

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2009 (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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 31 March 2009, comprising of the interim condensed consolidated statement of financial position as at 31 March 2009 and the related interim condensed 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

29 April 2009
Abu Dhabi

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Period ended 31 March 2009 (Unaudited)

		<i>Three months ended 31 March 2009 AED '000</i>	<i>Three months ended 31 March 2008 AED '000</i>
	<i>Notes</i>		
OPERATING INCOME			
Income from Murabaha and Mudaraba with financial institutions, net		117,551	157,332
Income from Murabaha, Mudaraba, Ijara and other Islamic financing, net	5	632,046	468,489
Investment (loss) income		(5,548)	26,798
Fees, commissions and foreign exchange income, net	6	48,944	31,420
Income from investment properties		31,580	34,312
Other income		<u>2,533</u>	<u>1,522</u>
		<u>827,106</u>	<u>719,873</u>
OPERATING EXPENSES			
Employees' costs		(147,255)	(120,465)
General and administrative expenses		(59,906)	(65,586)
Depreciation		(10,430)	(7,558)
Provision for impairment, net		<u>(93,004)</u>	<u>(37,978)</u>
		<u>(310,595)</u>	<u>(231,587)</u>
PROFIT FROM OPERATIONS, BEFORE DISTRIBUTION TO DEPOSITORS AND SUKUK HOLDERS			
		516,511	488,286
Distribution to depositors and sukuk holders		<u>(248,175)</u>	<u>(243,826)</u>
PROFIT FOR THE PERIOD			
		<u>268,336</u>	<u>244,460</u>
Attributable to:			
Equity holders of the Bank		268,790	244,251
Non-controllable interest		<u>(454)</u>	<u>209</u>
		<u>268,336</u>	<u>244,460</u>
Earnings per share attributable to ordinary shares (AED)	7	<u>0.136</u>	<u>0.124</u>

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2009 (Unaudited)

	<i>Three months ended 31 March 2009 AED '000</i>	<i>Three months ended 31 March 2008 AED '000</i>
Net profit for the period	268,336	244,460
Other comprehensive income (expense)		
Realised gains on sale of available-for-sale investments, net	(2,191)	(6,933)
Net movement in fair values of available-for-sale investments	(25,858)	7,168
Directors' remuneration paid	(3,000)	-
Foreign currency translation reserve	<u>(2,457)</u>	<u>-</u>
Other comprehensive (expense) income for the period	<u>(33,506)</u>	<u>235</u>
Total comprehensive income for the period	<u>234,830</u>	<u>244,695</u>
Attributable to:		
Equity holders of the Bank	235,272	244,567
Non-controllable interest	<u>(442)</u>	<u>128</u>
	<u>234,830</u>	<u>244,695</u>

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION At 31 March 2009 (Unaudited)

		<i>Audited</i>
		<i>31 December</i>
		<i>2008</i>
	<i>Notes</i>	<i>AED '000</i>
		<i>AED '000</i>
ASSETS		
Cash and balances with Central Bank		2,272,609
Balances and deposits with banks and other financial institutions	8	1,912,442
Murabaha and Mudaraba with financial institutions	9	9,738,250
Murabaha and other Islamic financing	10	18,954,036
Ijara financing	11	16,816,311
Investments	12	1,280,004
Investment in associates		793,602
Investment properties	13	198,993
Development properties	14	729,494
Other assets	15	2,020,747
Property and equipment		<u>335,213</u>
TOTAL ASSETS		<u>55,051,701</u>
LIABILITIES		
Due to financial institutions	16	3,554,649
Depositors' accounts	17	41,083,520
Other liabilities		2,030,649
Sukuk payable		<u>2,938,000</u>
Total liabilities		<u>49,606,818</u>
SHAREHOLDERS' EQUITY		
Attributable to the equity holders of the Bank		
Share capital	18	1,970,588
Legal reserve		1,753,990
General reserve		309,704
Retained earnings		1,382,868
Proposed dividends		-
Proposed dividends to charity		-
Other reserves	19	<u>25,571</u>
		5,442,721
Non – controllable interest		<u>2,162</u>
Total equity		<u>5,444,883</u>
TOTAL LIABILITIES AND EQUITY		<u>55,051,701</u>
CONTINGENT LIABILITIES AND COMMITMENTS	21	<u>19,351,736</u>

