

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2011 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011 (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 31 March 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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

26 April 2011
Abu Dhabi

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Three months ended 31 March 2011 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
OPERATING INCOME			
Income from murabaha, mudaraba and wakala with financial institutions		35,585	55,333
Income from murabaha, mudaraba, ijara and other Islamic financing	5	890,176	753,863
Investment income	6	23,644	10,671
Share of results of associates		1,962	7,371
Fees and commission income, net	7	111,187	56,104
Foreign exchange income		209	11,296
Income from investment properties	8	625	1,285
Income from development properties	9	2,820	21,833
Other income		<u>2,365</u>	<u>522</u>
		<u>1,068,573</u>	<u>918,278</u>
OPERATING EXPENSES			
Employees' costs	10	(216,006)	(174,099)
General and administrative expenses	11	(107,891)	(89,568)
Depreciation		(20,831)	(18,467)
Provision for impairment, net	12	<u>(159,554)</u>	<u>(105,182)</u>
		<u>(504,282)</u>	<u>(387,316)</u>
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS			
		564,291	530,962
Distribution to depositors and sukuk holders	13	<u>(261,076)</u>	<u>(237,623)</u>
PROFIT FOR THE PERIOD			
		<u>303,215</u>	<u>293,339</u>
Attributable to:			
Equity holders of the Bank		303,151	293,267
Non-controlling interest		<u>64</u>	<u>72</u>
		<u>303,215</u>	<u>293,339</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	14	<u>0.116</u>	<u>0.111</u>

The attached notes 1 to 41 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2011 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
PROFIT FOR THE PERIOD		303,215	293,339
Other comprehensive (loss) income			
Net realised gain on sale of available-for-sale investments	31	(1,632)	-
Net (loss) gain on valuation of available-for-sale investments	31	(15,630)	55,306
Exchange differences arising on translation of foreign operations	31	5,286	(5,159)
Gain on hedge of foreign operations	31	(5,286)	-
Fair value gain (loss) on cash flow hedge	31	<u>166</u>	<u>(2,282)</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		<u>(17,096)</u>	<u>47,865</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>286,119</u>	<u>341,204</u>
Attributable to:			
Equity holders of the Bank		286,055	341,132
Non-controlling interest		<u>64</u>	<u>72</u>
		<u>286,119</u>	<u>341,204</u>

The attached notes 1 to 41 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011 (Unaudited)

		<i>31 March</i>	<i>Audited</i>
		<i>2011</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED '000</i>	<i>2010</i>
		<i>AED '000</i>	<i>AED '000</i>
ASSETS			
Cash and balances with central banks	15	5,995,384	5,400,335
Balances and wakala deposits with			
Islamic banks and other financial institutions	16	2,200,170	2,906,382
Murabaha and mudaraba with financial institutions	17	9,002,708	12,823,542
Murabaha and other Islamic financing	18	22,592,749	22,682,521
Ijara financing	19	25,541,142	25,270,071
Investments	20	1,373,336	1,639,414
Investment in associates	21	844,443	837,195
Investment properties	22	194,864	191,654
Development properties	23	1,051,501	1,050,445
Other assets	24	2,078,510	1,870,072
Property and equipment		<u>574,023</u>	<u>585,887</u>
TOTAL ASSETS		<u>71,448,830</u>	<u>75,257,518</u>
LIABILITIES			
Due to financial institutions	25	1,129,183	891,390
Depositors' accounts	26	51,911,801	56,517,045
Other liabilities	27	2,715,277	2,091,500
Tier 2 wakala capital	28	2,207,408	2,207,408
Sukuk financing instruments	29	<u>5,606,989</u>	<u>5,439,523</u>
Total liabilities		<u>63,570,658</u>	<u>67,146,866</u>
EQUITY			
Share capital	30	2,364,706	2,364,706
Legal reserve		1,754,899	1,754,899
General reserve		443,182	443,182
Retained earnings		1,287,220	984,069
Proposed dividends	39	-	511,783
Proposed dividends to charity		-	6,816
Other reserves	31	<u>25,026</u>	<u>42,122</u>
Equity attributable to the equity holders of the Bank		5,875,033	6,107,577
Tier 1 sukuk	32	2,000,000	2,000,000
Non-controlling interest		<u>3,139</u>	<u>3,075</u>
Total equity		<u>7,878,172</u>	<u>8,110,652</u>
TOTAL LIABILITIES AND EQUITY		<u>71,448,830</u>	<u>75,257,518</u>
CONTINGENT LIABILITIES AND COMMITMENTS	33	<u>14,397,170</u>	<u>12,156,042</u>


 Vice Chairman


 Chief Executive Officer

The attached notes 1 to 41 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2011 (Unaudited)

Note	Attributable to the equity holders of the Bank										Total equity AED '000
	Share capital 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-controlling interest AED '000	
Balance at 1 January 2011 (audited)	2,364,706	1,754,899	443,182	984,069	511,783	6,816	42,122	6,107,577	2,000,000	3,075	8,110,652
Total comprehensive income (loss)	-	-	-	303,151	-	-	(17,096)	286,055	-	64	286,119
Dividends paid	39	-	-	-	(511,783)	-	-	(511,783)	-	-	(511,783)
Dividends paid to charity	-	-	-	-	-	(6,816)	-	(6,816)	-	-	(6,816)
Balance at 31 March 2011 (unaudited)	<u>2,364,706</u>	<u>1,754,899</u>	<u>443,182</u>	<u>1,287,220</u>	<u>---</u>	<u>---</u>	<u>25,026</u>	<u>5,875,033</u>	<u>2,000,000</u>	<u>3,139</u>	<u>7,878,172</u>
Balance at 1 January 2010 (audited)	1,970,588	1,754,475	321,297	724,632	394,118	1,028	(24,457)	5,141,681	2,000,000	2,855	7,144,536
Total comprehensive income	-	-	-	293,267	-	-	47,865	341,132	-	72	341,204
Balance at 31 March 2010 (unaudited)	<u>1,970,588</u>	<u>1,754,475</u>	<u>321,297</u>	<u>1,017,899</u>	<u>394,118</u>	<u>1,028</u>	<u>23,408</u>	<u>5,482,813</u>	<u>2,000,000</u>	<u>2,927</u>	<u>7,485,740</u>

