

**ABU DHABI COMMERCIAL
BANK P.J.S.C.**

**Review report and interim financial
information for the period
ended March 31, 2010**

ABU DHABI COMMERCIAL BANK P.J.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Abu Dhabi Commercial Bank P.J.S.C.
Abu Dhabi, U.A.E.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries (together referred to as "the Bank") as of March 31, 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34")". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
April 27, 2010



**Condensed consolidated statement of financial position
as at March 31, 2010**

	Notes	As at March 31 2010 (unaudited) AED'000	As at December 31 2009 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	3	4,211,739	4,139,015
Deposits and balances due from banks	4	20,337,253	18,348,988
Trading securities	5	101,825	86,561
Loans and advances, net	6	117,232,284	116,610,292
Derivative financial instruments	7	4,973,628	4,953,019
Investment securities	8	4,788,132	4,372,744
Investments in associates	9	4,897,901	4,582,659
Investment properties	10	549,492	549,492
Other assets	11	5,816,901	5,774,287
Property and equipment, net		792,322	791,721
Total assets		163,701,477	160,208,778
LIABILITIES			
Due to banks		4,633,781	4,738,201
Customers' deposits		90,139,178	86,299,957
Mandatory convertible securities – liability component		96,386	109,049
Short and medium term borrowings	12	27,756,964	28,921,804
Derivative financial instruments	7	5,171,274	4,689,489
Long term borrowings	13	8,517,761	8,619,494
Other liabilities	14	8,130,018	7,740,665
Total liabilities		144,445,362	141,118,659
EQUITY			
Share capital	15	4,810,000	4,810,000
Statutory and legal reserves		2,627,979	2,627,979
General and contingency reserves		2,150,000	2,150,000
Employees' incentive plan shares, net	16	(53,531)	(13,438)
Foreign currency translation reserve		(144,087)	(353,736)
Cash flow hedge reserve		(275,467)	(107,360)
Cumulative changes in fair values		(129,800)	(194,279)
Retained earnings		1,563,873	1,467,983
Capital notes	17	4,000,000	4,000,000
Mandatory convertible securities – equity component		4,633,883	4,633,883
Equity attributable to equity holders of the parent		19,182,850	19,021,032
Non-controlling interest		73,265	69,087
Total equity		19,256,115	19,090,119
Total liabilities and equity		163,701,477	160,208,778
Commitments and contingent liabilities	23	41,272,829	46,240,133


Eissa Al Suwaidi
Chairman


Ala'a Eraiqat
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated income statement (unaudited)
for the period ended March 31, 2010**

	Notes	3 months ended March 31	
		2010	2009
		AED'000	AED'000
Interest income	18	1,671,335	1,791,223
Interest expense	19	(781,203)	(1,055,805)
Net interest income		890,132	735,418
Distribution to depositors		(18,439)	(27,029)
Net interest income net of distribution to depositors		871,693	708,389
Net fees and commission income	20	209,687	203,969
Net (loss)/gain on dealing in derivatives		(13,528)	4,168
Net gains from dealing in foreign currencies		27,464	11,678
Dividend income		863	4,330
Net gain from trading and investment securities		13,781	2
Other operating income		51,825	52,891
Share of profit of associates, net		108,030	22,260
Operating income		1,269,815	1,007,687
Staff expenses		(194,737)	(206,653)
Depreciation		(23,901)	(17,958)
Other operating expenses		(142,766)	(150,643)
Impairment allowances	21	(681,324)	(277,392)
Operating expenses		(1,042,728)	(652,646)
Profit from operations before taxation		227,087	355,041
Overseas income tax expense		(2,078)	(1,349)
Net profit for the period		225,009	353,692
Attributed to:			
Equity holders of the parent		218,557	353,705
Non-controlling interest		6,452	(13)
Net profit for the period		225,009	353,692
Basic earnings per share (AED)	22	0.02	0.08

The accompanying notes form an integral part of these condensed consolidated financial statements

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended March 31, 2010**

	3 months ended March 31	
	2010	2009
	AED'000	AED'000
Net profit for the period	225,009	353,692
Exchange difference arising on translation of foreign operations	209,649	(227,045)
Net loss on hedge of net investment in foreign operation	(168,107)	-
Fair value changes reversed on disposal of available for sale investments	11,284	16
Fair value changes on available for sale investments	53,195	(45,257)
Share in comprehensive income of associate	-	420
	<hr/>	<hr/>
Net comprehensive income for the period	331,030	81,826
	<hr/> <hr/>	<hr/> <hr/>
Attributed to:		
Equity holders of the parent	324,578	81,839
Non-controlling interest	6,452	(13)
	<hr/>	<hr/>
Net comprehensive income for the period	331,030	81,826
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these condensed consolidated financial statements

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended March 31, 2010**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Cumulative changes in fair values AED'000	Retained earnings AED'000	Capital notes AED'000	Mandatory convertible securities - equity component AED'000	Attributable to equity holders of the parent AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at January 1, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(13,438)	(353,736)	(107,360)	(194,279)	1,467,983	4,000,000	4,633,883	19,021,032	69,087	19,090,119
Net profit for the period	-	-	-	-	-	-	-	-	-	218,557	-	-	218,557	6,452	225,009
Exchange difference arising on translation of foreign	-	-	-	-	-	-	209,649	-	-	-	-	-	209,649	-	209,649
Net loss on hedge of net investment in foreign operation	-	-	-	-	-	-	-	(168,107)	-	-	-	-	(168,107)	-	(168,107)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	53,195	-	-	-	53,195	-	53,195
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	11,284	-	-	-	11,284	-	11,284
Total comprehensive profit/(loss) for the period	-	-	-	-	-	-	209,649	(168,107)	64,479	218,557	-	-	324,578	6,452	331,030
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,692)	(6,692)
Capital notes coupon paid	-	-	-	-	-	-	-	-	-	(122,667)	-	-	(122,667)	-	(122,667)
Shares granted	-	-	-	-	-	(47,085)	-	-	-	-	-	-	(47,085)	-	(47,085)
Shares – vested portion (Note 16)	-	-	-	-	-	6,992	-	-	-	-	-	-	6,992	-	6,992
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	4,418	4,418
Balance at March 31, 2010	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(53,531)	(144,087)	(275,467)	(129,800)	1,563,873	4,000,000	4,633,883	19,182,850	73,265	19,256,115