Tirad M. Mahmoud
Chief Executive Officer



The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 Period ended 31 March 2009 (Unaudited)

Attributable to the equity holders of the Bank

	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	Non- controllable interest AED '000	Total 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 (expense)	-	-	-	-	265,790	-	-	(30,518)	235,272	(442)	234,830
Dividends paid	-	-	-	-	-	(425,631)	-	-	(425,631)	-	(425,631)
Dividends paid to charity	-	-	-	-	-	-	(1,028)	-	(1,028)	-	(1,028)
Balance at 31 March 2009 (unaudited)	<u>1,970,588</u>	<u>-</u>	<u>1,753,990</u>	<u>309,704</u>	<u>1,382,868</u>	<u>-</u>	<u>-</u>	<u>25,571</u>	<u>5,442,721</u>	<u>2,162</u>	<u>5,444,883</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	-	-	-	-	244,251	-	-	316	244,567	128	244,695
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	-	-	-	-	(94,118)	(300,000)	-	-	(394,118)	-	(394,118)
Dividends paid to charity	-	-	-	-	-	-	(1,028)	-	(1,028)	-	(1,028)
Balance at 31 March 2008 (unaudited)	<u>1,970,588</u>	<u>-</u>	<u>1,753,990</u>	<u>224,578</u>	<u>1,021,852</u>	<u>-</u>	<u>-</u>	<u>296,258</u>	<u>5,267,266</u>	<u>3,161</u>	<u>5,270,427</u>

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Abu Dhabi Islamic Bank PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Period ended 31 March 2009 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March 2009 AED '000</i>	<i>Three months ended 31 March 2008 AED '000</i>
OPERATING ACTIVITIES			
Profit for the period		268,336	244,460
Adjustments for:			
Depreciation		10,430	7,558
Share of results of associates		5,119	(304)
Loss (gain) on sale of investments		9,986	(6,933)
Gain on disposal of property and equipment		(4)	-
Provision for impairment, net		93,004	37,978
Gain on sale of investment properties		<u>(32,903)</u>	<u>(29,570)</u>
Operating profit before changes in operating assets and liabilities		353,968	253,189
Murabaha and Mudaraba with financial institutions		(1,435,684)	1,585,088
Murabaha and other Islamic financing		(711,945)	(2,772,526)
Ijara financing		(955,554)	600,951
Other assets		(135,873)	21,051
Due to financial institutions		(915,718)	(1,144,557)
Depositors' accounts		3,597,274	410,186
Other liabilities		<u>30,660</u>	<u>592,234</u>
Cash used in operations		(172,872)	(454,384)
Directors' remuneration paid		<u>(3,000)</u>	<u>(3,500)</u>
Net cash used in operating activities		<u>(175,872)</u>	<u>(457,884)</u>
INVESTING ACTIVITIES			
Purchase of investments		(35,669)	(473,003)
Proceeds from sale of investments		98,570	103,093
Investment in associates		(4,092)	(5,964)
Additions in investment properties		-	(95,024)
Proceeds from sale of investment properties		53,192	88,437
Additions in development properties	14	(40,871)	(98,141)
Purchase of property and equipment		(23,195)	(12,977)
Proceeds from disposal of property and equipment		<u>38</u>	<u>357</u>
Net cash from (used in) investing activities		<u>47,973</u>	<u>(493,222)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(127,899)	(951,106)
Cash and cash equivalents at 1 January		<u>6,714,955</u>	<u>7,943,269</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	20	<u>6,587,056</u>	<u>6,992,163</u>

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 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 its 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 issued by the Management on 29 April 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 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-bearing profit 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 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 receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, 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 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>	
			2009	2008
Abu Dhabi Islamic Financial Services 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	Issuance of Sukuk	Cayman Island	100%	100%
Kawader Services Company LLC	Manpower supply	United Arab Emirates	100%	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2009 (Unaudited)