The attached notes 1 to 41 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2011 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period		303,215	293,339
Adjustments for:			
Depreciation on investment properties	22	806	805
Depreciation on property and equipment		20,025	17,662
Share of results of associates		(1,962)	(7,371)
Dividend income	6	(10)	(846)
Realised gain on sale of available-for-sale investments	6	(1,632)	(21)
Realised gain on sale of held for trading investments	6	(4,330)	(1,500)
Unrealised loss (gain) on held for trading investments	6	1,578	(273)
Gain on disposal of property and equipment		-	(17)
Provision for impairment, net	12	159,554	105,182
Gain on sale of development properties	9	(4,570)	(36,152)
Operating profit before changes in operating assets and liabilities		<u>472,674</u>	370,808
Purchase of certificate of deposits		(351,422)	-
Increase in balances and wakala deposits with Islamic banks and other financial institutions		(69,316)	(158,545)
Decrease in murabaha and mudaraba with financial institutions		1,184,729	941,668
Decrease (increase) in murabaha and other Islamic financing		31,771	(432,084)
Increase in ijara financing		(366,845)	(1,135,656)
Purchase of held for trading investments		(592,648)	(269,222)
Proceeds from sale of held for trading investments		696,595	204,659
(Increase) decrease in other assets		(217,003)	167,130
Decrease in due to financial institutions		(390,467)	(371,369)
(Decrease) increase in depositors' accounts		(4,610,530)	1,714,866
Increase in other liabilities		<u>105,419</u>	<u>102,034</u>
Net cash (used in) from operating activities		<u>(4,107,043)</u>	<u>1,134,289</u>
INVESTING ACTIVITIES			
Dividend received		10	846
Purchase of available-for-sale investments		-	(63,240)
Proceeds from sale of available-for-sale investments		149,253	14,191
Additions to investment properties		-	(1)
Additions to development properties	23	(11,248)	(31,865)
Proceeds from sale of development properties		10,746	82,963
Purchase of property and equipment		(8,161)	(84,940)
Proceeds from disposal of property and equipment		<u>-</u>	<u>17</u>
Net cash from (used in) investing activities		<u>140,600</u>	<u>(82,029)</u>
FINANCING ACTIVITIES			
Dividends paid		(75)	(623)
Proceeds from disposal of sukuk repurchased (second issue)		<u>167,466</u>	<u>-</u>
Net cash from (used in) financing activities		<u>167,391</u>	<u>(623)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,799,052)	1,051,637
Cash and cash equivalents at 1 January		<u>15,955,903</u>	<u>10,655,313</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	34	<u>12,156,851</u>	<u>11,706,950</u>
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		<u>851,369</u>	<u>799,945</u>
Profit paid to depositors and sukuk holders	13	<u>61,027</u>	<u>58,556</u>

The attached notes 1 to 41 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (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, 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 66 branches in the UAE. The interim condensed consolidated financial statements combine the activities of the Bank’s head office, its branches, subsidiaries and its associates.

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

The interim condensed consolidated financial statements of the Group were authorised for issued by the Board of Directors on 26 April 2011.

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
31 March 2011 (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 Financial Reporting Standards ("IFRS"), general principles of the Shari'a as determined by the Group's Fatwa and Shari'a Supervisory Board and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended).

3.1.b Accounting convention

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for held for trading investments, available-for-sale investments, Shari'a compliant alternatives of derivative financial instruments which have been measured at fair value and land which has been carried at re-valued amount.

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

3.1.c Basis of consolidation

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

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			2011	2010
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	95%	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	100%	100%
ADIB Invest 1	Equity brokerage services	BVI	100%	100%
ADIB Sukuk Company Ltd*	Special purpose vehicle	Cayman Island	-	-
Kawader Services Company LLC	Manpower supply	United Arab Emirates	100%	100%

*The Bank does not have any direct holding in ADIB Sukuk Company Ltd and is considered to be a subsidiary by virtue of control.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

3 BASIS OF PREPARATION continued

3.1.c Basis of consolidation continued

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

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

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

3.2 Standards issued but not yet effective

The following new standards / amendments to standards which were issued and are not yet effective for the period ended 31 March 2011 have not been applied while preparing these interim condensed consolidated financial statements:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

3 BASIS OF PREPARATION continued

3.3 Significant judgements and estimates

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

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial periods. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows in order to estimate the level of impairment provision required for non-performing financing as well as for non-trading investments. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

In preparing these interim condensed consolidated financial statements, the significant 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 2010 except as noted below:

Property and equipment

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. During the period, management has revised the estimated useful life of buildings to 25 years from 20 years. The effect of change in estimated life is accounted for on a prospective basis and resulted in decrease in depreciation charge by AED 139 thousand for three months period ended 31 March 2011.

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 2010, except as noted below:

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in consolidated statement of comprehensive income within foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement on the disposal of the foreign operations.

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 2010. In addition, results for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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:

4 ACCOUNTING POLICIES continued

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.

Financial assets or financial liabilities at amortised cost

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murabaha, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected 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 less provisions for impairment and deferred or expected profits.

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

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

Other Islamic financing are stated at amortised cost less any provisions for impairment and deferred income.

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

Held to maturity

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

Available-for-sale

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

4 ACCOUNTING POLICIES continued

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) Measurement

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

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

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

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

(iv) Fair value measurement principles

For investments quoted in active market, fair value is determined by reference to quoted market prices. The fair values of investments in funds or similar investment vehicles are based on the last net asset value published by the fund manager. 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 transactions
- option pricing models

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

(v) Offsetting of financial instruments

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

4 ACCOUNTING POLICIES continued

Financial instruments continued

(vi) Impairment of financial assets

Customer financing

The recoverable amount of customer financing is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective profit rate. Short-term balances are not discounted. Financing is presented net of impairment allowances. Specific allowances are made against the carrying amount of financing that are identified as being impaired, based on regular reviews of outstanding balances to reduce these financing to their recoverable amounts. Portfolio allowances are maintained to reduce the carrying amount of portfolios of similar financing to their estimated recoverable amounts at the statement of financial position date. Changes in the allowance account are recognized in the consolidated income statement. When a financing is known to be irrecoverable, and all the necessary legal procedures have been completed, the final loss is determined and the financing is written off.