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of changes in equity (unaudited)
for the period ended March 31, 2010 (continued)**

	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Employees' incentive plan shares, net AED'000	Foreign currency translation reserve AED'000	Proposed dividends AED'000	Cumulative changes in fair values AED'000	Mandatory convertible securities - equity component AED'000	Retained earnings AED'000	Attributable to equity holders of the parent AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at January 1, 2009	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(25,708)	(392,022)	481,000	(625,014)	4,633,883	2,147,431	15,807,549	107,603	15,915,152
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	353,705	353,705	(13)	353,692
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(227,045)	-	-	-	-	(227,045)	-	(227,045)
Fair value changes on available for sale investments	-	-	-	-	-	-	-	-	(45,257)	-	-	(45,257)	-	(45,257)
Fair value changes reversed on disposal of available for sale investments	-	-	-	-	-	-	-	-	16	-	-	16	-	16
Share of comprehensive income statement items of associate	-	-	-	-	-	-	(7,950)	-	8,370	-	-	420	-	420
Total comprehensive (loss)/profit for the period	-	-	-	-	-	-	(234,995)	-	(36,871)	-	353,705	81,839	(13)	81,826
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(88,479)	(88,479)
Shares-vested portion (Note 16)	-	-	-	-	-	3,279	-	-	-	-	-	3,279	-	3,279
Balance at March 31, 2009	4,810,000	1,336,383	1,291,596	2,000,000	150,000	(22,429)	(627,017)	481,000	(661,885)	4,633,883	2,501,136	15,892,667	19,111	15,911,778

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the period ended March 31, 2010**

	3 months ended March 31	
	2010	2009
	AED'000	AED'000
OPERATING ACTIVITIES		
Net profit after distribution to depositors but before taxation and non-controlling interest	227,087	355,041
Adjustments for:		
Depreciation on property and equipment	23,901	17,958
Dividend income	(863)	(4,330)
Impairment allowance on doubtful loans and advances	613,790	161,383
Recovery of allowance for doubtful loans and advances	(24,602)	(25,982)
Impairment allowance on credit default swaps	57,144	30,738
Impairment allowance on investment securities	34,992	111,253
Realised and unrealised net gain from available for sale and trading securities	(13,781)	(2)
Share of profit of associates	(108,030)	(22,260)
Imputed interest on mandatory convertible securities	(12,663)	-
Employees' incentive plan benefit expense	6,992	3,279
Operating profit before changes in operating assets and liabilities	803,967	627,078
(Increase)/decrease in due from banks	(419,328)	152,825
(Increase)/decrease in net trading derivative financial instruments	(53,939)	69,483
Increase in loans and advances	(1,211,180)	(1,625,866)
Increase in other assets	(206,032)	(22,431)
Increase in due to banks	1,079,230	1,604,012
Increase/(decrease) in customers' deposits	3,839,221	(4,507,708)
Increase in other liabilities	484,722	162,915
Cash from/(used in) operations	4,316,661	(3,539,692)
Overseas taxation paid	(2,078)	(1,349)
Net cash from/(used in) operations	4,314,583	(3,541,041)
INVESTING ACTIVITIES		
Investments in associates	(743)	16,290
Dividend income	863	4,330
Purchase of trading and available for sale investment securities	(847,031)	(38,567)
Net proceeds from disposal of trading and available for sale investment securities	459,647	269,945
Purchase of property and equipment, net	(24,502)	(136,599)
Net cash (used in)/from investing activities	(411,766)	115,399
FINANCING ACTIVITIES		
Net repayment of short and medium term borrowings	(919,565)	(1,626,179)
Proceeds from issue of long term capital notes	-	4,000,000
Dividends paid to non-controlling interest	(6,692)	(88,479)
Interest paid on capital notes	(122,667)	-
Increase in non-controlling interest	4,418	-
Purchase of Employees' incentive plan shares	(33,000)	-
Net cash (used in)/from financing activities	(1,077,506)	2,285,342
Net increase/(decrease) in cash and cash equivalents	2,825,311	(1,140,300)
Cash and cash equivalents at the beginning of the period	19,373,919	15,144,109
Cash and cash equivalents at the end of the period	22,199,230	14,003,809

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010****1 General**

Abu Dhabi Commercial Bank P.J.S.C. (“ADCB”) is a public joint stock company with limited liability incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). ADCB carries on retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management activities through its network of forty seven branches in the U.A.E., two branches in India, its subsidiaries, joint ventures and associates.

The registered head office of ADCB is at Abu Dhabi Commercial Bank Head Office Building, Salam Street, Plot C-33, Sector E-11, P. O. Box 939, Abu Dhabi, U.A.E.

ADCB is registered as a public joint stock company in accordance with the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended).

2 Summary of significant accounting policies**2.1 Basis of preparation**

These interim financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the U.A.E..

The accounting policies, presentation and methods of computation used in the preparation of these interim financial information are consistent with those used in the audited annual consolidated financial statements for the year ended December 31, 2009.

The condensed consolidated financial statements are prepared and presented in United Arab Emirates Dirhams (AED), which is the Bank’s functional and presentation currency.

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated October 12, 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)****2 Summary of significant accounting policies (continued)****2.2 Basis of consolidation**

These condensed consolidated financial statements incorporate the financial statements of Abu Dhabi Commercial Bank P.J.S.C. and its subsidiaries, associates and joint ventures (collectively referred to as “the Bank”). The entities controlled by the Bank have been treated as subsidiaries. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies. All significant inter-company balances, income and expense items are eliminated on consolidation.

Changes in the bank’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

2.3 Trading and Investment securities

Trading and investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for based on their classification.