4 ACCOUNTING POLICIES

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

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

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. 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, result for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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

	<i>Three months ended 31 March 2009 AED '000</i>	<i>Three months ended 31 March 2008 AED '000</i>
Murabaha	337,499	257,146
Mudaraba	41,678	13,285
Ijara	245,679	189,404
Istisna'a	<u>7,190</u>	<u>8,654</u>
	<u>632,046</u>	<u>468,489</u>

6 FEES, COMMISSIONS AND FOREIGN EXCHANGE INCOME, NET

	<i>Three months ended 31 March 2009 AED '000</i>	<i>Three months ended 31 March 2008 AED '000</i>
Trade related fees and commission	10,997	7,572
Fees and commission income on cards, net	5,336	683
Projects and property management fees	8,843	7,004
Brokerage fees and commission	3,087	2,005
Foreign exchange income	15,341	6,323
Other fees and commissions, net	<u>5,340</u>	<u>7,833</u>
	<u>48,944</u>	<u>31,420</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2009 (Unaudited)

7 EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing profit for the period attributable to ordinary shareholders of the Bank by the 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 31 March 2009</i>	<i>Three months ended 31 March 2008</i>
Profit for the period attributable to equity holders (AED '000)	<u>268,790</u>	<u>244,251</u>
Number of ordinary shares in issue ('000)	<u>1,970,588</u>	<u>1,970,588</u>
Earnings per share (AED)	<u>0.136</u>	<u>0.124</u>

As of 31 March 2009, the Bank has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

8 BALANCES AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	1,143,290	1,173,535
Outside UAE	<u>769,152</u>	<u>169,702</u>
	<u>1,912,442</u>	<u>1,343,237</u>

9 MURABAHA AND MUDARABA WITH FINANCIAL INSTITUTIONS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	7,639,725	4,841,274
Outside UAE	<u>2,098,525</u>	<u>2,712,455</u>
	<u>9,738,250</u>	<u>7,553,729</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

10 MURABAHA AND OTHER ISLAMIC FINANCING

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Murabaha	18,360,268	17,395,976
Mudaraba	3,221,538	3,170,509
Islamic covered cards	1,915,929	1,797,443
Istisna'a	345,403	328,667
Other financing receivables	<u>76,172</u>	<u>136,845</u>
Total Murabaha and other Islamic financing	23,919,310	22,829,440
Less: deferred income	<u>(4,459,628)</u>	<u>(4,081,500)</u>
	19,459,682	18,747,940
Less: provision for impairment	<u>(505,646)</u>	<u>(409,622)</u>
	<u>18,954,036</u>	<u>18,338,318</u>
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	96,227	77,428
Written off during the period	<u>(203)</u>	<u>(772)</u>
At the end of the period	<u>505,646</u>	<u>409,622</u>
The distribution of the gross murabaha and other islamic financing by geographic region is as follows:		
Within UAE	18,485,507	17,917,283
Outside UAE	<u>974,175</u>	<u>830,657</u>
	<u>19,459,682</u>	<u>18,747,940</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

11 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>31 March 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	1,301,139	1,182,879
Due in the second to fifth year	6,500,160	6,555,904
Due after five years	<u>9,191,593</u>	<u>8,301,049</u>
Total ijara financing	16,992,892	16,039,832
Less: deferred income	<u>(17,560)</u>	<u>(19,880)</u>
	16,975,332	16,019,952
Less: provision for impairment	<u>(159,021)</u>	<u>(179,654)</u>
Net value of minimum lease payments receivable	<u>16,816,311</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 (recovery) for the period	(20,459)	158,765
Written off during the period	<u>(174)</u>	<u>-</u>
At the end of the period	<u>159,021</u>	<u>179,654</u>
The distribution of the gross ijara financing by geographic region is as follows:		
Within UAE	16,018,112	15,031,420
Outside UAE	<u>957,220</u>	<u>988,532</u>
	<u>16,975,332</u>	<u>16,019,952</u>

