008: AED 1 each)	<u><b>1,970,588</b></u>	<u><b>1,970,588</b></u>

### 22 OTHER RESERVES

	<i>Cumulative changes in fair values AED '000</i>	<i>Revaluation reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Hedging reserves AED '000</i>	<i>Total AED '000</i>
At 1 January 2009 (audited)	<b>(91,366)</b>	<b>129,239</b>	<b>18,216</b>	-	<b>56,089</b>
Realised gains on available-for-sale investments, net	<b>(9,324)</b>	-	-	-	<b>(9,324)</b>
Net movement in fair values of available-for-sale investments	<b>12,896</b>	-	-	-	<b>12,896</b>
Net movement in foreign currency translation reserve	-	-	<b>3,091</b>	-	<b>3,091</b>
Fair value loss on cash flow hedge, net	<u>-</u>	<u>-</u>	<u>-</u>	<b>(3,797)</b>	<b>(3,797)</b>
At 30 September 2009 (unaudited)	<u><b>(87,794)</b></u>	<u><b>129,239</b></u>	<u><b>21,307</b></u>	<u><b>(3,797)</b></u>	<u><b>58,955</b></u>
At 1 January 2008 (audited)	166,703	129,239	-	-	295,942
Realised gains on available-for-sale investments, net	(41,121)	-	-	-	(41,121)
Net movement in fair values of available-for-sale investments	(142,170)	-	-	-	(142,170)
Net movement in foreign currency translation reserve	<u>-</u>	<u>-</u>	<b>19,564</b>	<u>-</u>	<b>19,564</b>
At 30 September 2008 (unaudited)	<u><b>(16,588)</b></u>	<u><b>129,239</b></u>	<u><b>19,564</b></u>	<u>-</u>	<u><b>132,215</b></u>

### 23 TIER 1 SUKUK

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

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

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**24 CONTINGENT LIABILITIES AND COMMITMENTS**

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

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

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

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

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
<b>Contingent Liabilities</b>		
Letters of credit	1,411,589	1,364,737
Letters of guarantee	8,773,951	7,957,074
Acceptances	<u>105,905</u>	<u>132,174</u>
	<b>10,291,445</b>	<b>9,453,985</b>
<b>Commitments</b>		
Irrevocable undrawn facilities commitments	7,021,580	9,564,912
Buy back commitments	352,415	352,415
Commitment for future capital expenditure	<u>85,060</u>	<u>136,172</u>
	<b>7,459,055</b>	<b>10,053,499</b>
	<b>17,750,500</b>	<b>19,507,484</b>

**25 CASH AND CASH EQUIVALENTS**

Cash and cash equivalent included in the interim consolidated statement of cash flow comprise the following interim consolidated statement of financial position amounts:

	<i>30 September 2009 AED '000</i>	<i>30 September 2008 AED '000</i>
Cash and balances with Central Bank	3,523,224	2,553,167
Balances and deposits with banks and other financial institutions	1,720,444	1,607,989
Murabaha and Mudaraba with financial institutions, short term	5,178,487	4,109,521
Due to financial institutions, short term	<u>(1,378,299)</u>	<u>(3,657,972)</u>
	<b>9,043,856</b>	<b>4,612,705</b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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25 CASH AND CASH EQUIVALENTS continued

	<i>30 September 2009 AED '000</i>	<i>30 September 2008 AED '000</i>
The following significant non-cash transactions have been excluded from statement of cash flow:		
Transfer from other assets to investments properties	<u>15,197</u>	<u>—</u>
Transfer from investment properties to development properties, net (notes 16 and 17)	<u>—</u>	<u>407,486</u>

26 OPERATING SEGMENT

A segment represents a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from other segments.

**Primary segment information**

For management purposes, the Bank is organised into six major business segments:

Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahas, Ijarah, 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 – Principally handling the acquisition, leasing, brokerage, management and resale of properties carried out by the Bank.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2009 (Unaudited)