Bank’s investments are classified into the following categories depending on the nature and purpose of the investment:

- i) Trading securities which include investments at fair value through profit or loss (FVTPL)
- ii) Investment securities which include available for sale (AFS) and held-to-maturity investments (HTM)

2 Summary of significant accounting policies (continued)

2.3 Trading and Investment securities (continued)

Fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in income statement.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)****2 Summary of significant accounting policies (continued)****2.3 Trading and Investment securities (continued)****Held-to-maturity**

Investments which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity investments.

Held-to-maturity investments are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses, with revenue recognized on an effective yield basis. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method.

Any gain or loss on such investments is recognised in the condensed consolidated income statement when the investment is derecognised or impaired.

If there is objective evidence that an impairment on held to maturity investments carried at amortised cost has been incurred, the amount of impairment loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the investments original effective interest rate, with the resulting impairment loss, if any, in the condensed consolidated income statement.

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to interest rate or prepayment risk, reflecting the longer-term nature of these investments.

Available for sale

Investments not classified as either "fair value through profit or loss" or "held to maturity" are classified as "available for sale".

Available for sale investments are initially recognized at fair value plus any directly attributable transaction cost and are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and tested for impairment, if any.

Gains and losses arising from changes in fair value are recognised in condensed consolidated comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the condensed consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the condensed consolidated income statement for the period.

Dividends on available for sale equity instruments are recognised in the condensed consolidated income statement when the Bank's right to receive the dividends is established.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)****2 Summary of significant accounting policies (continued)****2.3 Trading and Investment securities (continued)****Available for sale (continued)**

If available for sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognised in the condensed consolidated income statement is removed from equity and recognized in the condensed consolidated income statement.

Once an impairment loss has been recognised on an available-for-sale financial asset, the subsequent accounting treatment for changes in the fair value of that asset differs depending on the nature of the available-for-sale financial asset concerned:

- For an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the condensed consolidated income statement when there is further objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised directly in equity. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated income statement, the impairment loss is reversed through the income statement to the extent of the increase in fair value;
- For an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised directly in equity. Impairment losses recognised on the equity security are not reversed through the condensed consolidated income statement. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the condensed consolidated income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

Reclassifications

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of investment securities

The Bank derecognizes a investment security only when the contractual rights to the cash flows from the investment expire, or when it transfers the investment and substantially all the risks and rewards of ownership of the investment to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognises a collateralized borrowing for the proceeds received.

Notes to the condensed consolidated financial statements

2 Summary of significant accounting policies (continued)

2.4 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is reflected at valuation based on fair value at the statement of financial position date. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined on periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated income statement in the period in which these gains or losses arise.

3 Cash and balances with Central Banks

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Within the U.A.E.	4,184,438	4,113,522
Outside the U.A.E.	27,301	25,493
	<hr/> 4,211,739 <hr/>	<hr/> 4,139,015 <hr/>

4 Deposits and balances due from banks

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Within the U.A.E.	7,205,428	5,719,958
Outside the U.A.E.	13,131,825	12,629,030
	<hr/> 20,337,253 <hr/>	<hr/> 18,348,988 <hr/>

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

5 Trading securities

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Quoted – Equity instruments	101,825	86,561

The geographical concentration is as follows:

As at March 31, 2010 (unaudited)	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Trading securities				
Quoted – Equity instruments	7,693	81,445	12,687	101,825

As at December 31, 2009 (audited)	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Trading securities				
Quoted – Equity instruments	6,962	67,125	12,474	86,561

Trading securities represent equity investments held by ADCB MSCI Arabian Markets Index Fund, a subsidiary of the Bank that present the Bank with an opportunity of return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair value of these investments is based on quoted market prices.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

6 Loans and advances, net (continued)

The economic sector composition of the loans and advances portfolio net of interest in suspense is as follows:

	March 31, 2010 (unaudited)			December 31, 2009 (audited)		
	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000	Within the U.A.E. AED'000	Outside the U.A.E. AED'000	Total AED'000
Economic sector						
Agriculture	10,136	-	10,136	10,831	-	10,831
Energy	3,365,563	254,611	3,620,174	3,108,411	247,967	3,356,378
Trading	975,784	7,630	983,414	1,161,429	313,138	1,474,567
Contractor finance	2,499,561	727,805	3,227,366	2,992,583	740,156	3,732,739
Development & construction	18,734,232	-	18,734,232	18,565,551	-	18,565,551
Real estate investment	11,840,248	-	11,840,248	10,289,688	-	10,289,688
Transport	2,752,684	-	2,752,684	3,525,066	201,205	3,726,271
Personal – Retail loans	16,212,433	7,703	16,220,136	16,319,076	7,738	16,326,814
Personal – collateralised	19,708,042	290,821	19,998,863	19,192,190	301,417	19,493,607
Government	1,336,630	30	1,336,660	1,568,521	-	1,568,521
Financial institutions	4,963,843	2,299,492	7,263,335	5,004,461	2,325,129	7,329,590
Manufacturing	2,349,529	100,040	2,449,569	2,459,748	118,373	2,578,121
Services	28,443,061	4,980,088	33,423,149	27,316,443	5,031,395	32,347,838
Others	42,141	-	42,141	42,033	-	42,033
	113,233,887	8,668,220	121,902,107	111,556,031	9,286,518	120,842,549
Less: Allowance for impairment			(4,669,823)			(4,232,257)
Total			117,232,284			116,610,292

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

7 Derivative financial instruments

The fair values of derivative financial instruments held are set out below:

	Fair values	
	Assets AED'000	Liabilities AED'000
At March 31, 2010 (unaudited)		
Derivatives held for trading		
Forward foreign exchange contracts	624,116	624,542
Interest rate swaps and forward rate agreements	3,718,017	3,648,569
Options	225,976	220,096
Futures	3,444	1,056
Commodity forwards	33,881	20,978
Energy swaps	9,559	9,171
	<u>4,614,993</u>	<u>4,524,412</u>
Derivatives held for hedging	358,635	646,862
	<u>4,973,628</u>	<u>5,171,274</u>