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

Held to maturity investments

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

Available-for-sale investments

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

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

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Vehicle murabaha	150,850	150,476
Goods murabaha	54,785	82,517
Share murabaha	166,711	97,052
Commodities murabaha – Al Khair	64,699	52,275
Other murabaha	<u>10,011</u>	<u>8,350</u>
Total murabaha	447,056	390,670
Mudaraba	38,625	30,285
Ijara	355,322	291,015
Islamic covered cards	43,211	35,568
Istisna'a	<u>5,962</u>	<u>6,325</u>
	<u>890,176</u>	<u>753,863</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

6 INVESTMENT INCOME

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Income from Islamic sukuk	13,080	5,634
Income from other investment assets	6,170	2,397
Dividend income	10	846
Realised gain on sale of available-of-sale investments	1,632	21
Realised gain on sale of held for trading investments	4,330	1,500
Unrealised (loss) gain on held for trading investments	<u>(1,578)</u>	<u>273</u>
	<u>23,644</u>	<u>10,671</u>

7 FEES AND COMMISSION INCOME, NET

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Fees and commission income:		
Fees and commission income on cards	45,168	24,738
Trade related fees and commission	18,652	14,870
Accounts services fees	23,985	11,841
Projects and property management fees	9,301	7,564
Risk participation and arrangement fees	13,462	730
Brokerage fees and commission	4,023	5,059
Other fees and commissions	<u>20,403</u>	<u>10,776</u>
Total fees and commission income	<u>134,994</u>	<u>75,578</u>
Fees and commission expenses:		
Card related expenses	(17,896)	(8,666)
Other fees and commission expenses	<u>(5,911)</u>	<u>(10,808)</u>
Total fees and commission expenses	<u>(23,807)</u>	<u>(19,474)</u>
Fees and commission income, net	<u>111,187</u>	<u>56,104</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011 (Unaudited)

8 INCOME FROM INVESTMENT PROPERTIES

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Rental income	<u>625</u>	<u>1,285</u>

9 INCOME FROM DEVELOPMENT PROPERTIES

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Revenue from sale of development properties	10,746	82,963
Less: cost of properties sold	<u>(6,176)</u>	<u>(46,811)</u>
Gain on sale of development properties	4,570	36,152
Provision for rent guarantee	<u>(1,750)</u>	<u>(14,319)</u>
	<u>2,820</u>	<u>21,833</u>

Provision for rent guarantee represents provision against the minimum rental income guaranteed by a subsidiary of the Bank to the buyers of properties at the time of sale. Rent guarantee is computed as the difference between guaranteed and expected rent as of the reporting date.

10 EMPLOYEES' COSTS

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Salaries and wages	197,788	156,732
End of service benefits	11,706	12,137
Other staff expenses	<u>6,512</u>	<u>5,230</u>
	<u>216,006</u>	<u>174,099</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

11 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Legal and professional expenses	21,973	15,839
Premises expenses	30,221	25,613
Marketing and advertising expenses	24,787	21,220
Communication expenses	9,701	10,352
Technology related expenses	4,858	3,930
Other operating expenses	<u>16,351</u>	<u>12,614</u>
	<u>107,891</u>	<u>89,568</u>

12 PROVISION FOR IMPAIRMENT, NET

	<i>Notes</i>	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Murabaha and mudaraba with financial institutions	17	(2,786)	23,931
Murabaha and other Islamic financing	18	58,001	28,719
Ijara financing	19	95,774	52,632
Other assets	24	<u>8,565</u>	<u>(100)</u>
		<u>159,554</u>	<u>105,182</u>

The above provision for impairment includes AED 8,565 thousand (31 March 2010: Nil) pertaining to Burooj Properties LLC, a real estate subsidiary of the Bank and charge of Nil (31 March 2010: Reversal of AED 100 thousand) pertaining to Abu Dhabi Islamic Securities Company LLC, an equity brokerage subsidiary of the Bank.

13 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Depositors and sukuk holders share of profit for the period	261,076	237,623
Less: pertaining to depositors' profit equalisation reserve (note 26)	<u>(12,576)</u>	<u>(2,058)</u>
	248,500	235,565
Less: paid during the period	<u>(61,027)</u>	<u>(58,556)</u>
Depositors and sukuk holders share of profit payable (note 27)	<u>187,473</u>	<u>177,009</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

13 DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS continued

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

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Saving accounts	24,828	18,231
Investment accounts by customers	111,244	124,736
Investment accounts by financial institutions	90,976	87,364
Sukuk holders	<u>34,028</u>	<u>7,292</u>
	<u>261,076</u>	<u>237,623</u>

14 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>Note</i>	<i>Three months ended 31 March 2011</i>	<i>Three months ended 31 March 2010</i>
Profit for the period attributable to equity holders (AED '000)		303,151	293,267
Less: profit attributable to Tier 1 sukuk holder (AED '000)	32	<u>(30,000)</u>	<u>(30,000)</u>
Profit for the period attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		<u>273,151</u>	<u>263,267</u>
Weighted average number of ordinary shares in issue at the beginning of the period (000's)		2,364,706	1,970,588
Effect of bonus shares issued (000's)		<u>-</u>	<u>394,118</u>
Weighted average number of ordinary shares in issue at the end of the period (000's)		<u>2,364,706</u>	<u>2,364,706</u>
Basic and diluted earnings per share (AED)		<u>0.116</u>	<u>0.111</u>

As of 31 March 2011, the Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised.

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

15 CASH AND BALANCES WITH CENTRAL BANKS

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Cash on hand	762,030	738,396
Balances with central banks:		
- Current accounts	25,708	141,202
- Statutory reserve	3,956,135	3,620,648
- Islamic certificate of deposits	<u>1,251,511</u>	<u>900,089</u>
	<u>5,995,384</u>	<u>5,400,335</u>

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

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
UAE	5,969,676	5,374,627
Middle East	<u>25,708</u>	<u>25,708</u>
	<u>5,995,384</u>	<u>5,400,335</u>

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Current accounts	15,386	108,249
Wakala deposits	<u>2,184,784</u>	<u>2,798,133</u>
	<u>2,200,170</u>	<u>2,906,382</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.