Abu Dhabi Islamic Bank PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

12 INVESTMENTS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Trading Investments		
Equities – Quoted	<u>-</u>	<u>13,370</u>
Non-trading Investments		
<i>Available-for-sale at fair value</i>		
<i>Quoted Investments</i>		
Equities	190,810	213,062
Sukuks	<u>326,286</u>	<u>347,216</u>
	517,096	560,278
Less: provision for impaired investments	<u>(135,797)</u>	<u>(125,065)</u>
	<u>381,299</u>	<u>435,213</u>
<i>Unquoted investments</i>		
Funds	234,039	207,872
Private equities	539,734	561,093
Musharaka	57,700	57,700
Less: Provision for impaired investments	<u>(4,414)</u>	<u>(4,414)</u>
	<u>827,059</u>	<u>822,251</u>
Total Non-trading investments	<u>1,208,358</u>	<u>1,257,464</u>
<i>Held to maturity investments:</i>		
Forfeiting deals	<u>71,646</u>	<u>121,825</u>
	<u>1,280,004</u>	<u>1,392,659</u>

All unquoted available-for-sale equities are recorded at their fair values except for investments amounting to AED 366,491 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 Bank intends to hold them for the long term.

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

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
At the beginning of the period	129,479	16,654
Charge for the period, net	11,719	112,825
Reversal of provision	<u>(987)</u>	<u>-</u>
At the end of the period	<u>140,211</u>	<u>129,479</u>

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12 INVESTMENTS continued

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

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	809,710	849,613
Outside UAE	<u>610,505</u>	<u>672,525</u>
	<u>1,420,215</u>	<u>1,522,138</u>

13 INVESTMENT PROPERTIES

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

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Cost:		
Balance at the beginning of the period	224,963	910,876
Additions during the period	-	95,798
Transfer to development properties	-	(407,486)
Disposals during the period	<u>(20,289)</u>	<u>(374,225)</u>
Balance at end of the period	<u>204,674</u>	<u>224,963</u>
Accumulated depreciation:		
Balance at the beginning of the period	4,748	-
Charge for the period	<u>933</u>	<u>4,748</u>
Balance at the end of the period	<u>5,681</u>	<u>4,748</u>
Net Book value at the end of the period	<u>198,993</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 1,277 thousand (2008: AED 1,844 thousand).

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 gross investment properties by geographic region is as follows:

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	190,631	211,853
Outside UAE	<u>8,362</u>	<u>8,362</u>
	<u>198,993</u>	<u>220,215</u>

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14 DEVELOPMENT PROPERTIES

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

	<i>31 March 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	40,871	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>729,494</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.

15 OTHER ASSETS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Advances against purchase of investment and development properties	1,194,064	959,249
Trade receivables	497,108	628,245
Cheques sent for collection	92,038	128,904
Prepaid expenses	111,798	65,154
Income receivable	11,957	9,365
Advance to contractors	15,235	16,871
Advance for investment	106,392	106,392
Others	<u>108,434</u>	<u>86,973</u>
	2,137,026	2,001,153
Less: provision for impairment	<u>(116,279)</u>	<u>(110,762)</u>
	<u>2,020,747</u>	<u>1,890,391</u>

16 DUE TO FINANCIAL INSTITUTIONS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Within UAE	871,724	1,719,820
Outside UAE	<u>2,682,925</u>	<u>1,855,948</u>
	<u>3,554,649</u>	<u>3,575,768</u>

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17 DEPOSITORS' ACCOUNTS

	<i>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
<i>By type:</i>		
Current accounts	10,202,992	9,108,168
Saving accounts	5,036,717	4,465,638
Investment deposits	<u>25,843,811</u>	<u>23,912,440</u>
	<u>41,083,520</u>	<u>37,486,246</u>
<i>By geographic region:</i>		
Within UAE	40,702,906	37,245,336
Outside UAE	<u>380,614</u>	<u>240,910</u>
	<u>41,083,520</u>	<u>37,486,246</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 31 March 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.