	Fair values	
	Assets AED'000	Liabilities AED'000
At December 31, 2009 (audited)		
Derivatives held for trading		
Forward foreign exchange contracts	687,618	688,361
Interest rate swaps and forward rate agreements	3,479,411	3,459,607
Options	267,054	265,910
Futures	5,309	3,790
Commodity forwards	34,579	20,062
Energy swaps	21,289	20,888
	<u>4,495,260</u>	<u>4,458,618</u>
Derivatives held for hedging	457,759	230,871
	<u>4,953,019</u>	<u>4,689,489</u>

The derivatives held for hedging consist of interest rate swaps, cross currency swaps and foreign exchange forward contracts.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

8 Investment securities

	March 31, 2010 (unaudited)			Total AED'000
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	127,135	-	42,269	169,404
Collateralised debt obligations (CDOs)	-	-	135,257	135,257
Equity instruments	12,382	-	313	12,695
Bonds	1,951,414	2,057	39,050	1,992,521
Government securities	609,270	516,260	360,732	1,486,262
Total Quoted	2,700,201	518,317	577,621	3,796,139
Unquoted:				
Floating rate notes (FRNs)	-	-	126,258	126,258
Equity instruments	226,920	-	33	226,953
Bonds	597,369	-	-	597,369
Mutual funds	41,413	-	-	41,413
Total Unquoted	865,702	-	126,291	991,993
Total available for sale investments	3,565,903	518,317	703,912	4,788,132

Bonds in Quoted investment include Bonds of fair value AED 631,653 thousand in public sector companies.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

8 Investment securities (continued)

	December 31, 2009 (audited)			Total AED'000
	U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	
Available for sale investments				
Quoted:				
Floating rate notes (FRNs)	-	-	58,644	58,644
Collateralised debt obligations (CDOs)	-	-	210,706	210,706
Equity instruments	13,011	-	335	13,346
Bonds	1,837,706	2,057	52,046	1,891,809
Government securities	402,542	379,000	313,783	1,095,325
Total Quoted	2,253,259	381,057	635,514	3,269,830
Unquoted:				
Floating rate notes (FRNs)	-	-	144,988	144,988
Equity instruments	229,128	-	66	229,194
Bonds	687,319	-	-	687,319
Mutual funds	41,413	-	-	41,413
Total Unquoted	957,860	-	145,054	1,102,914
Total available for sale investments	3,211,119	381,057	780,568	4,372,744

Bonds in Quoted investment include Bonds of fair value AED 547,821 thousand in public sector companies.

During 2009, the Bank entered into repurchase agreements and total return swap agreements whereby Bonds were pledged and held by counter parties as collateral. The following table reflects the carrying value of these Bonds and the associated financial liabilities:

	March 31, 2010 (unaudited)		December 31, 2009 (audited)	
	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged assets AED'000	Carrying value of associated liabilities AED'000
Total return swaps	600,718	636,394	616,521	636,394
Repurchase financing	593,154	440,760	578,244	440,760
	1,193,872	1,077,154	1,194,765	1,077,154

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

8 Investment securities (continued)

The movement in impairment allowance is as follows:

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Balance at January 1,	426,077	410,609
Charge for the period/year	34,992	540,109
Reversal on disposal of available for sale investments	(70,309)	(254,032)
Exchange difference	(4,742)	1,067
Investments written off	-	(271,676)
	<hr/>	<hr/>
Balance at	386,018	426,077
	<hr/> <hr/>	<hr/> <hr/>

The investment securities include Structured Finance Assets, such as Collateralized Debt Obligations (CDOs), and Cash flow CDOs, which are dependent on the performance of collateral located outside U.A.E., primarily investment grade corporate credit assets in the U.S.A., Western Europe and Asia.

The nominal value and fair value of these securities at March 31, 2010 amounted to AED 733,780 thousand and AED 303,784 thousand respectively (December 31, 2009 - AED 933,249 thousand and AED 414,338 thousand respectively). These securities have been negatively impacted by the global financial crisis and subsequent recession that stemmed from the U.S.A. subprime situation, corporate credit events and corporate insolvencies in both the U.S.A. and Europe, as well as ongoing liquidity shortages. The continued uncertainty in long-term outlook for the global economy and increased volatility in credit default spreads also continues to negatively impact fair values. The above exposure is net of collective impairment allowance amounting to AED 334,921 thousand (December 31, 2009 - AED 404,663 thousand) against the total above exposure.

The impairment allowances have been estimated by the Banks' management based on the present market and the expected economic conditions of the underlying investments.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

9 Investments in associates

Name of associate	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
RHB Capital Berhad	4,781,044	4,474,784
Al Nokhitha Fund	79,924	73,150
ADCB MSCI U.A.E. Index Fund	36,933	34,725
	<hr/>	<hr/>
Carrying value	4,897,901	4,582,659
	<hr/> <hr/>	<hr/> <hr/>

Details of Bank's investment in associates are as follows:

Name of associate	Principal activities	Country of incorporation	Ownership Interest	
			March 31 2010	December 31 2009
(a) RHB Capital Berhad	Wholesale, retail and Islamic banking, financial advisory and underwriting, insurance and property investment.	Malaysia	25%	25%
(b) Al Nokhitha Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market and in any other recognised stock exchanges of the GCC countries.	U.A.E.	22%	22%
(c) ADCB MSCI U.A.E. Index Fund	Investing in Equities listed in Abu Dhabi Exchange, Dubai Financial Market, Dubai International Financial Exchange determined by MSCI UAE Index ("Index Securities").	U.A.E.	34%	30%

9 Investments in associates (continued)

- (a) On May 14, 2008 the Bank acquired through its wholly owned subsidiary ADCB Holdings (Malaysia) Sdn Berhad a 25% equity stake in RHB Capital Berhad, Malaysia (“Associate”).

The cost of acquisition over the Bank’s share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of the acquisition amounting to AED 2,048,390 thousand was identified as goodwill and included in the carrying value of investment in associate. Management has assessed the total carrying value of investment in associate for impairment and determined that no impairment has occurred.