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

16 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 was as follows:

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
UAE	1,478,264	2,264,096
Middle East	3,857	4,509
Europe	30,967	34,305
Others	<u>687,082</u>	<u>603,472</u>
	<u>2,200,170</u>	<u>2,906,382</u>

17 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Murabaha	8,926,336	12,748,177
Mudaraba	<u>263,896</u>	<u>265,675</u>
	9,190,232	13,013,852
Less: provision for impairment	<u>(187,524)</u>	<u>(190,310)</u>
	<u>9,002,708</u>	<u>12,823,542</u>

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

At the beginning of the period	190,310	186,298
(Reversal) charge for the period (note 12)	(2,786)	38,902
Written off during the period	<u>-</u>	<u>(34,890)</u>
At the end of the period	<u>187,524</u>	<u>190,310</u>

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
UAE	8,193,981	12,193,125
Middle East	230,596	230,270
Europe	551,092	367,421
Others	<u>214,563</u>	<u>223,036</u>
	<u>9,190,232</u>	<u>13,013,852</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

18 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Vehicle murabaha	7,927,661	7,904,499
Goods murabaha	3,825,619	4,168,262
Share murabaha	8,211,715	7,644,552
Commodities murabaha – Al Khair	3,953,899	3,654,793
Other murabaha	<u>2,176,451</u>	<u>2,295,820</u>
Total murabaha	26,095,345	25,667,926
Mudaraba	2,639,032	2,763,970
Islamic covered cards	3,960,820	4,004,584
Istisna'a	294,730	301,219
Other financing receivables	<u>125,900</u>	<u>116,809</u>
Total murabaha and other Islamic financing	33,115,827	32,854,508
Less: deferred income	<u>(8,567,807)</u>	<u>(8,274,397)</u>
	24,548,020	24,580,111
Less: provision for impairment	<u>(1,955,271)</u>	<u>(1,897,590)</u>
	<u>22,592,749</u>	<u>22,682,521</u>

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

	<i>31 March 2011</i>			<i>Audited 31 December 2010</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	1,608,567	289,023	1,897,590	1,088,461	281,694	1,370,155
Charge for the period (note 12)	45,613	12,388	58,001	551,230	7,329	558,559
Written off during the period	<u>(320)</u>	<u>-</u>	<u>(320)</u>	<u>(31,124)</u>	<u>-</u>	<u>(31,124)</u>
At the end of the period	<u>1,653,860</u>	<u>301,411</u>	<u>1,955,271</u>	<u>1,608,567</u>	<u>289,023</u>	<u>1,897,590</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

18 MURABAHA AND OTHER ISLAMIC FINANCING continued

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Segment and industry sector:</i>		
<i>Wholesale banking</i>		
Government	175,209	242,115
Public sector	100,710	89,294
Corporates	5,487,575	5,743,157
Financial institutions	<u>621,113</u>	<u>614,920</u>
	<u>6,384,607</u>	<u>6,689,486</u>
<i>Retail banking</i>		
Individuals	16,404,781	15,898,717
Small and medium enterprises	<u>463,500</u>	<u>468,492</u>
	<u>16,868,281</u>	<u>16,367,209</u>
<i>Private banking</i>		
Individuals	<u>1,295,132</u>	<u>1,523,416</u>
	<u>24,548,020</u>	<u>24,580,111</u>
<i>Geographic region:</i>		
UAE	23,348,085	23,387,881
Middle East	787,449	783,656
Europe	380,005	377,757
Others	<u>32,481</u>	<u>30,817</u>
	<u>24,548,020</u>	<u>24,580,111</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

19 IJARA FINANCING

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
The aggregate future lease receivables are as follows:		
Due within one year	6,852,458	6,371,984
Due in the second to fifth year	16,720,325	16,739,421
Due after five years	<u>8,187,890</u>	<u>8,789,073</u>
Total ijara financing	31,760,673	31,900,478
Less: deferred income	<u>(5,744,657)</u>	<u>(6,251,307)</u>
Net present value of minimum lease payments receivable	26,016,016	25,649,171
Less: provision for impairment	<u>(474,874)</u>	<u>(379,100)</u>
	<u>25,541,142</u>	<u>25,270,071</u>

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

	<i>31 March 2011</i>			<i>Audited 31 December 2010</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	92,779	286,321	379,100	144,737	235,906	380,643
Charge for the period (note 12)	80,622	15,152	95,774	(51,712)	50,415	(1,297)
Written off during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246)</u>	<u>-</u>	<u>(246)</u>
At the end of the period	<u>173,401</u>	<u>301,473</u>	<u>474,874</u>	<u>92,779</u>	<u>286,321</u>	<u>379,100</u>

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Segment and industry sector:</i>		
<i>Wholesale banking</i>		
Government	177,055	119,191
Public sector	2,181,911	2,173,962
Corporates	9,828,619	9,589,736
Financial institutions	<u>724,584</u>	<u>827,682</u>
	<u>12,912,169</u>	<u>12,710,571</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

19 IJARA FINANCING continued

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Segment and industry sector:</i> continued		
<i>Retail banking</i>		
Individuals	7,137,307	6,995,765
Small and medium enterprises	<u>310,419</u>	<u>240,141</u>
	<u>7,447,726</u>	<u>7,235,906</u>
<i>Private banking</i>		
Individuals	5,514,389	5,572,042
Non-profit organisations	<u>141,732</u>	<u>130,652</u>
	<u>5,656,121</u>	<u>5,702,694</u>
	<u>26,016,016</u>	<u>25,649,171</u>
<i>Geographic region:</i>		
UAE	25,244,679	24,774,860
Middle East	20,966	20,890
Others	<u>750,371</u>	<u>853,421</u>
	<u>26,016,016</u>	<u>25,649,171</u>

20 INVESTMENTS

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Held for trading</i>		
Equities	1,300	6,920
Sukuk	<u>233,778</u>	<u>329,353</u>
	<u>235,078</u>	<u>336,273</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

20 INVESTMENTS continued

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Available-for-sale</i>		
Quoted investments		
Equities	35,510	58,817
Sukuk	<u>462,773</u>	<u>604,280</u>
	<u>498,283</u>	<u>663,097</u>
Unquoted investments		
Funds	223,148	223,322
Private equities	<u>281,280</u>	<u>281,272</u>
	<u>504,428</u>	<u>504,594</u>
Total available-for-sale investments	<u>1,002,711</u>	<u>1,167,691</u>
<i>Held to maturity</i>		
Sukuk	<u>135,547</u>	<u>135,450</u>
Total investments	<u>1,373,336</u>	<u>1,639,414</u>

Investments in private equity funds represent investments made in funds and limited partnerships to fund primary investment commitments in target companies with the objective of generating returns outperforming the public equity markets.