26 OPERATING SEGMENT continued

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

	<i>Retail banking</i> AED '000	<i>Wholesale banking</i> AED '000	<i>Private banking</i> AED '000	<i>Capital markets</i> AED '000	<i>Real estate</i> AED '000	<i>Other operations</i> AED '000	<i>Total</i> AED '000
<b>Revenue and results</b>							
Operating income	1,098,634	748,573	311,401	352,558	23,438	3,256	2,537,860
Other operating expenses	(293,367)	(36,206)	(9,904)	(23,179)	(65,255)	(271,792)	(699,703)
Provision for impairment	<u>(72,697)</u>	<u>(294,675)</u>	<u>(3,796)</u>	<u>(13,530)</u>	<u>(1,203)</u>	-	<u>(385,901)</u>
Profit from operations	732,570	417,692	297,701	315,849	(43,020)	(268,536)	1,452,256
Profit distribution to depositors and sukuk holders	<u>(124,975)</u>	<u>(219,548)</u>	<u>(129,217)</u>	<u>(277,213)</u>	-	-	<u>(750,953)</u>
Profit for the period before non-controllable interest	<u>607,595</u>	<u>198,144</u>	<u>168,484</u>	<u>38,636</u>	<u>(43,020)</u>	<u>(268,536)</u>	<u>701,303</u>
Non-controllable interest	-	-	-	(93)	-	-	(93)
Profit for the period attributable to equity holders of the Bank	<u>607,595</u>	<u>198,144</u>	<u>168,484</u>	<u>38,543</u>	<u>(43,020)</u>	<u>(268,536)</u>	<u>701,210</u>
<b>Assets and liabilities</b>							
<b>Assets</b>							
Segmental assets	<u>18,565,037</u>	<u>15,082,991</u>	<u>6,879,407</u>	<u>14,140,478</u>	<u>3,157,881</u>	<u>836,918</u>	<u>58,662,712</u>
<b>Liabilities</b>							
Segmental liabilities	<u>17,108,812</u>	<u>12,765,929</u>	<u>6,471,836</u>	<u>13,346,349</u>	<u>627,143</u>	<u>431,418</u>	<u>50,751,487</u>

Business segments information for the period ended 30 September 2008 were as follows:

	<i>Retail and commercial banking</i> AED '000	<i>Corporate banking</i> AED '000	<i>Investment and treasury</i> AED '000	<i>Other operations</i> AED '000	<i>Total</i> AED '000
<b>Revenue and results</b>					
Operating income	734,529	701,000	733,559	115,077	2,284,165
Unallocated costs					(948,729)
Profit from operations					1,335,436
Profit distribution to depositors and sukuk holders					(598,763)
Profit for the period before non-controllable interest					736,673
Non-controllable interest					(488)
Profit for the period attributable to equity holders of the Bank					<u>736,185</u>
<b>Assets and liabilities</b>					
<b>Assets</b>					
Segmental assets	16,394,440	15,695,827	16,405,413	-	48,495,680
Unallocated assets					619,306
Total assets					<u>49,114,986</u>
<b>Liabilities</b>					
Segmental liabilities	15,103,953	16,764,038	10,294,686	-	42,162,677
Unallocated liabilities					1,353,911
Total liabilities					<u>43,516,588</u>

Segmental information for the period ended 30 September 2008 in conformity with the Group's presentation for the period ended 30 September 2009 was not readily available for disclosure purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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27 RELATED PARTIES TRANSACTIONS

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

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

30 September 2009

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Income from Murabaha and Mudaraba with financial Institutions, net	<u>-</u>	<u>-</u>	<u>596</u>	<u>596</u>
Income from Murabaha, Mudaraba, Ijara and other Islamic financing, net	<u>103,565</u>	<u>289</u>	<u>62,433</u>	<u>166,287</u>
Investment income	<u>-</u>	<u>-</u>	<u>(12,275)</u>	<u>(12,275)</u>
Fees, commission and foreign exchange income, net	<u>-</u>	<u>-</u>	<u>73</u>	<u>73</u>
Operating expenses	<u>-</u>	<u>311</u>	<u>-</u>	<u>311</u>
Distribution to depositors and sukuk holders	<u>1,148</u>	<u>50</u>	<u>1,334</u>	<u>2,532</u>

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<i>Due from:</i>				
Balances and deposits with banks and other financial institutions	-	-	26,951	26,951
Murabaha, Mudaraba, Ijara and other islamic financing	2,277,030	7,510	1,365,317	3,649,857
Other assets	<u>-</u>	<u>-</u>	<u>1,872</u>	<u>1,872</u>
	<u>2,277,030</u>	<u>7,510</u>	<u>1,394,140</u>	<u>3,678,680</u>
<i>Due to:</i>				
Due to financial institutions	-	-	3,937	3,937
Depositors' accounts	33	5,130	111,289	116,452
Other liabilities	<u>3</u>	<u>-</u>	<u>227</u>	<u>230</u>
	<u>36</u>	<u>5,130</u>	<u>115,453</u>	<u>120,619</u>
Irrevocable undrawn facilities commitments	<u>-</u>	<u>615</u>	<u>175,067</u>	<u>175,682</u>