The Bank’s share of profit of associate is adjusted for amortization of tangible and intangible assets identified during goodwill assessment and also appropriately adjusted for the differences arising on conversion from Malaysian Accounting Standards to IFRS.

The equity instruments of RHB Capital Berhad are quoted in Bursa Stock Exchange, Malaysia and the quoted value of the investment at March 31, 2010 amounted to AED 3,406,444 thousand (December 31, 2009 – AED 3,061,303 thousand).

The Bank partially hedged its currency translation risk in net investment in RHB Capital Berhad through foreign exchange forward contracts and designated these contracts as hedging derivatives. The hedging instruments resulted in losses of AED 275,467 thousand (December 31, 2009 losses of AED 107,360 thousand) which have been recognised in other comprehensive income. No amounts are withdrawn from equity during the period as there was no disposal of net investment in associate.

- (b) During 2009, the Bank increased its ownership interest in Al Nokhitha Fund and obtained significant influence over the fund. This investment in associate is held by a subsidiary of the Bank – Al Nokhitha Feeder Fund.
- (c) During 2009, the Bank increased its ownership interest in ADCB MSCI U.A.E. Index Fund and obtained significant influence over the fund. This investment in associate is held by a subsidiary of the Bank – MSCI UAE Index Fund Feeder Fund.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

9 Investments in associates (continued)

The latest available financial information in respect of Bank's associates are as of December 31, 2009 and are summarised as follows:

	AED'000
Total assets	129,410,979
Total liabilities	119,159,172
	<hr/>
Net assets	10,251,807
	<hr/> <hr/>
Bank's share in net asset of associates	2,562,383
	<hr/> <hr/>
Total interest and other operating income	4,195,250
	<hr/> <hr/>
Total profit for the year	1,429,463
	<hr/> <hr/>
Bank's share in profit of associates	223,162
	<hr/> <hr/>

10 Investment properties

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
At January 1	549,492	632,492
Decrease in fair value of investment properties	-	(83,000)
	<hr/>	<hr/>
Balance at	549,492	549,492
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Bank's investment properties has been arrived at on the basis of valuations carried out by independent valuers that are not related to the Bank. The fair value of investment properties is estimated periodically by considering recent prices for similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at these prices. The effective date of the valuation is December 31, 2009. All the investment properties of the Bank are located within the U.A.E.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

11 Other assets

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Interest receivable	753,954	607,052
Withholding tax	26,764	37,743
Prepayments	121,659	121,985
Clearing receivables	45	106
Acceptances	4,468,092	4,631,510
Others	446,387	375,891
	<hr/>	<hr/>
	5,816,901	5,774,287
	<hr/> <hr/>	<hr/> <hr/>

Acceptances arise when the Bank guarantees payments against documents drawn under letters of credit.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

12 Short and medium term borrowings

The details of short and medium term borrowings as at March 31, 2010 (unaudited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	-	168,113	-	168,113
	Hong Kong Dollar (HKD)	47,308	94,617	-	141,925
	Japanese Yen (JPY)	-	196,807	-	196,807
	Pound Sterling (GBP)	-	2,768,524	-	2,768,524
	Slovak Koruna (SKK)	-	127,695	-	127,695
	South African Rand (ZAR)	-	49,736	-	49,736
	Swiss Franc (CHF)	-	1,032,032	-	1,032,032
	Singapore Dollar (SGD)	380,024	-	-	380,024
	U.A.E. Dirham (AED)	2,200,000	-	1,253,000	3,453,000
	US Dollar (US\$)	3,442,703	73,460	3,673,000	7,189,163
		6,070,035	4,510,984	4,926,000	15,507,019
Syndicated loans	US Dollar (US\$)	3,658,308	5,693,150	1,469,200	10,820,658
Borrowings through total return swaps	US Dollar (US\$)	-	-	402,194	402,194
	U.A.E. Dirham (AED)	-	-	234,200	234,200
Borrowings through repurchase agreements	US Dollar (US\$)	-	-	440,760	440,760
		9,728,343	10,204,134	7,472,354	27,404,831
Fair value adjustment on short and medium term borrowings being hedged					352,133
					27,756,964

Included in short and medium term borrowings is a carrying amount of AED 2,064,667 thousand which have been hedged using cross currency swaps.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

12 Short and medium term borrowings (continued)

The details of short and medium term borrowings as at December 31, 2009 (audited) are as follows:

Instrument	Currency	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Total AED'000
Unsecured notes	Australian Dollar (AUD)	-	164,605	-	164,605
	Hong Kong Dollar (HKD)	-	142,092	-	142,092
	Japanese Yen (JPY)	-	198,734	-	198,734
	Pound Sterling (GBP)	-	2,950,337	-	2,950,337
	Slovak Koruna (SKK)	-	131,401	-	131,401
	South African Rand (ZAR)	-	49,652	-	49,652
	Swiss Franc (CHF)	532,396	1,064,792	-	1,597,188
	Singapore Dollar (SGD)	379,645	-	-	379,645
	U.A.E. Dirham (AED)	900,000	1,300,000	1,253,000	3,453,000
	US Dollar (US\$)	3,746,460	73,460	3,673,000	7,492,920
		5,558,501	6,075,073	4,926,000	16,559,574
Syndicated loans	US Dollar (US\$)	3,291,008	3,789,801	3,739,849	10,820,658
Borrowings through total return swaps	US Dollar (US\$)	-	-	402,194	402,194
	U.A.E. Dirham (AED)	-	-	234,200	234,200
Borrowings through repurchase agreements	US Dollar (US\$)	-	-	440,760	440,760
		8,849,509	9,864,874	9,743,003	28,457,386
Fair value adjustment on short and medium term borrowings being hedged					464,418
					28,921,804

Included in short and medium term borrowings is a carrying amount of AED 2,523,792 thousand which have been hedged using cross currency swaps.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

12 Short and medium term borrowings (continued)

Interest on unsecured notes are payable in arrears and the coupon rates at March 31, 2010 (unaudited) are as follows:

<u>Currency</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
AUD	-	3 months AUD-BBSW plus 30 basis points	-
HKD	3 months HIBOR offer rate plus 35 basis points	3 months HIBOR offer rate plus 29 basis points	-
JPY	-	Fixed rate of 1.66% p.a.	-
GBP	-	Fixed rate of 5.625% p.a.	-
SKK	-	3 months BRIBOR plus 11 basis points	-
ZAR	-	3 months JIBAR plus 41 basis points	-
CHF	-	Fixed rate of 2.76% p.a.	-
SGD	Fixed rate of 4.08% p.a.	-	-
AED	3 months EIBOR plus 200 to 250 basis points	-	Fixed rate of 6% p.a.
US\$	Fixed rate of 5.25% p.a. & 3 months LIBOR plus 35 basis points	3 months LIBOR plus 30 to 110 basis points	Fixed rate of 4.75% p.a.