All unquoted available for sale equities are recorded at their fair values except for investments amounting to AED 87,935 thousand (31 December 2010: AED 87,935 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>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
At the beginning of the period	108,391	57,770
Charge for the period (note 12)	<u>-</u>	<u>50,621</u>
At the end of the period	<u>108,391</u>	<u>108,391</u>

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

UAE	1,039,964	1,147,659
Middle East	350,437	465,031
Europe	188	104
Others	<u>91,138</u>	<u>135,011</u>
	<u>1,481,727</u>	<u>1,747,805</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

21 INVESTMENT IN ASSOCIATES

	31 March 2011 AED '000	<i>Audited</i> 31 December 2010 AED '000
Cost of investment in associates	861,273	861,273
Share of results	(2,898)	(4,860)
Foreign currency translation (note 31)	<u>18,851</u>	<u>13,565</u>
	877,226	869,978
Less: provision for impairment	<u>(32,783)</u>	<u>(32,783)</u>
	<u>844,443</u>	<u>837,195</u>

Details of the Bank's investment in associates at 31 March 2011 is as follows:

<i>Name of associate</i>	<i>Place of incorporation</i>	<i>Proportion of ownership interest and voting power</i>		<i>Principal activity</i>
		<i>2011 %</i>	<i>2010 %</i>	
Abu Dhabi National Takaful PJSC	UAE	40	40	Islamic insurance
BBI Leasing and Real Estate D.O.O	Bosnia	32	32	Islamic leasing and real estate
Bosna Bank International D.D	Bosnia	27	27	Islamic banking
National Bank for Development	Egypt	49	49	Banking (under conversion to Islamic bank)

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

	31 March 2011 AED '000	<i>Audited</i> 31 December 2010 AED '000
UAE	119,299	117,337
Europe	70,369	65,083
Others	<u>687,558</u>	<u>687,558</u>
	<u>877,226</u>	<u>869,978</u>

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22 INVESTMENT PROPERTIES

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Cost:		
Balance at the beginning of the period	222,495	215,498
Transfer from development properties (note 23)	4,016	-
Transfer from other assets	<u>-</u>	<u>6,997</u>
Gross balance at the end of the period	226,511	222,495
Less: provision for impairment	<u>(18,082)</u>	<u>(18,082)</u>
Net balance at the end of the period	<u>208,429</u>	<u>204,413</u>
Accumulated depreciation:		
Balance at the beginning of the period	12,759	8,737
Charge for the period	<u>806</u>	<u>4,022</u>
Balance at the end of the period	<u>13,565</u>	<u>12,759</u>
Net book value at the end of the period	<u>194,864</u>	<u>191,654</u>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 625 thousand (31 March 2010: AED 1,285 thousand), for the three months period ended 31 March 2011.

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
UAE	204,377	201,167
Middle East	<u>8,569</u>	<u>8,569</u>
	<u>212,946</u>	<u>209,736</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

23 DEVELOPMENT PROPERTIES

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

	31 March 2011 AED '000	<i>Audited</i> 31 December 2010 AED '000
Balance at the beginning of the period	1,050,445	931,070
Additions	11,248	75,800
Transfers to investment properties (note 22)	(4,016)	-
Transfers from other assets	-	87,457
Disposals	<u>(6,176)</u>	<u>(43,882)</u>
Balance at the end of the period	<u>1,051,501</u>	<u>1,050,445</u>

Development properties include land with a carrying value of AED 815,750 thousand (31 December 2010: AED 815,750 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

24 OTHER ASSETS

	31 March 2011 AED '000	<i>Audited</i> 31 December 2010 AED '000
Advances against purchase of properties	1,311,940	1,247,680
Trade receivables	208,006	214,345
Cheques for collection	2,823	3,382
Prepaid expenses	279,606	180,571
Income receivable	7,202	16,616
Advance to contractors	6,872	8,443
Advance for investments	290,017	290,017
Others	<u>201,546</u>	<u>129,955</u>
	2,308,012	2,091,009
Less: provision for impairment	<u>(229,502)</u>	<u>(220,937)</u>
	<u>2,078,510</u>	<u>1,870,072</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

24 OTHER ASSETS continued

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>Advance for investments AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
At 1 January 2011 (audited)	74,031	30,100	106,392	10,414	220,937
Charge for the period (note 12)	8,565	-	-	-	8,565
Written off during the period	-	-	-	-	-
At 31 March 2011 (unaudited)	<u>82,596</u>	<u>30,100</u>	<u>106,392</u>	<u>10,414</u>	<u>229,502</u>
At 1 January 2010 (audited)	-	46,547	106,392	-	152,939
Charge for the period	74,031	(100)	-	10,414	84,345
Written off during the period	-	(16,347)	-	-	(16,347)
At 31 December 2010 (audited)	<u>74,031</u>	<u>30,100</u>	<u>106,392</u>	<u>10,414</u>	<u>220,937</u>

25 DUE TO FINANCIAL INSTITUTIONS

	<i>Audited 31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Banks and financial institutions:		
Current accounts	808,759	240,660
Investment deposits	<u>280,492</u>	<u>650,730</u>
	1,089,251	891,390
Current account – Central Bank of UAE	<u>39,932</u>	-
	<u>1,129,183</u>	<u>891,390</u>

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

UAE	230,473	68,487
Middle East	107,383	507,458
Europe	191,620	169,147
Others	<u>599,707</u>	<u>146,298</u>
	<u>1,129,183</u>	<u>891,390</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

26 DEPOSITORS' ACCOUNTS

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Current accounts	12,805,466	12,635,323
Saving accounts	9,856,281	8,911,158
Investment accounts	29,172,690	34,905,776
Profit equalisation reserve	<u>77,364</u>	<u>64,788</u>
	<u>51,911,801</u>	<u>56,517,045</u>

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

At the beginning of the period	64,788	49,594
Share of profit for the period (note 13)	<u>12,576</u>	<u>15,194</u>
At the end of the period	<u><u>77,364</u></u>	<u><u>64,788</u></u>