18 SHARE CAPITAL

	<i>31 March 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>1,970,588</u>	<u>1,970,588</u>

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19 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>Total AED '000</i>
At 1 January 2009 (audited)	(91,366)	129,239	18,216	56,089
Realised gains on available-for-sale investments, net	(2,191)	-	-	(2,191)
Net movement in fair values of available-for-sale investments	(25,870)	-	-	(25,870)
Foreign currency translation reserve	-	-	(2,457)	(2,457)
At 31 March 2009 (unaudited)	<u>(119,427)</u>	<u>129,239</u>	<u>15,759</u>	<u>25,571</u>
At 1 January 2008 (audited)	166,703	129,239	-	295,942
Realised gains on available-for-sale investments, net	(6,933)	-	-	(6,933)
Net movement in fair values of available-for-sale investments	7,249	-	-	7,249
At 31 March 2008 (unaudited)	<u>167,019</u>	<u>129,239</u>	<u>-</u>	<u>296,258</u>

20 CASH AND CASH EQUIVALENTS

	<i>31 March 2009</i>	<i>31 March 2008</i>
Cash and balances with Central Bank	2,272,609	2,166,808
Balances and deposits with banks and other financial institutions	1,912,442	1,233,164
Murabaha and Mudaraba with financial institutions, short term	5,721,486	7,025,194
Due to financial institutions, short term	<u>(3,319,481)</u>	<u>(3,433,003)</u>
	<u>6,587,056</u>	<u>6,992,163</u>

The following significant non-cash transactions have been excluded from cash flow statement:

Transfer from investment properties to development properties, net (notes 13 and 14)	-	407,486
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21 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2009 (Unaudited)

21 CONTINGENT LIABILITIES AND COMMITMENTS continued

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 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
Contingent Liabilities		
Letters of credit	1,617,674	1,364,737
Letters of guarantee	8,043,799	7,957,074
Acceptances	<u>198,630</u>	<u>132,174</u>
	<u>9,860,103</u>	<u>9,453,985</u>
Commitments		
Irrevocable undrawn facilities commitments	9,011,508	9,564,912
Buy-back commitments	352,415	352,415
Commitment for future capital expenditure	<u>127,710</u>	<u>136,172</u>
	<u>9,491,633</u>	<u>10,053,499</u>
	<u>19,351,736</u>	<u>19,507,484</u>

22 SEGMENTAL INFORMATION

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

22 SEGMENTAL INFORMATION continued

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 2009 were as follows:

	<i>Retail Banking AED '000</i>	<i>Wholesale banking AED '000</i>	<i>Private banking AED '000</i>	<i>Capital markets AED '000</i>	<i>Real estate AED '000</i>	<i>Other operations AED '000</i>	<i>Total AED '000</i>
Revenue and results							
Segment revenues	335,637	212,001	96,652	129,263	51,690	1,863	827,106
Other operating expenses	(84,769)	(10,750)	(2,988)	(7,678)	(16,299)	(95,107)	(217,591)
Provision for impairment	<u>(17,433)</u>	<u>(26,653)</u>	<u>(31,682)</u>	<u>(16,033)</u>	<u>(1,203)</u>	<u>-</u>	<u>(93,004)</u>
Profit from operations	233,435	174,598	61,982	105,552	34,188	(93,244)	516,511
Profit distribution to depositors and sukuk holders	<u>(38,520)</u>	<u>(68,051)</u>	<u>(42,203)</u>	<u>(99,401)</u>	<u>-</u>	<u>-</u>	<u>(248,175)</u>
Profit for the period before non-controllable interest	194,915	106,547	19,779	6,151	34,188	(93,244)	268,336
Non-controllable interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>454</u>	<u>-</u>	<u>-</u>	<u>454</u>
Profit for the period attributable to equity holders of the Bank	<u>194,915</u>	<u>106,547</u>	<u>19,779</u>	<u>6,605</u>	<u>34,188</u>	<u>(93,244)</u>	<u>268,790</u>
Assets and liabilities							
Assets							
Segmental assets	<u>16,328,677</u>	<u>14,560,965</u>	<u>5,937,915</u>	<u>14,584,811</u>	<u>3,050,274</u>	<u>589,059</u>	<u>55,051,701</u>
Liabilities							
Segmental liabilities	<u>15,558,366</u>	<u>12,318,597</u>	<u>6,761,142</u>	<u>14,148,211</u>	<u>640,963</u>	<u>179,539</u>	<u>49,606,818</u>