Interest on the syndicated loans are payable in monthly coupons in arrears with 25 basis points to 27.5 basis points over 1 month LIBOR and quarterly coupons in arrears with 27.5 basis points to 185 basis points over 3 months LIBOR. The Bank has option to roll over the syndicated loan for a further period of two years from the date of maturity.

Interest on borrowings through total return swaps are payable in quarterly coupons in arrears with 300 basis points over 3 months LIBOR and EIBOR and half yearly coupons in arrears with 300 basis points over 6 months LIBOR.

Interest on borrowings through repurchase agreements are payable in half yearly coupons in arrears with 86 to 128 basis points over 6 months LIBOR.

The Bank also has an unsecured standby facility of USD 25,000 thousand (December 31, 2009 – US\$ 25,000 thousand) from a consortium of banks with a drawdown period of six months with an option to extend.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

13 Long term borrowings

Instrument	Currency	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Unsecured notes	Turkish Lira (TRY)	89,059	90,204
	U.A.E. Dirham (AED)	500,000	500,000
	US Dollar (US\$)	73,460	73,460
		<hr/>	<hr/>
Subordinated floating rate notes	US Dollar (US\$)	662,519	663,664
Tier II loan	U.A.E. Dirham (AED)	1,216,865	1,328,891
		6,617,456	6,617,456
Fair value adjustment on long term borrowings being hedged		20,921	9,483
		<hr/>	<hr/>
		8,517,761	8,619,494
		<hr/> <hr/>	<hr/> <hr/>

Interest on unsecured notes are payable in arrears and the coupon rates as at March 31, 2010 (unaudited) are as follows:

<u>Currency</u>	<u>Over 5 years</u>
TRY	Fixed rate of 12.75% p.a.
AED	Fixed rate of 6% p.a.
US\$	Fixed rate of 5.3875% p.a.

Interest on the subordinated floating rate notes is payable quarterly in arrears at a coupon rate of 60 basis points over 3 months LIBOR. The subordinated floating rate notes were obtained from financial institutions outside the U.A.E. and qualify as Tier II subordinated loan capital for the first 5 year period till 2011 and thereafter it will be amortised at the rate of 20% per annum till 2016 for capital adequacy calculation (Note 25) if these are not redeemed during 2011. This has been approved by the Central Bank of the U.A.E.

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

13 Long term borrowings (continued)

Tier II loan

In 2008, the U.A.E. federal government provided liquidity support in the form of new government deposits to the U.A.E.'s major commercial banks, including ADCB. Late in 2008, the U.A.E. federal government made an offer to convert these deposits into Tier II qualifying loans. In March 2009, the Bank accepted this offer to convert approximately AED 6,617,456 thousand government deposits into Tier II qualifying loans. As per this offer, the Tier II qualifying loan will mature seven years from the date of the issue and will carry interest rate payable on a quarterly basis at a fixed rate of 4 percent per annum commencing March 31, 2009 for the first two years, 4.5 percent per annum for the third year, 5 percent per annum for the fourth year and 5.25 percent per annum for the remaining period. The terms also provide that ADCB will have a call option to repay the loans partially or fully at the end of five years from the date of issue. For regulatory purposes, the loan qualifies as Tier II capital.

14 Other liabilities

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Interest payable	1,056,843	992,049
Employees' end of service and other benefits	135,742	130,973
Accounts payable and other creditors	760,840	736,492
Clearing payables	711	606
Deferred income	282,420	263,881
Acceptances	4,468,092	4,631,510
Others	1,425,370	985,154
	8,130,018	7,740,665

Acceptances arise when the Bank guarantees payments against documents drawn under letters of credit.

15 Share capital

	Authorised	Issued and fully paid	
		March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Ordinary shares of AED 1 each	4,810,000	4,810,000	4,810,000

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

16 Employees' incentive plan shares, net

The Bank has established an Employee Long Term Incentive Plan (the "Plan") to recognise and retain good performing key management employees. Under the Plan, the employees will be granted shares of the Bank when they meet the vesting conditions.

Vesting conditions – Three years' service from the grant date or meeting special conditions during the vesting period (death, disability, retirement or termination)

The movement of plan shares is as follows

	March 31 2010 (unaudited)	December 31 2009 (audited)
Shares outstanding at January 1	13,173,328	14,346,260
Shares purchased during the period/year	19,478,668	-
Exercised during the period/year	-	(1,172,932)
	<hr/>	<hr/>
Outstanding at	32,651,996	13,173,328
	<hr/> <hr/>	<hr/> <hr/>
Exercisable at	-	-
	<hr/> <hr/>	<hr/> <hr/>
	March 31 2010 (unaudited) AED'000	March 31 2009 (unaudited) AED'000
Amount of "Plan" costs recognised in the statement of income	6,992	3,279
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

17 Capital notes

In February 2009, as part of the Government's strategy to respond to the global financial crisis, the Department of Finance, Government of Abu Dhabi subscribed for ADCB's Tier I regulatory capital notes with a principal amount of AED 4 billion (the "Notes"), along with such capital notes from other major commercial banks in Abu Dhabi.