# Abu Dhabi Islamic Bank PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2009 (Unaudited)

### 27 RELATED PARTIES TRANSACTIONS continued

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

30 September 2008

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
Income from Murabaha and Mudaraba with financial Institution, net	-	-	57	57
Income from Murabaha, Mudaraba, Ijara and other Islamic financing, net	76,806	84	37,657	114,547
Investment income	-	-	(23,563)	(23,563)
Fees, commission and foreign exchange income, net	3,333	-	-	3,333
Operating expenses	-	384	-	384
Distribution to depositors and sukuk holders	99	24	1,206	1,329

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

31 December 2008 (audited)

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
<i>Due from:</i>				
Balances and deposits with banks and other financial institutions	-	-	25,891	25,891
Murabaha, Mudaraba, Ijara and other Islamic financing	2,198,141	-	1,150,311	3,348,452
Other assets	-	-	16,403	16,403
	<u>2,198,141</u>	<u>-</u>	<u>1,192,605</u>	<u>3,390,746</u>
<i>Due to:</i>				
Due to financial institutions	-	-	28,704	28,704
Depositors' accounts	3,685	2,415	168,481	174,581
	<u>3,685</u>	<u>2,415</u>	<u>197,185</u>	<u>203,285</u>
Irrevocable undrawn facilities commitments	-	5,465	390,984	396,449

### Compensation of key management personnel

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

	<i>Nine months ended 30 September 2009 AED '000</i>	<i>Nine months ended 30 September 2008 AED '000</i>
Salaries and other benefits	29,468	15,475
Employees' end of service benefits	2,621	1,462
	<u>32,089</u>	<u>16,937</u>
Board of Directors' remuneration	<u>3,000</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**28 DIVIDENDS**

A cash dividend of 21.6% (2008: 20%) of the paid up capital amounting to AED 425,631 thousand (2008: AED 394,118 thousand) was approved by the shareholders in the Annual General Meeting held on 22 March 2009 and paid during the quarter ended 30 June 2009.

**29 CAPITAL ADEQUACY RATIO**

The Group and its individually regulated operations have complied with all externally imposed requirements throughout the period.

The table below shows the composition of regulatory capital and the ratios of the Group for the periods ended 30 September 2009 and 31 December 2008. During those two periods, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject:

	<i>30 September 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
<b><i>Tier 1 Capital</i></b>		
Share capital	1,970,588	1,970,588
Legal reserve	1,753,990	1,753,990
General reserve	309,704	309,704
Retained earnings	1,815,288	1,117,078
Proposed dividends	-	425,631
Proposed dividends to charity	-	1,028
Tier 1 sukuk	2,000,000	-
Non-controllable interest	<u>2,700</u>	<u>2,604</u>
<b>Total</b>	<b><u>7,852,270</u></b>	<b><u>5,580,623</u></b>
<b><i>Tier 2 Capital</i></b>		
Cumulative changes in fair value	<u>(87,794)</u>	<u>(91,366)</u>
<b>Total Tier 1 and Tier 2 capital</b>	<b><u>7,764,476</u></b>	<b><u>5,489,257</u></b>
Deductions for Tier 1 and Tier 2 capital	<u>(736,112)</u>	<u>(797,086)</u>
<b>Total capital base</b>	<b><u>7,028,364</u></b>	<b><u>4,692,171</u></b>
<b><i>Risk weighted assets</i></b>		
On balance sheet	44,262,260	38,940,600
Off balance sheet	<u>1,131,775</u>	<u>678,572</u>
<b>Total risk weighted assets</b>	<b><u>45,394,035</u></b>	<b><u>39,619,172</u></b>
<b><i>Capital ratio</i></b>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>15.48%</u>	<u>11.84%</u>

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**30 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.

**31 COMPARATIVE FIGURES**

The comparative figures were reclassified to conform to the current period presentation. Such reclassifications as discussed below have no effect on the previously reported profit or equity of the Group.

- Amount included in the Investment and other income of AED 224,481 thousand has been re-classified and shown separately in the consolidated income statement as income from investment properties.
- Amount included in the Investment and other income of AED 41,907 thousand has been re-classified and shown separately in the consolidated income statement as investment income.
- Amount included in the Investment and other income of AED 19,370 thousand has been re-classified and shown separately in the consolidated income statement as income from development properties.
- An amount of AED 2,707 thousand from Investment and other income has been re-classified and shown separately in the consolidated income statement as other income.
- An amount of AED 30,826 thousand has been re-classified from gain from sale of investments to investment income in the consolidated income statement.