Business segments information for the period ended 31 March 2008 were as follows:

	<i>Retail and commercial banking AED '000</i>	<i>Corporate banking AED '000</i>	<i>Investment and treasury AED '000</i>	<i>Total AED '000</i>
Revenue and results				
Operating income		243,910	245,826	719,873
Unallocated costs			230,137	<u>(231,587)</u>
Profit from operations				488,286
Profit distribution to depositors and sukuk holders				<u>(243,826)</u>
Profit for the period before non-controllable interests				244,460
Non-controllable interest				<u>(209)</u>
Profit for the period attributable to equity holders of the Bank				<u>244,251</u>
Assets and liabilities				
Assets				
Segmental assets		8,132,123	18,764,583	43,768,528
Unallocated assets		<u>-</u>	<u>-</u>	<u>534,256</u>
Total assets		<u>8,132,123</u>	<u>18,764,583</u>	<u>44,302,784</u>
Liabilities				
Segmental liabilities		13,775,593	16,384,708	36,737,381
Unallocated liabilities		<u>-</u>	<u>-</u>	<u>2,294,976</u>
Total liabilities		<u>13,775,593</u>	<u>16,384,708</u>	<u>39,032,357</u>

Segmental information for the period ended 31 March 2008 in conformity with the Group's presentation for the period ended 31 March 2009 was not readily available for disclosure purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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23 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 31 March 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>31 March 2009 AED '000</i>	<i>Audited 31 December 2008 AED '000</i>
<i>Tier 1 Capital</i>		
Share capital	1,970,588	1,970,588
Legal reserve	1,753,990	1,753,990
General reserve	309,704	309,704
Retained earnings	1,382,868	1,117,078
Proposed dividends	-	425,631
Proposed dividends to charity	-	1,028
Non-controllable interest	<u>2,162</u>	<u>2,604</u>
Total	<u>5,419,312</u>	<u>5,580,623</u>
<i>Tier 2 Capital</i>		
Cumulative changes in fair value	<u>(119,427)</u>	<u>(91,366)</u>
Total Tier 1 and Tier 2 capital	<u>5,299,885</u>	<u>5,489,257</u>
Deductions for Tier 1 and Tier 2 capital	<u>(793,602)</u>	<u>(797,086)</u>
Total capital base	<u>4,506,283</u>	<u>4,692,171</u>
<i>Risk weighted assets</i>		
On balance sheet	41,002,382	38,940,600
Off balance sheet	<u>760,454</u>	<u>678,572</u>
Total risk weighted assets	<u>41,762,836</u>	<u>39,619,172</u>
<i>Capital ratio</i>		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>10.79%</u>	<u>11.84%</u>

In the Extraordinary General Meeting held on 22 March 2009, the shareholders of the Bank approved the issuance of Tier 1 capital sukuk to the Government of Abu Dhabi for AED 2 billion. The shareholders authorised the Board of Directors of the Bank to complete the required procedures for the issuance of the sukuk. The amount was received subsequent to 31 March 2009 from the Government of Abu Dhabi.

24 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2009 (Unaudited)

25 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.

- Amounts included in the Income from Murabaha and Mudaraba with financial institutions of AED 2,131 thousand and Investment and other income of AED 32,181 thousand have been re-classified and shown separately in the consolidated income statement as Income from investment properties.
- An amount of AED 12,625 thousand has been re-classified from Income from Murabaha, Mudaraba, Ijara and other Islamic financing to Income from Murabaha and Mudaraba with financial institutions in the consolidated income statement.
- An amount of AED 1,985 thousand from Fees, commissions and foreign exchange income has been re-classified to Investment income in the consolidated income statement.
- An amount of AED 1,522 thousand from Investment and other income has been re-classified and shown separately as other income in the consolidated income statement.
- An amount of AED 7,237 thousand has been reclassified from Gain from sale of Investments to Investment income in the consolidated income statement.