The Notes are non-voting, non-cumulative perpetual securities for which there is no fixed redemption date, and are callable by the Issuer subject to certain conditions. The Notes are direct, unsecured, subordinated obligations of the Bank and rank pari passu without any preference among themselves and the rights and claims of the Note holders will be subordinated to the claims of Senior Creditors. The Notes bear interest at the rate of 6% per annum payable semi-annually until February 2014, and a floating interest rate of 6 month EIBOR plus 2.3% per annum thereafter. However the Bank may at its sole discretion elect not to make a coupon payment. The Note holders do not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date ("Non-Payment Event").

If the Bank makes a non-payment election or a non-payment event occurs, then the issuer will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Issuer ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

18 Interest income

	March 31 2010 (unaudited) AED'000	March 31 2009 (unaudited) AED'000
Loans and advances to banks	17,675	59,781
Loans and advances to customers	1,620,560	1,692,173
Investment securities	33,100	39,269
	<hr/> 1,671,335 <hr/>	<hr/> 1,791,223 <hr/>

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

19 Interest expense

	March 31 2010 (unaudited) AED'000	March 31 2009 (unaudited) AED'000
Deposits from banks	106,719	41,064
Deposits from customers	553,792	746,724
Debt securities issued and subordinated liabilities	25,885	177,570
Interest on mandatory convertible securities and long term notes	94,807	90,447
	<hr/>	<hr/>
	781,203	1,055,805
	<hr/> <hr/>	<hr/> <hr/>

20 Net fees and commission income

	March 31 2010 (unaudited) AED'000	March 31 2009 (unaudited) AED'000
Fees and commission income		
Retail banking fees	113,854	88,503
Corporate banking fees	82,348	78,413
Investment banking fees	17,935	40,456
Brokerage fees	1,553	2,370
Fees from trust and other fiduciary activities	7,024	6,653
Other fees	8,170	5,768
	<hr/>	<hr/>
Total fees and commission income	230,884	222,163
Fees and commission expenses	(21,197)	(18,194)
	<hr/>	<hr/>
Net fees and commission income	209,687	203,969
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period ended March 31, 2010 (continued)**

21 Impairment allowances

	March 31 2010 (unaudited) AED '000	March 31 2009 (unaudited) AED '000
Impairment allowance on doubtful loans and advances, net of recoveries (Note 6)	589,188	135,401
Impairment allowance on investment securities (Note 8)	34,992	111,253
Impairment allowance on credit default swaps (Note 23)	57,144	30,738
	<hr/> 681,324 <hr/>	<hr/> 277,392 <hr/>

22 Earnings per share

Basic

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

Ordinary shares that will be issued upon the conversion of Mandatory Convertible Securities (MCS) are included in the calculation of basic earnings per share.

	3 months ended March 31 (unaudited)	
	2010	2009
Net profit for the period attributable to the equity holders of the Bank (AED'000)	218,557	353,705
Add: Interest on MCS for the period	28,725	66,447
Less: Coupons paid on Capital notes (AED'000)	(122,667)	-
	<hr/> 124,615 <hr/>	<hr/> 420,152 <hr/>
Net adjusted profit for the period attributable to the equity holders of the Bank (AED'000) (a)	124,615	420,152
Weighted average number of shares in issue throughout the period (000's)	4,810,000	4,810,000
Add: Weighted average number of shares resulting from conversion of MCS (000's)	785,597	785,597
Less: Weighted average number of shares resulting from employees' incentive share plan (000's)	(24,618)	(14,346)
	<hr/> 5,570,979 <hr/>	<hr/> 5,581,251 <hr/>
Weighted average number of potential equity shares in issue during the period (000's) (b)	5,570,979	5,581,251
	<hr/> 0.02 <hr/>	<hr/> 0.08 <hr/>
Basic earnings per share (AED) (a)/(b)	0.02	0.08

23 Commitments and contingent liabilities

The Bank had the following commitments and contingent liabilities at:

	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Commitments on behalf of customers		
Letters of credit	3,635,141	4,107,386
Guarantees	15,466,994	16,077,519
Commitments to extend credit – Revocable	4,647,501	4,791,152
Commitments to extend credit – Irrevocable	15,272,663	18,820,730
Credit default swaps	1,831,319	2,007,017
	<hr/>	<hr/>
	40,853,618	45,803,804
Others		
Commitments for future capital expenditure	173,308	190,920
Commitments to invest in investment securities	245,903	245,409
	<hr/>	<hr/>
	41,272,829	46,240,133
	<hr/> <hr/>	<hr/> <hr/>

The Bank's total exposure in credit default swaps net of provisions amounted to AED 1,831,319 thousand. During the period, an amount of AED 57,144 thousand (Note 21) has been provided (March 31, 2009 – AED 30,738 thousand) towards expected calls against impaired credit default swaps based on the independent advisors' reports and recommendations.

24 Business segments

The Bank has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segmental Reporting) required an entity to identify two set of segments that is business and geographical segment. As a result, following the adoption of IFRS 8, the identification of the Bank's reportable segment has changed.

In prior years, segment information reported externally was analysed on the basis of commercial banking and investment banking. However, information reported to the Management Executive Committee of the Bank as the Chief Operating Decision Maker of the Bank, for the purpose of resource allocation and assessment of performance is more specifically focused on the business segments of the Bank. The business segments as reported under IFRS 8 are wholesale banking, consumer banking and investment and treasury banking. Assets, liabilities and performance information that are not allocated to segments are presented in the following table as corporate support.

Information regarding these segments is presented below. Amounts reported for the prior period have been redesignated to conform to the requirements of IFRS 8.