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

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Segment and industry sector:</i>		
<i>Wholesale banking</i>		
Government	8,228,018	8,736,816
Public sector	8,087,229	9,999,671
Corporates	4,140,449	7,414,994
Financial institutions	<u>1,751,991</u>	<u>2,286,598</u>
	<u>22,207,687</u>	<u>28,438,079</u>
<i>Retail banking</i>		
Individuals	19,442,010	17,588,022
Small and medium enterprises	<u>2,973,994</u>	<u>2,891,105</u>
	<u>22,416,004</u>	<u>20,479,127</u>
<i>Private banking</i>		
Individuals	4,544,320	4,510,701
Non-profit organisations	<u>2,743,790</u>	<u>3,089,138</u>
	<u>7,288,110</u>	<u>7,599,839</u>
	<u>51,911,801</u>	<u>56,517,045</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

26 DEPOSITORS' ACCOUNTS continued

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Geographic region:</i>		
UAE	51,628,919	56,077,875
Middle East	128,101	289,220
Europe	1,594	1,793
Others	<u>153,187</u>	<u>148,157</u>
	<u>51,911,801</u>	<u>56,517,045</u>
<i>Currencies:</i>		
UAE Dirham	42,595,479	46,347,084
US Dollar	8,917,644	9,901,370
Euro	239,139	233,890
Sterling Pound	158,234	32,780
Others	<u>1,305</u>	<u>1,921</u>
	<u>51,911,801</u>	<u>56,517,045</u>

The Bank invests all of its investment accounts including 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.

27 OTHER LIABILITIES

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
Accounts payable	609,939	566,690
Payable for properties	111,046	109,679
Accrued profit for distribution to depositors and sukuk holders (note 13)	187,473	232,413
Bankers' cheques	132,397	62,108
Provision for staff benefits and other expenses	258,185	214,901
Retentions payable	324,683	345,815
Advances from customers	30,839	29,079
Accrued legal and professional charges	1,998	6,729
Accrued expenses	64,977	45,569
Dividends payable (note 39)	511,783	-
Unclaimed dividends	51,694	51,769
Deferred income	64,754	62,932
Charity account	6,323	6,000
Donation account	10,593	4,198
Negative fair value on Shari'a compliant alternatives of derivative financial instruments	8,476	8,642
Others	<u>340,117</u>	<u>344,976</u>
	<u>2,715,277</u>	<u>2,091,500</u>

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28 TIER 2 WAKALA CAPITAL

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

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

29 SUKUK FINANCING INSTRUMENTS

	<i>31 March 2011 AED ‘000</i>	<i>Audited 31 December 2010 AED ‘000</i>
First issue	2,938,000	2,938,000
Second issue	<u>2,668,989</u>	<u>2,501,523</u>
	<u>5,606,989</u>	<u>5,439,523</u>

First issue - USD 800 million

In December 2006, the Bank through a Shari’a compliant sukuk arrangement, raised medium term sukuk amounting to AED 2,938,000 thousand (USD 800 million) as the first issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in December 2011. The sukuk deserved profit distribution varies based on the market rate plus a margin.

Second issue - USD 750 million

In November 2010, the Bank through a Shari’a compliant sukuk arrangement, raised medium term sukuk amounting to AED 2,754,375 thousand (USD 750 million) as the second issue under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange. The sukuk will mature in November 2015. The sukuk deserved profit is distributed in accordance with fixed profit rate. As of 31 March 2011, sukuk with a face value of AED 85,386 thousand (USD 23.3 million) (31 December 2010: AED 252,852 thousand (USD 68.9 million)) were repurchased by the Bank.

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 5,692,375 thousand (USD 1,550 million).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

30 SHARE CAPITAL

	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Authorised share capital:</i>		
3,000,000 thousand (2010: 3,000,000 thousand) ordinary shares of AED 1 each (2010: AED 1 each)	<u>3,000,000</u>	<u>3,000,000</u>
<i>Issued and fully paid share capital:</i>		
2,364,706 thousand (2010: 2,364,706 thousand) ordinary shares of AED 1 each (2010: AED 1 each)	<u>2,364,706</u>	<u>2,364,706</u>

31 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 2011 (audited)	(92,040)	129,239	13,565	(8,642)	42,122
Net realised gains on sale of available-for-sale investments	(1,632)	-	-	-	(1,632)
Net loss on valuation of available-for-sale investments	(15,630)	-	-	-	(15,630)
Exchange differences arising on translation of foreign operations	-	-	5,286	-	5,286
Gain on hedge of foreign operations	-	-	(5,286)	-	(5,286)
Fair value gain on cash flow hedge	<u>-</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>166</u>
At 31 March 2011 (unaudited)	<u>(109,302)</u>	<u>129,239</u>	<u>13,565</u>	<u>(8,476)</u>	<u>25,026</u>
At 1 January 2010 (audited)	(167,560)	129,239	19,940	(6,076)	(24,457)
Net gain on valuation of available-for-sale investments	55,306	-	-	-	55,306
Exchange difference arising on translation of foreign operation	-	-	(5,159)	-	(5,159)
Fair value loss on cash flow hedge	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,282)</u>	<u>(2,282)</u>
At 31 March 2010 (unaudited)	<u>(112,254)</u>	<u>129,239</u>	<u>14,781</u>	<u>(8,358)</u>	<u>23,408</u>

32 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 of the 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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33 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>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Contingent liabilities</i>		
Letters of credit	1,340,279	1,077,025
Letters of guarantee	8,982,924	7,004,417
Acceptances	<u>146,101</u>	<u>173,516</u>
	<u>10,469,304</u>	<u>8,254,958</u>
<i>Commitments</i>		
Undrawn facilities commitments	1,741,146	2,047,396
Investment securities	144,200	144,200
Future capital expenditure	442,733	42,325
Investment and development properties	<u>1,599,787</u>	<u>1,667,163</u>
	<u>3,927,866</u>	<u>3,901,084</u>
	<u>14,397,170</u>	<u>12,156,042</u>

34 CASH AND CASH EQUIVALENTS

	<i>31 March 2011 AED '000</i>	<i>31 March 2010 AED '000</i>
Cash and balances with central banks, short term	4,743,873	4,241,965
Balances and wakala deposits with Islamic banks and other financial institutions, short term	1,876,914	1,822,415
Murabaha and mudaraba with financial institutions, short term	6,665,247	6,683,511
Due to financial institutions, short term	<u>(1,129,183)</u>	<u>(1,040,941)</u>
	<u>12,156,851</u>	<u>11,706,950</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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35 RELATED PARTY TRANSACTIONS