24 Business segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three months period ended March 31, 2010 (unaudited):

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
Net interest income after distribution to depositors	<u>374,611</u>	<u>277,612</u>	<u>196,930</u>	<u>22,540</u>	<u>871,693</u>
Non-interest income	<u>133,237</u>	<u>116,991</u>	<u>12,086</u>	<u>27,778</u>	<u>290,092</u>
Share of profit of associate	<u>8,983</u>	<u>99,047</u>	<u>-</u>	<u>-</u>	<u>108,030</u>
Impairment allowance on loans and advances	<u>(193,299)</u>	<u>(395,889)</u>	<u>-</u>	<u>-</u>	<u>(589,188)</u>
Impairment allowance on available for sale investments and credit default swaps	<u>-</u>	<u>(12,997)</u>	<u>(79,139)</u>	<u>-</u>	<u>(92,136)</u>
Depreciation and amortization	<u>(17,382)</u>	<u>(3,365)</u>	<u>(2,515)</u>	<u>(639)</u>	<u>(23,901)</u>
Other operating expenses	<u>(204,044)</u>	<u>(90,144)</u>	<u>(25,538)</u>	<u>(17,777)</u>	<u>(337,503)</u>
Net profit before taxation	<u>102,106</u>	<u>(8,745)</u>	<u>101,824</u>	<u>31,902</u>	<u>227,087</u>
Taxation	<u>-</u>	<u>(2,078)</u>	<u>-</u>	<u>-</u>	<u>(2,078)</u>
Net profit after taxation	<u>102,106</u>	<u>(10,823)</u>	<u>101,824</u>	<u>31,902</u>	<u>225,009</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,502</u>	<u>24,502</u>
As at March 31, 2010 (unaudited)					
Segment assets	<u>60,620,133</u>	<u>67,767,836</u>	<u>33,844,147</u>	<u>1,469,361</u>	<u>163,701,477</u>
Segment liabilities	<u>25,260,910</u>	<u>35,611,519</u>	<u>83,369,688</u>	<u>203,245</u>	<u>144,445,362</u>
As at December 31, 2009 (audited)					
Segment assets	<u>59,106,435</u>	<u>68,474,440</u>	<u>31,180,835</u>	<u>1,447,068</u>	<u>160,208,778</u>
Segment liabilities	<u>23,741,334</u>	<u>34,413,534</u>	<u>82,679,810</u>	<u>283,981</u>	<u>141,118,659</u>

24 Business segments (continued)

The following is an analysis of the Bank's revenue and results by operating segment for the three months period ended March 31, 2009 (unaudited):

	Consumer Banking AED' 000	Wholesale Banking AED' 000	Investments and Treasury AED' 000	Corporate Support AED' 000	Total AED' 000
Net interest income after distribution to depositors	<u>298,543</u>	<u>174,498</u>	<u>217,486</u>	<u>17,862</u>	<u>708,389</u>
Non-interest income	<u>90,766</u>	<u>132,125</u>	<u>27,645</u>	<u>26,502</u>	<u>277,038</u>
Share of profit of associate	<u>-</u>	<u>22,260</u>	<u>-</u>	<u>-</u>	<u>22,260</u>
Impairment allowance on loans and advances	<u>(104,429)</u>	<u>(30,972)</u>	<u>-</u>	<u>-</u>	<u>(135,401)</u>
Impairment allowance on available for sale investments and credit default swaps	<u>-</u>	<u>-</u>	<u>(141,991)</u>	<u>-</u>	<u>(141,991)</u>
Depreciation and amortization	<u>(13,606)</u>	<u>(2,233)</u>	<u>(1,737)</u>	<u>(382)</u>	<u>(17,958)</u>
Other operating expenses	<u>(196,703)</u>	<u>(99,857)</u>	<u>(44,692)</u>	<u>(16,044)</u>	<u>(357,296)</u>
Net profit before taxation	<u>74,571</u>	<u>195,821</u>	<u>56,711</u>	<u>27,938</u>	<u>355,041</u>
Taxation	<u>-</u>	<u>(1,349)</u>	<u>-</u>	<u>-</u>	<u>(1,349)</u>
Net profit after taxation	<u>74,571</u>	<u>194,472</u>	<u>56,711</u>	<u>27,938</u>	<u>353,692</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,599</u>	<u>136,599</u>

25 Capital adequacy

The ratio calculated in accordance with Basel II is as follows:

	Basel II	
	March 31 2010 (unaudited) AED'000	December 31 2009 (audited) AED'000
Tier 1 capital		
Share capital	4,810,000	4,810,000
Statutory and legal reserves	2,627,979	2,627,979
General and contingency reserves	2,150,000	2,150,000
Foreign currency translation reserve	(144,087)	(353,736)
Retained earnings	1,288,406	1,360,623
Non-controlling interest in equity of subsidiaries	73,265	69,087
Employees' incentive plan shares	(53,531)	(13,438)
Mandatory convertible securities	4,730,269	4,742,932
Capital notes (Note 17)	4,000,000	4,000,000
Less: Investments in associates (50%)	(2,448,951)	(2,291,330)
Less: Securitization exposures (due to rating migration)	(102,957)	-
	16,930,393	17,102,117
Tier 2 capital		
Collective impairment allowance on loans and advances (Note 6)	1,723,133	1,504,854
Cumulative changes in fair value	(129,800)	(194,279)
Long term borrowings (Note 13)	6,617,456	6,617,456
Subordinated floating rate notes (Note 13)	1,216,865	1,328,891
Less: Investments in associates (50%)	(2,448,950)	(2,291,329)
Less: Securitization exposures (due to rating migration)	(102,957)	-
	6,875,747	6,965,593
Total regulatory capital	23,806,140	24,067,710
Risk-weighted assets:		
Credit risk	127,139,302	126,294,138
Market risk	3,197,263	6,523,298
Operational risk	5,896,808	5,657,608
Total risk-weighted assets	136,233,373	138,475,044
Capital adequacy ratio	17.47%	17.38%

The capital adequacy ratio was above the minimum requirement of 11% for March 31, 2010 (December 31, 2009 – 11%) stipulated by the U.A.E. Central Bank.

26 Event after the reporting period

At April 01, 2010 the Bank increased the ownership interest in the subsidiary Abu Dhabi Risk & Treasury Solutions L.L.C. The bank shared its profits with the non-controlling interest of Abu Dhabi Risk & Treasury Solutions L.L.C in accordance with a separate agreement and as from April 01, 2010 the Bank increased its profit sharing to 100% from 51%.

27 Approval of financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on April 27, 2010.