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

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

	<i>Major shareholder AED '000</i>	<i>Directors AED '000</i>	<i>Associates AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
31 March 2011 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>960</u>	<u>—</u>	<u>960</u>
Income from murabaha, mudaraba, ijara and other Islamic financing	<u>26,855</u>	<u>70</u>	<u>—</u>	<u>40,600</u>	<u>67,525</u>
Investment income	<u>4,967</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,967</u>
Fees and commission income, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>1,000</u>
Operating expenses	<u>—</u>	<u>147</u>	<u>—</u>	<u>—</u>	<u>147</u>
Distribution to depositors and sukuk holders	<u>18</u>	<u>9</u>	<u>266</u>	<u>298</u>	<u>591</u>
31 March 2010 (unaudited)					
Income from murabaha, mudaraba and wakala with financial institutions	<u>—</u>	<u>—</u>	<u>162</u>	<u>—</u>	<u>162</u>
Income from murabaha, mudaraba, Ijara and other Islamic financing	<u>29,386</u>	<u>110</u>	<u>—</u>	<u>22,134</u>	<u>51,630</u>
Operating expenses	<u>—</u>	<u>75</u>	<u>—</u>	<u>—</u>	<u>75</u>
Distribution to depositors and sukuk holders	<u>7</u>	<u>8</u>	<u>364</u>	<u>64</u>	<u>443</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2011 (Unaudited)

35 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 AED '000</i>	<i>Others AED '000</i>	<i>Total AED '000</i>
31 March 2011 (unaudited)					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	674,299	-	674,299
Murabaha, mudaraba, ijara and other Islamic financing	2,275,928	6,426	-	2,578,477	4,860,831
Other assets	-	-	2,845	183,625	186,470
	<u>2,275,928</u>	<u>6,426</u>	<u>677,144</u>	<u>2,762,102</u>	<u>5,721,600</u>
Due to financial institutions	-	-	1,286	-	1,286
Depositors' accounts	9,804	6,716	37,719	45,592	99,831
Other liabilities	4	-	47	1,221	1,272
	<u>9,808</u>	<u>6,716</u>	<u>39,052</u>	<u>46,813</u>	<u>102,389</u>
Undrawn facilities commitments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517</u>	<u>1,517</u>
31 December 2010 (audited)					
Balances and wakala deposits with Islamic banks and other financial institutions	-	-	569,735	-	569,735
Murabaha, mudaraba, ijara and other Islamic financing	2,270,460	8,409	-	2,556,854	4,835,723
Other assets	3,982	-	2,736	183,694	190,412
	<u>2,274,442</u>	<u>8,409</u>	<u>572,471</u>	<u>2,740,548</u>	<u>5,595,870</u>
Due to financial institutions	-	-	1,800	-	1,800
Depositors' accounts	9,785	12,713	74,344	70,075	166,917
Other liabilities	4	-	420	1,563	1,987
	<u>9,789</u>	<u>12,713</u>	<u>76,564</u>	<u>71,638</u>	<u>170,704</u>
Undrawn facilities commitments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517</u>	<u>1,517</u>

Compensation of key management personnel

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

	<i>Three months ended 31 March 2011 AED '000</i>	<i>Three months ended 31 March 2010 AED '000</i>
Salaries and other benefits	7,424	5,827
Employees' end of service benefits	<u>674</u>	<u>636</u>
	<u>8,098</u>	<u>6,463</u>

Board of Directors remuneration amounting to AED 4,200 thousand (2010: AED 3,000 thousand) was approved by the shareholders in the Annual General Assembly held on 31 March 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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36 SEGMENT INFORMATION

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

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, 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.

Business segments information for the period ended 31 March 2011 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>
Revenue and results							
Segment revenues, net	586,141	186,295	33,649	20,354	(10,623)	(8,319)	807,497
Operating expenses excluding provision for impairment, net	<u>(234,794)</u>	<u>(45,884)</u>	<u>(19,153)</u>	<u>(15,633)</u>	<u>(18,593)</u>	<u>(10,671)</u>	<u>(344,728)</u>
Operating profit (margin)	351,347	140,411	14,496	4,721	(29,216)	(18,990)	462,769
Provision for impairment, net	<u>(54,995)</u>	<u>(30,994)</u>	<u>(65,000)</u>	-	<u>(8,565)</u>	-	<u>(159,554)</u>
Profit (loss) for the period	<u>296,352</u>	<u>109,417</u>	<u>(50,504)</u>	<u>4,721</u>	<u>(37,781)</u>	<u>(18,990)</u>	<u>303,215</u>
Non-controlling interest	-	-	-	(64)	-	-	(64)
Profit (loss) for the period attributable to equity holders of the Bank	<u>296,352</u>	<u>109,417</u>	<u>(50,504)</u>	<u>4,657</u>	<u>(37,781)</u>	<u>(18,990)</u>	<u>303,151</u>
Assets							
Segmental assets	<u>24,567,675</u>	<u>18,344,821</u>	<u>7,452,679</u>	<u>17,384,588</u>	<u>2,895,836</u>	<u>803,231</u>	<u>71,448,830</u>
Liabilities							
Segmental liabilities	<u>22,839,982</u>	<u>15,496,204</u>	<u>7,375,203</u>	<u>16,547,254</u>	<u>358,879</u>	<u>953,136</u>	<u>63,570,658</u>

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36 SEGMENT INFORMATION continued

Business segments information for the period ended 31 March 2010 were as follows:

	<i>Retail banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
Revenue and results							
Segment revenues, net	427,767	131,815	45,862	53,992	16,265	4,954	680,655
Operating expenses excluding provision for impairment, net	<u>(125,988)</u>	<u>(11,360)</u>	<u>(6,880)</u>	<u>(7,450)</u>	<u>(14,168)</u>	<u>(116,288)</u>	<u>(282,134)</u>
Operating profit (Margin)	301,779	120,455	38,982	46,542	2,097	(111,334)	398,521
Provision for impairment, net	<u>(39,182)</u>	<u>(59,600)</u>	<u>(6,500)</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>(105,182)</u>
Profit (loss) for the period	<u>262,597</u>	<u>60,855</u>	<u>32,482</u>	<u>46,642</u>	<u>2,097</u>	<u>(111,334)</u>	<u>293,339</u>
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>-</u>	<u>-</u>	<u>(72)</u>
Profit (loss) for the period attributable to equity holders of the Bank	<u>262,597</u>	<u>60,855</u>	<u>32,482</u>	<u>46,570</u>	<u>2,097</u>	<u>(111,334)</u>	<u>293,267</u>
Assets							
Segmental assets	<u>20,663,082</u>	<u>15,142,162</u>	<u>7,206,079</u>	<u>19,363,402</u>	<u>3,206,194</u>	<u>459,887</u>	<u>66,040,806</u>
Liabilities							
Segmental liabilities	<u>19,550,401</u>	<u>16,906,811</u>	<u>7,937,984</u>	<u>13,235,102</u>	<u>503,953</u>	<u>420,815</u>	<u>58,555,066</u>

Geographical information

The Bank operates principally in only one geographic area, the United Arab Emirates. Accordingly no further geographical analysis of segment revenues, expenses, operating profit (margin), assets and liabilities is given.

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37 FINANCIAL RISK MANAGEMENT

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any. The table shows the maximum exposure to credit risk / price risk for murabaha, mudaraba, ijara, other Islamic financing and investments. Details of credit risk arising from contingencies and commitments is disclosed in note 33 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>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Audited</i>		<i>Audited</i>	
	<i>31 March 2011</i>	<i>31 December 2010</i>	<i>31 March 2011</i>	<i>31 December 2010</i>	<i>31 March 2011</i>	<i>31 December 2010</i>	<i>31 March 2011</i>	<i>31 December 2010</i>	<i>31 March 2011</i>	<i>31 December 2010</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>
Individually impaired										
Substandard	-	-	184,372	186,476	705,781	625,853	914,100	846,627	68,142	68,142
Doubtful	-	-	-	-	1,087,148	952,964	323,079	347,371	91,813	91,813
Loss	-	-	129,811	129,811	623,220	789,389	116,894	18,745	9,571	9,571
Gross amount	-	-	314,183	316,287	2,416,149	2,368,206	1,354,073	1,212,743	169,526	169,526
Provision for individual impairment	-	-	(187,524)	(190,310)	(1,653,860)	(1,608,567)	(173,401)	(92,779)	(108,391)	(108,391)
	-	-	126,659	125,977	762,289	759,639	1,180,672	1,119,964	61,135	61,135
Past due but not impaired	-	-	-	-	1,034,151	877,558	1,388,059	1,125,280	-	-
Neither past due nor impaired	2,200,170	2,906,382	8,876,049	12,697,565	21,097,720	21,334,347	23,273,884	23,311,148	1,312,201	1,578,279
Collective allowance for impairment	-	-	-	-	(301,411)	(289,023)	(301,473)	(286,321)	-	-
Carrying amount	<u>2,200,170</u>	<u>2,906,382</u>	<u>9,002,708</u>	<u>12,823,542</u>	<u>22,592,749</u>	<u>22,682,521</u>	<u>25,541,142</u>	<u>25,270,071</u>	<u>1,373,336</u>	<u>1,639,414</u>

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38 CAPITAL ADEQUACY RATIO

The table below shows summarises the composition of regulatory capital and the ratios of the Group for the period and year ended 31 March 2011 and 31 December 2010 respectively. During those two periods, the Group has complied with all of the externally imposed capital requirements to which it is subject to:

	Basel I		Basel II	
	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>	<i>31 March 2011 AED '000</i>	<i>Audited 31 December 2010 AED '000</i>
<i>Tier 1 capital</i>				
Share capital	2,364,706	2,364,706	2,364,706	2,364,706
Legal reserve	1,754,899	1,754,899	1,754,899	1,754,899
General reserve	443,182	443,182	443,182	443,182
Retained earnings	1,287,220	984,069	1,287,220	984,069
Proposed dividends	-	511,783	-	511,783
Proposed dividends to charity	-	6,816	-	6,816
Tier 1 sukuk	2,000,000	2,000,000	2,000,000	2,000,000
Non-controlling interest	3,139	3,075	3,139	3,075
Total	<u>7,853,146</u>	<u>8,068,530</u>	<u>7,853,146</u>	<u>8,068,530</u>
<i>Tier 2 capital</i>				
Tier 2 wakala capital	2,207,408	2,207,408	2,207,408	2,207,408
Cumulative changes in fair value and other reserves	(104,213)	(92,040)	(104,213)	(92,040)
Collective impairment provision for financing assets	-	-	602,884	575,344
Total	<u>2,103,195</u>	<u>2,115,368</u>	<u>2,706,079</u>	<u>2,690,712</u>
Total tier 1 and tier 2 capital	9,956,341	10,183,898	10,559,225	10,759,242
Deductions for Tier 1 and Tier 2 capital	(844,443)	(837,195)	(844,443)	(837,195)
Total capital base	<u>9,111,898</u>	<u>9,346,703</u>	<u>9,714,782</u>	<u>9,922,047</u>
<i>Risk weighted assets</i>				
On balance sheet	53,733,912	54,666,166	-	-
Off balance sheet	5,648,266	4,263,158	-	-
Credit risk	-	-	59,299,128	58,320,901
Market risk	-	-	971,544	1,008,157
Operational risk	-	-	3,247,006	2,565,177
Total risk weighted assets	<u>59,382,178</u>	<u>58,929,324</u>	<u>63,517,678</u>	<u>61,894,235</u>
<i>Capital ratios</i>				
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>15.34%</u>	15.86%	<u>15.29%</u>	<u>16.03%</u>
Tier 1 capital expressed as a percentage of total risk weighted assets	<u>13.22%</u>	13.69%	<u>12.36%</u>	<u>13.04%</u>

The Basel II capital adequacy ratio was above the minimum requirement of 12% for 31 March 2011 (31 December 2010 – 12%) as stipulated by the UAE Central Bank.

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39 DIVIDENDS

A cash dividend of 21.6% (2009: Nil) of the paid up capital amounting to AED 511,783 thousand (2009: Nil) was approved by the shareholders in the Annual General Assembly held on 31 March 2011. The dividends shall be paid within 30 days of the Annual General Assembly to the shareholders.

40 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.

41 COMPARATIVE FIGURES

Following comparatives were reclassified to conform to the current period presentation. The reclassification has no effect on the previously reported profit or equity of the Group:

An amount of AED 11,296 thousand has been re-classified from “fees and commission income, net” and shown separately in the interim consolidated income statement as “foreign exchange income”.